

## Africa Group perspective on Financing for Development Conference

### I. Introduction

1. Africa emphasizes the importance of achieving an ambitious outcome document in Addis Ababa, given the need to review the progress in the implementation of the Monterrey Consensus and the Doha Declaration, reinvigorate and strengthen the financing for development follow-up process, identify obstacles encountered for the achievements of the goals therein and actions to overcome these constraints, as well as support the implementation of the post-2015 development agenda.
2. We adhere to the Monterrey structure with two addition pillars; on technology, innovation and capacity building and; on monitoring, data and follow-up.
3. We stress that the FFD outcome should take into account the principle of common but differentiated responsibilities, as well as the right to development.
4. We stress also the importance to fully respect the development policy space of developing countries to make use of policy tools and measures that are required to implement their policies for poverty eradication and other developmental plans and programs.
5. The Addis Ababa outcome document shall include significant financial and non-financial commitments from variety of sources addressing, among others, the issues of infrastructure, industrial diversification, trade, economic transformation, rural development and agriculture, education, health, women and youth, children, debt cancellation and alleviation, technology facilitation mechanism, capacity building, repatriation of illicit financial flows, reform of the institutions of global governance on economic and finance, strengthening cooperation in the fields of taxation, commodity price volatility, exchange rate, and data revolution, in order to support the efforts of African countries to achieve sustainable development goals.
6. We emphasize on the need to analyze the financial gap for the implementation of the post 2015 development agenda, for and significantly mobilize ~~ation~~ of resources from a variety of sources and also stress that greater coherence and coordination among the various funding mechanisms and initiatives are crucial.
7. We call upon developed countries to agree and commit to a new phase of international cooperation through a strengthened and scaled-up global partnership for development, which should be the centrepiece and anchor for both completing the unfinished business of the MDGs and implementing the post-2015 development agenda, taking into account the lessons learnt from the gaps in the implementation of MDG8.
8. We highlight the importance to take into account the specificity of Africa efforts at regional and sub-regional level namely through Agenda 2063, the new shared continental

socio-economic transformation framework and its continental programmes embedded in NEPAD.

9. We highlight that peace and development are mutually reinforcing, therefore, we should pursue our shared vision for a better future, by eradicating poverty, reducing inequality among and within countries, and address the root causes of conflicts.

## **II. Domestic public financing**

10. Africa is committed to act on financing for sustainable development through the Common African Position, including on domestic resource mobilization, addressing corruption, illicit financial flows, governance, ~~macroeconomic stability~~, and reiterates each country's responsibility for decision-making on the domestic environment.

11. We reaffirm the principles of the Monterrey Consensus and the Doha Declaration on Financing for Development highlighting key actions to be taken to improve the mobilization of domestic resources for development; including emphasizing principles of national ownership in raising domestic resources and creating national wealth through productive enterprises such as agriculture and mining and by undertaking tax reforms that are fair, efficient and transparent, and that broaden the tax base based on equitable outcomes.

12. We highlight that the excessive granting of tax exemptions, particularly to Multinational corporations engaged in extractive activities, must be revised both to increase available tax revenues and to improve transparency of tax systems.

13. We call also for the support to strengthen institutional capacities to deal decisively and effectively with private sector practices aimed at tax evasion, in particular transfer pricing and trade mispricing, including by reinforcing the capacities of customs authorities, national judicial systems and law enforcement agencies to pursue and punish transgressors.

14. We see the merit for developing instruments to better manage revenue volatility, strategies to reduce dependence on commodities and diversify the economies, and develop intra-African trade.

15. We are of the view that beneficiation, valorization and value addition of African natural resources will translate into substantially improved fiscal positions for governments. In this regards, we call for the International community to support African countries efforts to Develop human resource capacities for better contract negotiation, elaborate standard contract arrangements, and facilitate increased participation by local communities, as well as new revenue (derived from royalties, income tax, land tax and lease rents, etc.) distribution mechanisms for sharing and retention within local communities, portions of centrally collected rents.

