



The Road to FfD4: Domestic Revenue Mobilisation (DRM) as a Cornerstone for Sustainable Development Finance

ATI side-event, co-hosted with the Permanent Delegation of the Gambia to the UN, Norad, and TAI Collaborative, at the 3rd Preparatory Committee meeting for the Fourth International Conference on Financing for Development (FFD4)

Tuesday 11 February 2025 from 10:00 a.m. - 11:30 a.m. EST

Concept note

Background

In the pursuit of sustainable development, effective generation and management of domestic resources must be central to the global financing agenda. Domestic Resource Mobilisation (DRM) stands as the most reliable and sustainable source of funding to meet development goals, serving as a mechanism to enhance equity and attain economic stability. The Addis Ababa Action Agenda (AAAA) acknowledged the importance of prioritising domestic public finance, advocating for a comprehensive approach to increase resource mobilisation, improve expenditure quality, and ensure fairness and sustainability.

Despite the progress driven by the AAAA, a greater emphasis on DRM is crucial for substantial impact. While DRM is pivotal for both developing and developed countries alike in financing sustainable development, the gap to financing the SDGs estimated to USD 4 trillion according to UN data is ever more staggering when it comes to lower-income countries. Tax revenue is a robust source to help fill in the gap. Unfortunately, tax collection in nearly 80% of low-income countries falls below 15% of GDP with 13% being the current average. Recent work by the World Bank shows the 15% tax-to-GDP threshold allows countries to boost their economic growth. Moreover, effects extend to inequality reduction. Therefore, increasing developing countries potential to raise revenue from taxes is central to national priorities and achieving the SDGs.

Effective and fair tax policies are at the heart of both economic and social aspects, and hence DRM-related ODA deserve more attention from the international community. The Addis Tax Initiative (ATI) urges countries to reinforce the focus on DRM as part of the commitments of the FfD4, with the pledge to foster fair and effective tax systems globally. The potential of taxation remains largely untapped, and equitable DRM is key to strengthening states' own resources,



building trust in governments, reinforcing the social contract, and delivering essential public goods and services needed for poverty eradication and economic transformation.

Objectives

This event will bring together UN delegations from ATI member countries and other interested stakeholders to engage in a constructive dialogue on how to integrate DRM priorities into the FfD4 agenda. The objective is to raise awareness of DRM's critical role as a sustainable, dependable funding source for development goals. Participants will be encouraged to discuss strategies to advance fair and effective taxation and to identify concrete actions that FfD4 stakeholders can take to elevate DRM in the development finance landscape.

Agenda and preliminary guiding questions

Time	Items	Speakers
5 minutes	Welcome and introduction	Toril-Iren Pedersen, ATI Steering Committee and Norad (Moderator)
10 minutes	Opening remarks	Ambassador Lamin B. Dibba, the Permanent Delegation of the Gambia to the UN
10 minutes	Expert presentation	Matt Davies, Division chief, Resource Management Division, Fiscal Affairs Department (FAD), International Monetary Fund (IMF) Guiding questions: <ul style="list-style-type: none"> • What is the revenue potential of domestic tax bases? • What is their importance in countries' quest to get to the 15% tax-to-GDP ratio and close the gap in development finance? • How much can ATI partner countries (PCs) rely on these tax bases to build a progressive tax system and fight various societal issues, such as income inequality?
40 minutes	Moderated Panel Discussion (4 panelists from the ATI stakeholder groups and co-host organisations)	Panelist 1: Dirk Meyer, Director General for Multilateral development policy, transformation, climate, German Federal Ministry for Economic Cooperation and Development (BMZ), Germany Guiding questions: <ul style="list-style-type: none"> • What commitments and actions could be made and taken to intensify efforts to combat inequalities and build progressive tax systems in ATI partner countries (PCs)? • How can DPs best continue to deliver effective support for DRM in partner countries while facing fiscal pressures domestically? • How can FfD4 and the ATI promote a continuous and sustainable commitment from development partners to support developing countries in their DRM efforts? • How can we shape an ambitious and effective DRM agenda in the FfD4 to reduce the large gaps in development finance?



		<p>What role should the ATI play to further support this agenda in the coming years?</p> <p>Panelist 2/3: Ansumana Sanneh, Deputy Permanent Secretary at the Ministry of Finance, the Gambia, and Ms. Nayab Azhar, Deputy Collector of Customs/SA to Member (Customs-Policy), Federal Board of Revenue (FBR), Pakistan</p> <p>Guiding questions:</p> <ul style="list-style-type: none">• What are the DRM priorities of your country? What main challenges does your country face in collecting these domestic taxes?• What ongoing reforms and measures are taken to deal with the challenges mentioned (including fighting tax evasion, etc)?• What are the main capacity building needs of your country vis-à-vis your DRM priorities? From your perspective, what can be done to increase developing countries' ownership over capacity building initiatives?• To what extent does the Zero Draft of the FfD4 Outcome Document reflect your DRM priorities and related challenges? How can we shape a more ambitious and effective DRM agenda in the FfD4 to reduce the large gaps in development finance?• How can the ATI support your country in your efforts to strengthen DRM? <p>Panelist 4: Ahtesham Khan, Head of Tax for SDGs and Manager, Tax Inspectors Without Borders, UNDP</p> <p>Guiding questions:</p> <ul style="list-style-type: none">• What commitments could the international community and development assistance providers make in the FfD4 to support developing countries more effectively in advancing their development and DRM priorities? How is that reflected in the Zero Draft of the FfD4 Outcome Document?• What role can non-state accountability stakeholders, such as CSOs, academia, etc, play in improving public financial management (PFM) transparency and linking taxes with SDGs?• How can cross-cutting areas, such as gender and climate be integrated into DRM priorities? What can development assistance providers – including non-state actors – do to support these issues in developing countries?• DRM support by ATI development partners (DPs) has faced challenges due to domestic fiscal pressure. How can non-state actors – such as, philanthropists – providing development assistance bridge this gap?• What suitable instruments do we have to monitor and follow-up on the commitments put forth during FfD4?
--	--	---





15 minutes	Open discussion	Audience and all speakers (including the expert presenter)
5 minutes	Concluding remarks	Michael Jarvis, Executive Director, Trust, Accountability, and Inclusion (TAI) Collaborative
5 minutes	Closing remarks	Toril-Iren Pedersen, ATI Steering Committee and Norad (Moderator)

Logistical considerations

The event will be hosted and organised by the ATI, the Permanent Delegation of the Gambia to the United Nations, Norad, and the Trust, Accountability, and Inclusion (TAI) Collaborative.