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# Third International Conference on Financing for Development

Addis Ababa, 13-16 July 2015

## Summary of plenary meetings

The Third International Conference on Financing for Development was held in Addis Ababa from 13 to 16 July 2015. The Conference was chaired by the Prime Minister of Ethiopia and included eight plenary meetings. A total of 18 Heads of State or Government, 6 Deputy Heads of State or Government, 66 ministers and 23 vice-ministers for foreign affairs, finance, development cooperation and trade and other high-level officials from 38 Governments made statements to the plenary. The President of the General Assembly, the Secretary-General of the United Nations, the President of the World Bank, the Director-General of the World Trade Organization and the Deputy Managing Director of the International Monetary Fund made statements. Statements were also made by the Vice-President of the Economic and Social Council, the Secretary-General of the United Nations Conference on Trade and Development and the Administrator of the United Nations Development Programme, speaking as the Chair of the United Nations Development Group. Spokespersons for the Addis Ababa Civil Society Forum and the International Business Forum also made statements.

In their statements, Member States took stock of the progress made in the implementation of the Monterrey Consensus and the Doha Declaration on Financing for Development, identified obstacles and constraints in their implementation, and proposed actions and initiatives to overcome them. Member States also addressed new challenges and emerging issues, including the need to tap all sources of development finance, as well as the importance of harnessing the synergies between financing objectives across the three dimensions of sustainable development and of supporting the United Nations post-2015 development agenda.

Member States emphasized that the Conference was held at a historic moment in time, when the international community was about to usher in a new era of sustainable development. There was a wide consensus that 2015 was a year of global action. The Conference should pave the way for a successful United Nations Summit for the Adoption of the Post-2015 Agenda in New York and a meaningful outcome to the United Nations Climate Change Conference in Paris. Member States highlighted that the Addis Ababa Action Agenda puts forward a cohesive and holistic financing framework for the implementation of the sustainable development goals and the post-2015 development agenda, as well as concrete deliverables and a strong follow-up process that would leave no one behind. In this regard, Member States recommitted themselves to a renewed Global Partnership for people-centred and sustainable development that empowered women and took special efforts to improve the lives of marginalized and vulnerable groups, including indigenous people, children and youth, displaced people and persons with disabilities.

Since the adoption of the Monterrey Consensus the world had made significant overall progress in mobilizing financial, economic and technical resources for development from an increased number of actors. Many developing countries had implemented policy frameworks that contributed to increased mobilization of domestic resources for development and higher levels of economic growth and social progress. The share of developing countries in world trade had increased and, while debt burdens remained, they had been reduced in many poor countries. These advances had contributed to notable progress towards the achievement of the Millennium Development Goals.

However, speakers emphasized that progress remained uneven and new challenges had emerged. Many developing countries continued to face significant challenges in reaching development goals. Some, in particular the most vulnerable countries, had even fallen further behind. Other persistent challenges included growing inequalities within many countries and the exclusion of women, as well as indigenous peoples and other vulnerable segments of the population.

In particular, many speakers emphasized the challenging global macroeconomic environment. Global growth had not recovered to pre-crisis levels. The world economy had experienced subdued growth and had been confronted with new challenges, including stock market volatility in emerging economies, debt crises in developed countries, rising debt burden in some small States and heightened geopolitical conflicts in different parts of the world. Participants also stressed that the employment situation remained a major weakness in both developed and developing countries. Risks and vulnerabilities in the international financial and economic system, many of which were exposed by the 2008 world financing and economic crisis, pointed to an unfinished agenda in strengthening the coherence and consistency of the international financial system in support of sustainable development. Shocks from financial and economic (including debt) crises, as well as from conflict, natural disasters, terrorism and disease outbreaks like the Ebola crisis, could spread rapidly in a highly interconnected and globalized world. There was wide agreement that future economic progress needed to be underpinned by strong commitments to inclusiveness, equity, protection and preservation of the planet, natural resources and biodiversity, as well as action against climate change. In that context, several Member States highlighted the principle of common but differentiated responsibilities.

In this context, Member States highlighted the importance of equitable, inclusive and sustainable economic growth. They emphasized that the Addis Ababa Action Agenda fully respected the spirit of the historic Monterrey Consensus and Doha Declaration on Financing for Development. While countries were responsible for their own economic and social development, national efforts needed to be supported by an enabling international economic environment. Numerous speakers expressed their commitment to the Agenda 2063 for Africa and its shared strategic framework for inclusive growth and sustainable development.

Speakers stressed that financing needs for the post-2015 development agenda and the sustainable development goals were enormous. Much more had to be spent on the provision of basic social services and social safety nets. Global infrastructure investment needs, including water, energy, transport and other sectors, amounted to 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, it was stressed that large amounts of money were lost to illicit financial flows, including tax-related flows. There were many calls for greater international tax cooperation to stem the tide of illicit financial flows and harmful tax competition. Many speakers welcomed ongoing efforts on international tax cooperation, including through the Committee of Experts on International Cooperation in Tax Matters and the base erosion and profit-shifting initiative of the Organization for Economic Cooperation and Development and the Group of 20. Many Member States emphasized the importance of upgrading the United Nations Committee of Experts on International Cooperation in Tax Matters into an adequately resourced intergovernmental body to ensure the voice of developing countries in global norm deliberations.

There was wide agreement that official development assistance would continue to be an essential financing source for developing countries, especially for countries with special needs, such as the least developed countries, small island developing States, countries emerging from conflict and other vulnerable countries. Moreover, it was noted that even after graduation to middle-income status, many countries would need access to international public finance and that graduation 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 adaption 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.