16. We support measures to enhance corporate transparency and accountability of all companies, taking into account the fundamental principles of domestic law. In particular, International companies should report to tax authorities where they make their profits and pay their tax, ~~to help address tax avoidance~~, base erosion and profit shifting. We call also for countries to join on voluntary basis, initiatives, including, inter alia, the Extractive Industries Transparency Initiative.

### **III. International public finance**

17. We believe that the International public finance should complement and facilitate national efforts. Long term investments, including FDI are needed in critical sectors, especially in sustainable energy, infrastructure and transport, information and communications technologies as well as the diversification of the African economies.

18. For many countries in Africa, Least Developed Countries; Small Island Developing States and Landlocked Developing Countries, ODA is still the largest source of external financing and is critical for the eradication of poverty. ODA flows have not reached the expected levels in recent years. More must be done to honor by 2018 the existing ODA commitments of 0.7 to developing countries, with 0.15-0.20 of GNI to LDCs.

19. We emphasize that the proposal of redefining the parameters and objectives of ODA and its criteria of allocation should be discussed openly and transparently and agreed upon by all member States under the auspices of the UN.

20. We urge developed countries to substantially increase their ODA with a view to implementing by 2020 their commitment to allocate 1 per cent of GNI as ODA to developing countries. We urge developed countries to allocate 50 per cent of the ODA to the least developed countries with a focus on agriculture and rural development as this presents the aspects that will deliver impact onto major part of the most vulnerable and poor populations. To do so, we need to develop statistical indicators to closely follow the disbursement of ODA coming in through both government-to-government bilateral agreements and through the NGOs and CSOs.

21. We shall pursue these efforts in the Development Cooperation Forum of the Economic and Social Council and in other relevant fora, such as the Global Partnership for Effective Development Cooperation, in a complementary manner. In this regards, we underline continuous efforts to be made to improve quality of ODA by reducing fragmentation, avoid conditionality and ensuring predictability.

22. We underline the importance of regional integration as a fundamental tool for realizing development effectiveness for inclusive growth and development in Africa. Development cooperation should therefore fully recognize the role of regional integration for national development. This should also take into account investment financing needs for trans-boundary and multi-national infrastructural systems.

23. We underline that regional investments in key priority sectors require the expansion of innovative financing mechanisms, ~~such as the leveraging of Aid to mobilize private financing~~ and the possibility for multilateral institutions to directly support regional organizations particularly the RECs.

24. We call upon Africa's development partners to align their support to the Continent's priorities as articulated in Agenda 2063, and call on regional and multilateral development banks, to address gaps in trade and transport related regional infrastructure.

25. We note with concern that the lack of early stage project preparation support, alongside the capacity constraints to render such support, is key obstacle for the implementation of infrastructure development. We call for the increased support project preparation facilities (PPFs), such as the NEPAD Infrastructure Project Preparation Facility (IPPF).

26. We recognize the central role of SMEs for jobs creation, industrial transformation and sustainable development for Africa. As such, we call upon the international community to support entrepreneurship and SME development, namely through finance funds (both debt and equity), guarantee and risk-sharing and technical assistance funds.

27. We welcome the AfDB's initiative to establish Africa50 as an infrastructure investment platform designed to significantly narrow the infrastructure gap for project finance.

28. We recognize that South-South Cooperation is an essential component of international cooperation as it offers viable opportunities for countries of the global South to explore new avenues for technical collaboration as a part of North-South and triangular engagement. However, we maintain that South-South cooperation is only a complement, not a substitute to North-South cooperation.

29. We acknowledge the importance of climate change in the context of FFD and recognize the UNFCCC as the main multilateral platform for discussions on climate finance and looks forward for a new universal binding agreement on climate change at the Conference of Parties in 2015. Nevertheless the FfD process must acknowledge the urgency of expediting the process of operationalizing the Green Climate Finance Fund under UNFCCC and for its early capitalization, and must call upon developed countries to meet the goal of mobilizing \$100 billion each year by 2020 to address the needs of developing countries.

