Towards a Common African Position on Financing for Development: Governments and Civil Society Debate in Addis Ababa

From 23 to 24 March in Addis Ababa, Ethiopia, the Regional Consultation towards the Third Conference on Financing for Development was convened by the UN Economic Commission for Africa (UNECA) and the African Union. Bringing together government representatives from throughout the African continent, with a range of civil society, UN, and academia, these consultations elaborated African positions on essential elements of the agenda towards the Third Conference on Financing for Development (FfD3). During the afternoon of 24 March, an "interaction with civil society" was organized, featuring perspectives from Tax Justice Network-Africa (TJN-A) and Third World Network-Africa (TWN-A) as well as a spirited exchange on fundamental financing priorities for the African continent.

The discussions at the regional consultations initially floundered, due to a lack of clarity on the purpose of the meeting: was it to identify ways Africa as a region could support its own development and structural transformation, or to elaborate shared positions to take forward into the global FfD discussions? The intended outcome of the consultation, a chair's summary prepared by UNECA as the Secretariat, was essentially rejected by delegates present, who challenged the description of non-existent intergovernmental consensus and the lack of resonance between the discussions in the room and the initial draft presented by the Secretariat. The summary was subsequently amended, but an alternate outcome, which "takes into account" the discussions at the regional consultation, was presented by lead negotiators of the Africa Group (based at their country's missions to the UN in New York) during the AU-ECA Conference of Ministers. This document, *Financing for Development: Africa's priorities*, was endorsed by the ministerial statement (the outcome of the Conference) endorsed this document (rather than the chair's summary). The statement indicates its intention to build upon this "living document" to enable "Africa to continue to speak with one voice" throughout the FfD3 process.

The need for a strong regional position on FfD3 is clear, as the abovementioned political confusion over how to handle Africa's input speaks to a larger concern about the relevance of the FfD3 process to the pressing concerns on the continent. Trade dependency, high levels of sovereign debt, the narrative of "Africa Rising" without adequate attention to social indicators or inclusive growth, the lack of African representation in global financial and economic governance, and other realities of where Africa sits in a globalized world are not addressed, or even mentioned, in the Zero Draft of the Addis Ababa Accord prepared by the co-facilitators of FfD3. As the post-2015 sustainable development agenda is decided in September of this year and FfD3 assigned an essential role in supporting it, African budgets, economies, and positioning in the global development apparatus will be significantly affected by what is decided at the UN. African governments must ensure that their positioning in these interconnected intergovernmental arenas reflects a coherent collective position, to support their role in negotiating an outcome that truly benefits the continent.

Below is an outline of the major points of discussion at the UNECA/AUC regional consultation, as a potential contribution towards African governments' positioning in the fundamental final months of the FfD3 process.

Mobilization and Use of Domestic Resources
Logan Wort of the Africa Tax Administration Forum emphasized three elements of domestic resource mobilization: improving tax administration, new forms of taxes, and, in particular, broadening the tax base. The representative of Botswana linked taxation to unemployment, framing unemployed youth as potential taxpayers, while the representative of Mozambique called for incorporating informal sector workers into the tax base. Civil society, on the other hand, emphasized the need for progressive taxation that shifts the burden from people living in poverty, especially women, to those with higher incomes. Anita Nayar of Regions Refocus 2015 cited the outcomes of our nine regional meetings, which pointed to the need for fair and equitable taxation as well as using tax revenue to finance gender equality, including sexual and reproductive health and rights. Regions Refocus noted the concerning lack of a gender analysis amongst both the governments and civil society present at the regional consultation; this must be rectified for FfD3 to meaningfully address the social, economic, and environmental dimensions of sustainable development on the African continent.

