



Third International Conference Financing for Development

Addis Ababa, 13-16 July 2015

Summary of plenary

The Third International Conference on Financing for Development was held in Addis Ababa from 13 to 16 July 2015. The Conference was attended by the Minister of Ethiopia and the Minister of State or Government, 60 Heads of State or Government, 623 vice-ministers for finance and other high-level officials. The President of the United Nations, the President of the African Union, the President of the Organization of Islamic Cooperation and the Director-General of the World Trade Organization made statements. Statements were also made by the President of the Social Council, the Director-General of the United Nations Trade and Development Programme, and the Director-General of the United Nations Development Programme. Spokespersons for the United Nations, the African Union, the World Trade Organization and the Business Forum also made statements.

In their statements, the Heads of State or Government emphasized the importance of the implementation of the Millennium Development Goals and the Sustainable Development Goals for Development, identified **the major obstacle** to achieving the Sustainable Development Goals as the lack of financing, and proposed actions and **initiatives to overcome** this obstacle. They also identified new challenges and **emerging issues** in the area of development finance, as well as the **importance of** financing objectives across **the three pillars** of sustainable development supporting the United Nations **post-2015 development agenda**.

Member States **emphasized that** the current global economic situation is a major obstacle in time, when the **international community** is required to achieve sustainable development. **There is a need for** global action. The Conference **should** be a landmark event, a Summit for the Adoption of the **Post-2015 Development Agenda** outcome to the United Nations **Climate Change Conference**. The Addis Ababa **Declaration** highlighted that the **Addis Ababa Declaration** is a holistic financing framework **for the implementation** of the Sustainable Development Goals and the post-2015 development agenda. A strong follow-up process will be established. Member States recommitted themselves to achieving the Sustainable Development Goals and sustainable development.



trillions of dollars annually. Moreover, there were significant additional financing needs for the provision of climate-related and other global public good financing. At the same time, small and medium-sized enterprises, which were crucial for job creation, faced enormous credit shortages.

In this connection, participants highlighted that least developed countries, small island developing States, landlocked developing countries and countries emerging from conflict faced unique challenges that resulted in specific financing needs. Many participants highlighted that financing needs in middle-income countries also needed to be addressed.

However, many Member States argued that the challenges were surmountable and that global public and private savings were sufficient to meet them. Solutions would lie in using all sources of finance — public, private, domestic and international — and new and effective policies, regulations and initiatives aimed at changing existing patterns of allocation and consumption and production patterns. In this connection, speakers recognized the central role of public policies in sustainable development, in particular to ensure long-term growth, inclusiveness, equity and environmental protection. Member States further emphasized the need to pay special heed to the most vulnerable countries and welcomed the decision in the Addis Ababa Action Agenda to set up investment promotion regimes for least developed countries.

Speakers highlighted the key role of public resource mobilization. It was noted that important progress had been made in developing countries since the adoption of the Monterrey Consensus with regard to increased levels of domestic savings and greater mobilization of domestic revenues. However, many countries were still facing constraints in raising revenue because of weak tax administrative capacity, the size of the tax base, tax elasticity and the volatility of sectors being taxed. Some participants pointed to the potential for official development assistance to develop capacities in the revenue and customs sectors in developing countries.

It was noted that combating tax avoidance and evasion would result in significant gains in revenue mobilization in developing countries. However, participants emphasized that there were limits to the revenue that could be raised from domestic improvements of tax policies and administration. In particular, 1rI2.4)-5erbl32(ed tolr-.3(e087 -1.

criteria, along with the rules related to access to affordable international public financing, should be reassessed.

There were strong calls on donors to meet their existing aid commitment within clear timelines. It was noted with great concern that the share of official development assistance, allocated to least developed countries had fallen. Many participants also stressed the need for donors to increase official development assistance for least developed countries to 0.2 per cent of their gross national income. Several countries called on donors to spend 50 per cent of their official development assistance on least developed countries. It was also emphasized that policy coherence, untying of aid, harmonization of aid modalities and country ownership were essential for enhancing aid effectiveness. Several countries expressed their view to maintain the current definition of official development assistance.

Speakers called on donor countries to meet their pledge to provide new and additional resources rising to \$100 billion per year by 2020 to support concrete climate mitigation actions by developing countries. Calls were made to further increase support for climate change adaptation efforts in least developed countries. There was a need to further explore innovative sources of financing for sustainable development to complement official development assistance, such as financial transaction tax.