30. We underline that Climate finance must not be double counted as ODA and therefore must be considered as separate from and additional to ODA.

31. We call for the need to critically address the difficulty for African countries to get access to Global Funds.

#### **IV. Mobilizing international resources for development: foreign direct investment and other private flows.**

32. We underscore the need to sustain sufficient and stable private financial flows to developing countries, in particular African countries. It is important to promote measures in source and destination countries to improve transparency and the information about financial flows. Measures that mitigate the impact of excessive volatility of short-term capital flows are important and must be considered.

33. We call on Private investors to ensure that their investment decision making is not based on profit only, but must take into account the developmental, social, gender and environmental implications of their investments, while protecting labor rights.

34. We encourage IFIs and development banks to promote SME finance through investments and technical assistance, and will make use of regional and international fora to review progress and share lessons learned.

35. We invite Development banks to channel the resources of long-term institutional investors towards sustainable development sectors.

36. We recognize that Public-private partnerships can play a catalytic role in mobilizing private flows in complex and large-scale infrastructure projects.

37. Regional development banks should in particular upscale their operation, including concessional loans and technical support for projects in infrastructure areas where private sector investment has in the past been limited.

38. We underline that there could be a significant boost in mobilizing domestic resources if illicit financial flows and tax evasion could be curtailed. A report published by the AU High-level Panel led by former President Thabo Mbeki estimates that Africa loses US\$50 billion year in illicit financial flows to developed countries, resulting in drainage of foreign reserves, reduced tax collection, cancellation of investment inflows and increased poverty. This represents a significant threat to governance and economic development in Africa. Therefore, we call for strong actions and **commitments** by the international community to curtail, reverse and facilitate asset recovery and repatriation of funds to countries of origin.

39. We call for the reduction to less than 3 per cent the transaction costs of migrant remittances and eliminate remittance corridors with costs higher than 5 per cent, bearing in mind that remittances cannot be considered a substitute for international public and private finance.

#### **V. Trade**

40. Trade is an important engine of economic growth and development, and creates employment, decent work, combat inequality, and is particularly important in agriculture and the global food system and the diversification of rural and national economies.

41. We acknowledge that an improvement in trade related issues requires an international and domestic policy environment that effectively enables private investment, with appropriate infrastructure for trade and an adequately trained workforce.

42. We call for the need to address issues of particular concern to African countries in international trade to enhance their capacity and finance their development, including trade barriers, trade-distorting subsidies and other trade-distorting measures, sanitary and phytosanitary measures; the lack of recognition of intellectual property rights for the protection of traditional knowledge and folklore; the transfer of knowledge and technology.

43. We underline the imperative for a universal, rules-based, open, non-discriminatory and equitable multilateral trading system that can serve as an engine of economic growth and promote sustainable development. Therefore we call for the conclusion of the Doha Development Round of Negotiations, and emphasize on the need to take into account the implementation of the principle of special and differential treatment for developing countries, in particular LDC, LLDCs and SIDs.

44. We call for the commitment of developed countries to support the increase of exports of developing countries, in particular to double the least developed countries share of global exports by 2020.

45. We call for the reform of the international financial and monetary system and highlight the need to address the exchange rate issue and develop a new mechanism for loans in domestic currencies.

46. We insist on the need to improve global market by promoting appropriate policies, **in particular developing risk management mechanism** that will help to minimize the adverse effects of the increase in prices and price volatility, as well as to avoid exacerbating the crisis and reinforce market integration in Africa, at the domestic and regional levels.

47. We call for additional aid for trade to African countries, in particular to the LDCs, LLDCs and align it with national and regional integration strategies, including by increasing support to the Enhanced Integrated Framework, and support to the CAADP target to increase public budget allocation to agriculture as well as to increase the grant component of Aid for Trade.

