

**Co-Facilitators of the Outcome Document**

Fourth International Conference on Financing for Development (FfD 4)

United Nations Headquarters,

New York,

USA,

**Re - Call for Inputs for an Elements Paper on Financing for Development**

**Context and background**

1. The African Union welcomes the General Assembly resolution 78/231 to convene the Fourth International Conference on Financing for Development (FfD 4). The FfD 4 will provide a global platform to discuss and adopt an ambitious outcome document that should address longstanding financing challenges faced by African countries as well as all developing countries in a context of global uncertainties and challenges relating to geopolitical tensions and conflicts, climate crisis, recurrent global health issues, rising protectionism, debt vulnerability, related inequalities, poverty and rising debt servicing challenges of developing countries.
2. As the world prepares for FfD4 in 2025, it is imperative that the global community come together to formulate a unified and stronger vision for mobilizing the adequate financial resources needed to achieve the UN Sustainable Development Goals as well as support the achievement of the African Union Agenda 2063. Building on the foundations of the 2015 Addis Ababa Action Agenda, which established a comprehensive framework for financing sustainable development, the FfD 4 outcome document should recognize the unique and complex challenges faced by African countries and call for enhanced international support to address issues such as domestic resource mobilization, external debt challenges, and cost effective access to international financial markets in order to promote inclusive growth and sustainable development in Africa.
3. Despite some progress since 2015, Africa continues to face significant hurdles in financing its development agenda. The COVID-19 pandemic, geopolitical tensions and climate change have exacerbated many pre-existing challenges, widened financing gaps and threats to reverse hard-won development gains of the last decade. Newspapers like *The Economist[[1]](#footnote-1)*, now talk of a new era of arrested development.
4. In answering the questions: “What are the key financing policy reforms and solutions that the Fourth International Conference on Financing for Development should deliver? How could the Conference strengthen the follow-up process to ensure accountability to and full implementation of commitments made?”, the AU, submits as follows –
5. **A global financing framework (including cross-cutting issues)**
6. The FfD 4 Outcome Document should, in consideration of the challenges faced by African countries and other developing countries in the world, provide a comprehensive financing framework that aims to address the financing needs. In this regard, the FfD 4 Outcome Document should provide action-oriented recommendations on the following issues:
7. Reaffirm the commitments to provide adequate and timely climate financing to developing countries to meet the challenges of the current climate crisis.

1. Further reaffirm the Paris Agreement temperature goal of holding the increase in the global average temperature to well below 2 degrees Celsius above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5 degrees Celsius above pre-industrial levels, recognizing that this would significantly reduce the risks and impacts of climate change, and underscore that the impacts of climate change will be much lower at the temperature increase of 1.5 degrees Celsius compared with 2 degrees Celsius and resolve to pursue efforts to limit the temperature increase to 1.5 degrees Celsius;
2. Recognize that adaptation and mitigation finance will have to be significantly scaled up and consequently build resilience in developing countries. Key focus should be on mobilization of new and additional grant-based, concessional and non-debt instruments essential to supporting developing countries, in a just and equitable manner;
3. Promote innovative financing mechanisms and ensure that developing countries benefit from carbon market initiative to unlock billions in climate finance to support green economic transformation while expanding energy access, creating jobs, safeguarding biodiversity, and driving climate action towards the Paris goals.
4. Re-emphasize the critical importance of industrialization as a tool for promoting inclusive growth and sustainable development in Africa. The FfD 4 should therefore, formulate a strong global call for investment in structural transformation in developing countries with a view to addressing the challenges of jobless growth, while responding to imperatives such as energy efficiency, pollution and climate change, safe use of artificial intelligence, innovation and social inclusion.
5. Reaffirming the imperative need to bridge the huge infrastructure gaps in Africa and developing countries. In this perspective, the FfD 4 should formulate a stronger call for sustainable and predictable investments and resilient infrastructure such as transport, energy, water and sanitation. A stronger call should be formulated to ensure that development banks and other international financial institutions play their role in providing long-term financing for infrastructure development.
6. Strengthening the developmental role of the private sector. The FfD4 should provide space for a global call for reinvigorating micro, small and medium-sized enterprises in creating productive employment for women and youth and provide mechanisms to ensure women and youth access to cheap finance. Commitment should be renewed to promote appropriate, affordable and stable access to credit for micro, small and medium-sized enterprises, as well as adequate skills development training for all, particularly for women and youth entrepreneurs. Considering Africa’s youthful population, the FfD 4 should promote national youth strategies as a key instrument for meeting the needs and aspirations of young people. FfD 4 should also call for a dialogue between governments and High Networth individuals to agree on reforms that would unlock investments by High Networth individuals.
7. Africa and other developing economies face an adverse credit rating environment. The FfD 4 should create a platform to engage with credit rating agencies with a view to improve their role in sustainable development. Actions should also aim at strengthening the role to raise more capital through capital markets.
8. Resolve to recapitalize multilateral development banks to position them provide concessional and long-term financing to developing countries.
9. Renewed resolve to promote global peace and security as a development pre-requisite. The FfD 4 should, in consideration of the current geopolitical tensions aim to maintain international peace and security, promoting and protecting human rights and achieving sustainable development. Reemphasize that investing in building a strong foundation for lasting international peace and security, sustainable development, the promotion of universal respect for and observance of human rights and upholding the rule of law is the most effective way to fight against poverty and hunger and create a more cohesive society.
10. **Action areas**
11. **Domestic Public Resources**