Additionally, TJN-A's Dereje Alemayehu pointed to the international dimensions of tax cooperation required to support domestic resource mobilization on the continent. Dereje challenged the ongoing Base Erosion and Profit Shifting (BEPS) process of the Organization of Economic Co-operation and Development (OECD) as an illegitimate initiative that should be replaced by a United Nations mandate to set new international rules and regulations around taxation. These outdated modes and standards of governance should be changed, Dereje asserted, a proposal picked up by South Africa. Sheldon Moulton, Acting Chief Director of Economic and Social Affairs at the Department of International Relations and Cooperation of South Africa, referred to the decision (in paragraph 28) of the Zero Draft to upgrade the UN Committee of Experts on International Cooperation on Tax Matters into an intergovernmental committee, as a potential alternative to the BEPS agenda.

International Public Finance
Adam Elhiraika of ECA characterized the landscape of international public finance as somewhat bleak, with only four donor countries having met the 0.7% of GNI target for ODA and the low expectations for additional ODA commitments during the current post-crisis context of austerity and conservatism. Admasu Nebebe of the Ministry of Finance and Economic Development of Ethiopia insisted that the Zero Draft must reflect stronger language on time-bound and quality ODA; South Africa agreed, calling for a heightened level of ambition and an implementation of longstanding ODA commitments. In this vein, Dereje Alemayehu emphasized the importance of measuring net transfers of aid, rather than tied age or blended finance that includes ODA. The discussion emphasized the importance of international public finance, including in "catalysing other resources," in the words of Fortuna Dibaco of the Permanent Mission of Ethiopia to the UN. Sheldon Moulton (South Africa) challenged this language of "leveraging" ODA, warning against "privatizing the global partnership for development." Further, TWN-A's Gyekye Tanoh called for a wholesale rejection of blended finance, rather than a continued drive to integrate African economies into the global financial system, which will not lead to development or stability on the continent.

International Private Financial Flows
Dotun Ajayi, Regional Manager for West Africa of the African Business Roundtable, introduced this session by emphasizing the need for private capital flows to bridge the US $50 billion gap in financing for Africa's development. Consequently, Dotun elaborated, innovative mechanisms should be employed to create a conducive environment for private finance, including strengthening capital markets and investing in sovereign wealth funds and pension funds. Taking a more cautionary perspective, Sheldon Moulton of South Africa emphasized that international private finance must complement international public finance, and is not a substitute for official development assistance (ODA). Therefore, he continued, while **public-private partnerships (PPPs)** will undoubtedly be important, they must not detract from the global partnership for development, which is first and foremost between governments. During the civil society interaction, Anita Nayar added that the ECLAC regional consultation for FfD3 underscored the need to

prioritize the role of the state, cautioning that PPPs have had a minimal impact in reducing poverty and inequality.

Further, as pointed out by a representative of the University of Pretoria, foreign direct investment (FDI) carries a danger of detracting from developing countries' policy space, especially through bilateral investment treaties and the investor-state dispute settlement mechanism, which unduly burdens host countries of foreign investment. To challenge the narrative of the preeminent need for private sector involvement in financing Africa's development, Masiwa Rukare of African Monitor and TWN-A's Gyekye Tanoh suggested a reframing of current challenges in Africa: rather than as an issue of a "financing gap," to recast the conversation in terms of productivity, policy space, and capacity.

On the subject of **illicit financial flows (IFFs)**, Dereje Alemayehu of TJN-A indicated the support of African civil society for the recent report of the High-Level Panel on IFFs. Beneficial ownership, including a public registry, is required to stem tax avoidance and evasion done under the guise of legality, Dereje said. Africa as a region should identify specific recommendations along the lines of the IFFs report, within the FfD3 outcome. Abdallah Bong of the Permanent Mission of Chad to the UN added that trade makes up about 60% of the IFFs flowing out from the African continent, and that therefore an intergovernmental mechanism to address these illicit flows of capital is necessary. Abdallah further indicated that transnational companies, rather than being granted excessive holidays and flexibility, should be taxed in the service of sustainable development.