48. We call for the International financial institutions, and the regional development banks, to actively support projects that accelerate sub-regional and regional integration in Africa, including by supporting intra-African trade and enhancing Africa's participation in the Global Supply Chain system.

49. We highlight the need to invest in productive capacity and institutional building. Donors to support greater action on infrastructure related support and trade related

assistance. A greater proportion of ODA should focus on industrialization, economic infrastructure and technology.

## **VI. External Debt**

50. We underline the need to seriously tackle the recurrence of unsustainable levels of debt and take necessary actions.

51. In this regards, we should put in place mechanisms to resolve the current debt problems of developing countries, particularly for Africa countries, the least developed countries, SIDs, including through cancellation of bilateral and multilateral debt in accordance with UN General Assembly resolution 68/224.

52. We demand flexibility with regards to the eligibility criteria of debt relief under the Heavily Indebted Poor Countries Initiative (HIPC) and the Multilateral Debt Relief Initiative (MDRI).

53. We call upon bilateral donors and multilateral financial institutions to provide, particularly to least developed countries, low-income **and middle** countries, grants and concessional loans as the preferred modalities of their financial support instruments to ensure debt sustainability.

54. We also stress that the resources provided by developed countries for debt relief should not be detracted from ODA.

55. We stress that the resolution of sovereign debt crisis is currently governed by a loose set of mechanisms. In this regard, we welcome the fact that the Ad Hoc Committee on Debt Restructuring Mechanism started its work on establishing a multilateral legal framework.

## **VII. Systemic Issues**

56. We underline the importance of complementing national development efforts by improving the global economic governance and enhancing the coherence and consistency of the international monetary, financial and trading systems.

57. We call for a coherent policy and program coordination of international institutions at the operational and international levels to meet the Sustainable development goals, and underline the need to strengthen the United Nations leadership role in promoting development.

58. We stress the need for multilateral financial institutions, in providing policy advice and financial support, to work on the basis of sound, nationally owned paths of reform, and to pay due regard to the special needs and implementing capacities of African countries.

59. We call upon the international financial and monetary system to decisively counter the trends of increased levels of exchange rate volatility that have a strong impact on trade performance by constricting levels of domestic investment, destabilizing relative prices of export products, increasing the cost of access to finance for production and shifting the value of market access concessions. In this regards, we underline the need develop a new mechanism for loans in domestic currencies.

60. We call for a Strengthened role of the UN in promoting international cooperation on tax matters, including setting up an intergovernmental tax body, and for international tax treaties to be revised to give preference to paying taxes in source countries.

61. We stress the need to address the proliferation of tax havens, secrecy jurisdictions, and offshore financial centers by enhancing international cooperation in order to tackle the trend of private company avoidance of tax payments.

62. We call for greater and equitable representation of African Countries and LDCs on IMF and World Bank Global standards and monitoring bodies. In particular we highlight the need to:

- Make the double majority voting process at the IMF – which requires relevant majorities of both votes and countries for all decisions – should be the standard to ensure that developing countries have a fair voice;
- The World Bank should implement equality in voting shares between borrowing and non-borrowing countries, as a first step towards more significant reform;
- All international financial institutions should abide by basic transparency standards, as set out in the Transparency Charter for International Financial Institutions.

63. We call for the establishment of measures to avoid the spillover effects of global financial crises to developing countries.

### **VIII. Science, Technology, Innovation and Capacity-building**

64. Science, Technology and Innovation are a multifunctional tools and enablers for achieving development goals. In Africa, particularly, achieving sustained growth, competitiveness and economic transformation will require investments in and access to technologies and innovations in areas such as industrialization, agriculture, infrastructure, clean energy, education, health, water among others.

65. We highlight the need to foster linkages between multinational companies and the domestic private sector, specifically facilitating the transfer of knowledge and skills to the region.

66. We call also for investors to integrate local businesses into their value chains, and provide educational, training and employment opportunities.