**Reaffirm the need for Tax Reforms and Strengthened Revenue Mobilization**

1. The FfD 4 should reaffirm the global call for tax reforms with a view to strengthening domestic and external resource mobilisation to meet the development needs of African countries and other developing countries. It should recognize that mobilizing domestic public resources is crucial for achieving the 2030 Agenda and Agenda 2063. In this regard, global commitment should be secured to support the United Nations Framework Convention on International Tax Cooperation to achieve a more equitable and prosperous future for all nations. The Convention can pave the way for significant progress in addressing longstanding issues such as the historical imbalances in taxing rights, illicit financial flows (IFFs), aggressive tax planning and other unfair tax practices. Inclusive International Tax Cooperation would empower AU Member States to strengthen their domestic revenue mobilization efforts, unlock resources to tackle debt, invest in essential productive infrastructures and services for their citizens, and accelerate progress towards the Sustainable Development Goals and Agenda 2063.
2. Special attention should be on stemming illicit financial flows (IFFs) as a top priority. In this area, Africa loses billions annually through tax evasion, corruption, and criminal activities. The FfD 4 should call for strengthening legal and regulatory frameworks to combat IFFs, enhancing international cooperation on tax matters and information exchange, improving capacities of financial intelligence units and tax authorities and promoting transparency and accountability.
3. Commitment should also be made in enhancing transparency and accountability in public financial management through:

* Strengthening public expenditure tracking systems
* Implementing open budgeting practices
* Enhancing the role of supreme audit institutions
* Promoting citizen participation in budgeting processes

1. On Natural Resource Management, the FfD 4 should call for improved governance of extractive industries, with a focus on:

* Transparent contract negotiations and revenue management
* Implementing the Extractive Industries Transparency Initiative
* Investing in sustainable development

1. The FfD 4 should emphasizes the need for a more inclusive and equitable global economic governance system that gives developing countries a greater voice.
2. **Domestic and International Private Business and Finance**
3. Building 2015 Addis Ababa Action Agenda FfD 4 should reemphasize the critical role of private business in investment and innovation. The FfD 4 should also call for the development of sound policies and, strengthen regulatory frameworks to better align private sector incentives with public goals, including incentivizing the private sector to adopt sustainable practices, and foster long-term quality investment. In the case of Africa, the FfD 4 should formulate concrete recommendations aimed at reducing or rationalizing tax incentives to avoid huge losses of financial resources.
4. Emphasis should also be placed on making the most of the diaspora remittances as it represents a significant amount of financing beyond the Official Development Assistance (ODA). Particular attention should be placed on ensuring adequate and affordable financial services to significantly reduce the cost of migrant’s transfers to their families with a view to maximizing development impact in home countries.
5. To meet longer-term financing needs, the FfD 4 should reemphasize the call for sound development of domestic capital markets with a particular attention to long-term bond and insurance markets.
6. Special attention should also be placed on Foreign Direct investment (FDI). A call should be formulated to ensure that FDI flows contribute to sustainable development through alignment with national and regional sustainable development strategies.
7. **Development Cooperation**

The FfD 4 should give priority to improving development cooperation to strengthen international public finance to complement efforts of countries to mobilize domestic resources. The outcome document should set an ambitious path to scale-up effective international support, including both concessional and non-concessional financing.