Trade, Partnerships, Technology and Innovation

Stephen Karingi of UNECA's Regional Integration, Infrastructure and Trade Division highlighted that trade provides one of the primary sources of development finance for the continent; despite a quadrupling in the value of trade for Africa since Monterrey, Africa's share of global trade still hovers around 3.3%. Bilateral trade partnerships must be undertaken in the context of what would give the best results for financing Africa's development, Stephen posed, suggesting a focus on intra-African trade as more diversified than Africa's trade with the rest of the world. South Africa added that the link between trade, growth, and development is not automatic; for trade to lead to sustainable development, it must support beneficiation, industrialization, manufacturing capability, and value addition rather than exports of primarily natural resources and raw commodities. The international trade system must be reformed, South Africa insisted, to support African governments' policy space and efforts to achieve sustainable development.

Sovereign Debt

The representative of Egypt called for a recognition of middle income countries' sustained efforts towards achieving sustainable debt, along with the implementation of mechanisms to resolve the current debt problems of developing countries. Debt relief should be separate from ODA and should not detract from it, Egypt continued. South Africa illustrated the shift in focus from the emphasis within the Monterrey Consensus on external debt to the Zero Draft's outlining of debt sustainability and management and the roles and responsibilities of debtors and creditors, while skirting the issue of sovereign debt restructuring. Chantal Uwizera of the Permanent Mission of Rwanda to the UN and Thulane Nyembe of the Permanent Mission of South Africa to the UN asserted that the African Group must take a position on debt and debt sustainability within the FfD3 process, particularly in light of the ongoing work of the **ad hoc committee on multilateral debt restructuring** under the UN General Assembly.

Systemic Issues

Yao Graham of TWN-A highlighted the deficits of global economic governance that need to be addressed by the FfD agenda, especially in the wake of the 2007-8 global financial and economic crisis. In particular, Yao emphasized four elements that must be addressed through FfD3: the reform of international financial institutions (IFIs); the reemphasis of the role of the UN in global economic governance; the need to restructure the commodities regime; and tax cooperation and stemming IFFs. Participants in the discussion agreed that FfD3 provides a pivotal moment to insist on IFI reform, including through a third chair for Africa on the board of the International Monetary Fund (IMF), a proposal supported by Sheldon Moulton of South Africa. Gyekye Tanoh of TWN-A added that the influence of credit rating agencies – and their disproportionate focus on financial indicators rather than real economy indicators of employment, growth, and productivity – must be curtailed as part of the systemic shifts essential to the FfD agenda.

Monitoring, Data and Follow-Up

Pali Lehohla, Statistician-General of South Africa, gave a presentation on industrialization in the African continent and the need to embrace the issues of measurement in the context of the demographic dividend. Sunday Edem of the Permanent Mission of Nigeria to the UN and Fortuna Dibaco of Ethiopia emphasized the importance of data in creating a strong follow-up framework for Addis, an element missing from the previous two conferences on FfD. South Africa emphasized the need to call on all relevant institutions to strengthen and standardize data on FfD, rather than solely on international financial institutions, as framed in paragraph 115 of the Zero Draft.

Climate Finance

Alice Ruhweaza, Technical Advisor of the Global Environment Finance Unit at UNDP, provided an overview of Africa's financing needs for mitigation and adaptation to climate change, estimated at approximately US $18 billion per year. She underscored the fragmentation and complexity of the global architecture for climate finance, pondering whether African economies are able to access the 20 climate funds apparently active on the continent. In response, Sheldon Moulton of South Africa raised the concern that the Zero Draft refers to the need to modernize and redefine ODA, without sufficient recognition of the principle of additionality with regard to climate finance, which is not part of the traditional FfD agenda and has its own legally binding obligations and structure. FfD3 should therefore, in the view of South Africa and Egypt, acknowledge the importance yet separate context of climate finance, in addition to existing development commitments.

Financing for Development, or Financing for Sustainable Development?

The question of how exactly to link the FfD agenda with the Sustainable Development Goals (SDGs) framework has been consistently contested throughout both processes. During the first substantive discussion of the regional consultation, Shari Spiegel, Chief of the Policy Development and Analysis Branch at the Financing for Development Office, UN Department of Economic and Social Affairs (DESA) gave an overview presentation on FfD3. In Shari's view, the Addis Ababa conference should deliver three key outcomes: a holistic financing framework for sustainable development, building on Monterrey and Doha; concrete deliverables; and a strong follow-up process. Expanding on the monitoring and accountability point, Shari called for a mix of international cooperation and domestic actions complemented by a stronger regional component, including through peer learning platforms to build capacity.