67. We underline the need for the enhancement, development, transfer and diffusion of technology and innovation in line with each country's development needs; for strengthening the science and technology component of education curricula; and call for the Establishment of an innovation funds to support innovative enterprises in the early stages and during commercialization stage of the technology.

68. We underline the need to establish a coordinated approach to create the necessary critical mass of scientists, and computer engineers. The focus on human capacity development will be at both secondary and higher education levels (including TVETs) with the aim of popularizing science, technology, innovation and ICT research as potential career paths.

69. We underline the critical importance for the establishment of a facilitation mechanism to promote the development, transfer and dissemination of clean and environmentally sound technologies to developing countries on concessional and preferential terms.

70. We call for the establishment of an online platform to map existing technology facilitation initiatives, enhance international cooperation and promote networking and information sharing, knowledge transfer and technical assistance.

71. Recalling the Istanbul Program of Action, on an international level, we call for the expeditious and full operationalization of the technology bank and the science, technology and innovation supporting mechanism dedicated to LDCs by 2017.

72. We call also for the commitment of the international community to promote the ICT infrastructure development and capacity building in LLDCs, in particular a universal broadband policy, as agreed in the Vienna Program of Action for Landlocked Developing Countries.

73. We call for a flexible intellectual property rights (IPR) regimes to facilitate the dissemination and transfer of technology to African countries.

74. We call for the transfer of appropriate technologies to African countries in order to build new industries at the national and regional level, such as the solar PV, wind turbines and others.

75. We encourage north-south, south-south and triangular cooperation in sharing knowledge, skills, and expertise.

76. We encourage United Nations specialized agencies, funds and programs with technology based mandates to further promote the development and diffusion of relevant technologies through their respective work program.

77. Capacity Development is the core vehicle to actualize the Continent's exit strategy from Aid and take full control of its development. Africa has recognized Capacity Development as an agenda in its own right and has set its own priorities with the

Capacity Development Strategic Framework (CDSF) adopted by the 14th African Union Summit of February 2010, as Africa's common reference and policy guide on building, harnessing, nurturing, utilizing, adding value and retaining capacity.

78. We underline the critical need to reinforce national efforts in developing countries in areas such as institutional infrastructure, human resource development, public finance, mortgage finance, financial regulation and supervision, agriculture productivity, SMEs, basic education in particular, public administration, social and gender budget policies, early warning and crisis prevention, and debt management. In that regard, particular attention is required to address the special needs of Africa, the least developed countries, Small Island developing states, landlocked developing countries, countries in conflict, post-conflict countries.

79. We emphasize the need for enhanced capacity building for sustainable development and, in this regard, we call for the strengthening of technical and scientific cooperation, including North-South, South-South and triangular cooperation.

80. We also underline the need to critically support human and institutional capacity building initiatives towards better access and absorption of climate finance at national and regional levels.

#### **IX. Monitoring, Data and follow-up**

81. We need to strengthen the Statistical Commission of the United Nations and open it for the participation of all member states.

82. We need to establish under the auspices of the Statistical Commission of the United Nations, a comprehensive program of action on data, building of a global consensus, applicable principles and standards for data.

83. We call for increased financing support to enhance and expend statistical capacities in African countries including critical needs for capacities to produce, collect, disaggregate, analyze and share the data crucial to the new agenda.

84. We must, in close cooperation with country experts, do an in-depth analysis of the existing data and information gaps, **including on consumption**, and thus determine the scale of the investments needed to establish a modern monitoring system for the achievement of the sustainable development goals.

85. We support creating adequate follow-up mechanisms for monitoring progress and holding stakeholders accountable in the implementation of commitments including the private sector.

86. We suggest that the High Level Political Forum (HLPF) should be considered among the options for monitoring FfD commitments, and the complementarity and integration of

the FfD follow up mechanisms with other related processes, such as the Post 2015 development agenda.

87. We also highlight the need to strengthen the regional components of the follow-up process, through continental organizations.