Member States highlighted the growing potential of South-South cooperation as a complement to North-South cooperation. Its underlying principles lay emphasis on national sovereignty, common interests and partnership. Speakers referred to new initiatives such as the Africa 50 Infrastructure Fund, the Asia Infrastructure Investment Bank and the New Development Bank, which could mobilize resources to support investment into key areas of sustainable development, particularly infrastructure.

Participants highlighted that private investment was an important driver of domestic growth and job creation. However, they noted that the financial system did not allocate enough resources to areas critical to sustainable development, such as infrastructure, small and medium-sized enterprises and financial services for all. More needed to be done to encourage adequate resources into appropriate long-term investment, such as infrastructure. In this regard, participants welcomed the call for the establishment of a global infrastructure forum to improve alignment and coordination among established and new infrastructure initiatives and to ensure that no country was left behind. There were calls for policy oversight to encourage investment that reduced poverty, enhanced social inclusion, provided decent work, raised real incomes and ensured environmental sustainability. Some speakers noted that blended finance, including private-public partnerships, could unlock additional resources for sustainable development. It was important, however, to develop a well-regulated framework for public-private partnerships that balanced risk for all partners involved and ensured affordability, access and equity.

Many Member States emphasized that public policies should target inappropriate policy distortions and introduce effective incentives to private actors in support of the sustainable development goals. Member States also stressed the importance of developing local capital markets and financial systems for long-term investment within a sound regulatory framework that was aimed at balancing stability with access to credit and other financial services.

Speakers noted the potential of foreign direct investment in promoting sustainable development, especially greenfield foreign direct investment to developing countries. It was noted that this form of investment was likely to have a larger impact on growth than mergers and acquisitions. Some countries expressed their concern that much of foreign direct investment was heavily concentrated in extractive sectors and in a limited number of countries.

It was noted that the share of developing countries in global trade had grown significantly over the past two decades. However, progress in global negotiations on strengthening international trade rules had been slow. As a result, bilateral, regional and interregional free trade and investment agreements had proliferated and developing countries found it increasingly difficult to navigate a highly fragmented international trade and investment regime. On a positive note, speakers welcomed the 2013 Bali Package, which included important elements to improve the trading ability of least developed countries, including steps on agriculture, such as public stockholding for food security and the Agreement on Trade Facilitation. There were also calls for the full and timely implementation of duty-free, quota-free market access for all least developed countries. A few Member States spoke of the counterproductive nature of unilateral trade sanctions.

Speakers recognized the progress that had been made in the areas of debt and debt sustainability since Monterrey, but also expressed concern over the debt sustainability challenges that some countries faced. Participants emphasized the need to extend debt relief measures (e.g., debt-development swaps) to countries that were at risk of debt distress and were not covered by the Heavily Indebted Poor Countries Initiative and the Multilateral Debt Relief Initiative. Participants noted that both debtors and creditors shared responsibility for debt crises. Moreover, several speakers called for a fair, transparent and independent debt workout mechanism.

It was noted that to achieve the post-2015 development agenda, the international financial system needed to intermediate credit toward sustainable development in a more stable manner. While the global financial safety net had been strengthened, new coordination mechanisms had been established, and regulatory reforms had been initiated, vulnerabilities remained in the banking system and international capital flows continued to be extremely volatile. Many Member States noted that the current system of global economic governance needed reform. In this context, there were strong calls for an increased voice and participation of developing countries in economic decision-making and financial standard and norm setting.

There was a strong consensus that science, technology and innovation were of pivotal importance in addressing sustainable development challenges. Technological innovation and building technological capacities could help developing countries to catch up with developed countries. In this context, countries welcomed the new technology facilitation mechanism as a means to bridge the technology gap and promote policy actions — both national and international — in the areas of financing for technology, capacity-building and technology transfer. Member States also welcomed the decision in the Addis Ababa Action Agenda to operationalize the technology bank for least developed countries.

Finally, Member States emphasized that the new annual Financing for Development Forum provided the international community with a fresh opportunity to ensure an integrated and dedicated follow-up process on financing for development. High-quality disaggregated data for policymaking and monitoring

progress was crucial in this context. Consequently, Member States stressed the need to strengthen the capacity of national statistics systems.

In addition to strengthening the follow-up process, Governments and institutional stakeholders committed to translating the Addis Ababa Action Agenda into concrete national policies and measures in support of sustainable development. Several concrete commitments and deliverables were put forward to increase the level of development finance in support of the post-2015 development agenda. A list of new initiatives and commitments announced by Member States and other stakeholders in the plenary meetings and other events during the Conference is available on the website of the Conference.