Shari emphasized that each of the SDGs requires different combinations of financing and various elements of the Zero Draft's seven chapters.[1] As an outline, she shared four groups of SDGs arranged according to theme and the kinds of financing required. The first, **social needs**, includes the goals on health and education, etc., which build on the Millennium Development Goals agenda and require mostly public finance, through both domestic resource mobilization and international cooperation. The second will require both public and private financing, towards **infrastructure and other investments in "structural transformation"**; this includes, Shari explained, a "crucial role" for multilateral and national development banks and perhaps a corresponding global-level initiative to address infrastructure, as proposed in paragraph

[1] The 7 chapters are: A) Domestic public finance; B) Domestic and international private business and finance; C) International public finance; D) International trade for sustainable development; E) Debt and debt sustainability; F) Systemic issues; and a new chapter that was not included in the Monterrey Consensus, G) Technology, innovation and capacity building.

53 of the Zero Draft. The final two categories of goals – **jobs and sustainable growth**, and **protecting ecosystems** – set up unique challenges in terms of providing inclusive finance, which will need to be adequately configured in Addis, she concluded.

Building on this discussion, South Africa pointed out that because the SDGs focus on development outcomes, integrating the SDGs into the FfD framework involves complex challenges. In the African context, Louis Kasekende, Deputy Governor of the Central Bank of Uganda and co-chair of the consultation, flagged that emergency financing for situations like the epidemic of Ebola must be institutionalized, especially given that the World Bank fund that provided resources to address Ebola in West Africa has now been depleted. South Africa also highlighted the fundamental Rio Principle of **common but differentiated responsibilities (CBDR)**, which must be meaningfully incorporated into the Addis outcome. CBDR also features upfront in the *Financing for Development: Africa's perspectives* document, which "stress[es] that the FFD outcome should take into account the principle of CBDR as well as the right to development."

The African Regional Position on FfD

The Africa Group position document, in addition to incorporating many of the more progressive points made at the regional consultation, particularly focuses on ODA (calling for an increased commitment, to 1% of GNI from 0.7%) and institutional capacity for addressing illicit financial flows, corporate tax evasion, infrastructure financing, and negotiations around extractive industries. It takes firm positions on trade, calling for "the need to address issues of particular concern to African countries" (paragraph 42) and points to the specific global-level structures that must be amended to improve the ability of the continent to harness trade for economic growth and development. The document includes specific recommendations to increase the representation of African countries in the Bretton Woods institutions, including: standardizing the IMF's double majority voting process; implementing equal vote shares in the World Bank; and applying basic transparency standards to all international financial institutions. The Africa Group indicates its support for an intergovernmental tax body under the auspices of the UN, and calls for international efforts to counter increased exchange rate volatility. Regarding FfD follow-up, the Africa Group suggests the High-Level Political Forum (HLPF) as a venue for monitoring FfD commitments. It includes two points on regional coordination, one that emphasized the regional components of FfD follow-up (through "continental organizations") and the other a more general statement on "the importance of regional integration as a fundamental tool for realizing development effectiveness for inclusive growth and development in Africa."

See also:

- *Language Map and Civil Society Recommendations: Emerging from the Africa Regional Consultation on Financing for Development*, available at http://bit.ly/AfricaLanguageMap.
- *A Geopolitical Analysis of FfD3,* produced by Regions Refocus, Third World Network, and DAWN, at http://bit.ly/FfD3GeopoliticalAnalysis.

More Information on the Africa Regional Consultation on FfD:

- AU-ECA Joint Elements Paper for the regional consultation, 20 March 2015
- Overview of Economic and Social Conditions in Africa, UNECA and the African Union Commission (AUC), 25 March 2015
- Chair's Summary of Proceedings, Regional Consultation on FfD, 26 March 2015
- Financing for Development: Africa's Perspectives, endorsed as a living document by the Conference of Ministers