1. **Strengthening Partnerships**
2. Developed Countries should be urged to fulfill their ODA commitments, including reaching 0.7% of GDP for ODA to developing countries and 0.15-0.20% for Least Developed Countries.
3. The FfD 4 should aim to strengthen South-South and Triangular Cooperation in order to strengthen Africa's capacity to address development challenges.
4. The FfD 4 should also reemphasize the importance of concessional resources for African countries. In this connection, Multilateral Development Banks and other International Financial Institutions should avail concessive and long-term financing to developing countries.
5. **International trade as an engine for development**
6. African countries have shown commitment to pursue trade as a catalyst of inclusive growth and sustainable development with the start of trading under the AfCFTA. The FfD 4 outcome document should reemphasize the need to promote a multilateral, rules-based, open, transparent, predictable, inclusive, non-discriminatory and equitable trading system under the World Trade Organization (WTO). Trade should be promoted in FfD 4 outcome document as a tool to also achieve food security, poverty reduction as well as fighting inequality with a view to meeting the sustainable development goals.
7. The FfD 4 outcome document should also strongly urge countries to refrain from using protectionism and applying unilateral economic measures which may undermine multilateral trading.
8. Commitment should be renewed to promote export-led growth in developing countries through, inter alia, provision of preferential trade access to developing countries and targeted special and differential treatment in line with World Trade Organization commitments.
9. The FfD 4 should make a strong for developing countries to access long term trade finance with a view to improve their opportunity of harnessing trade as an engine for sustainable development.
10. **Debt and debt sustainability**

1. The FfD 4, building on the 2015 Addis Ababa Action Agenda, should reemphasize the critical role and the importance of borrowing as a strategic long term financing tool for all countries and for developing countries, to achieve the UN Sustainable Development Goals and Africa’s Agenda 2063 while promoting debt sustainability.
2. The FfD 4 outcome document should call for strengthening safeguards to debt crises in developing countries. It should underline the importance of reforms to existing multilateral debt resolution processes to facilitate timely collective action to prevent debt crises.
3. **Addressing systemic issues**
4. With regard to systemic issues, it is expected that the FfD 4 will formulate a strong call for improved global economic and financial governance. The FfD 4 should in this respect aim to reemphasize the calls for:
5. reform of the global financial architecture to increase the voice and representation of African countries and developing countries in global governance,
6. addressing the socio-economic and environmental challenges of climate change with a focus on protecting biodiversity and the overall ecosystem from climate disasters,
7. strengthened international cooperation to prevent and fight against current and future pandemics and considering the interlinkages between health, security and climate,
8. improved macroeconomic stability at national, regional and global levels,
9. address credit rating issues to improve investment attractiveness in developing countries,
10. a global agenda for productive transformation, industrialisation, growth and employment for African countries.
11. **Science, technology, innovation and capacity building**
12. Considering the digitalisation of the global economy and the opportunities and challenges of Artificial Intelligence (AI), the FfD 4 should set the path for the creation, development and diffusion of new innovations and technologies and associated know-how, including the transfer of technology on mutually agreed terms. Major emphasis should be placed on promoting the development and safe use of AI and to foster its diffusion in developing counties with a view to supporting economic transformation. Access to technology and science for women, youth and children should remain paramount on the global digital transformation agenda. The FfD 4 must prioritize the development of robust ICT infrastructure, including energy, digital skills training and enabling regulatory environments.
13. **Emerging issues**
14. The FfD 4 should give priority to the following emerging issues:
15. Financing global health and pandemic preparedness and response,
16. Climate financing to address the challenges of climate change through a coordinated international response,
17. Domestic resource mobilisation and the need for a reformed international tax architecture with a focus on the United Nations Framework Convention on International Tax Cooperation. The FfD 4 should call for:
    1. Fair distribution of taxing rights
    2. Elimination of Tax-related Illicit Financial flows (IFFs)
    3. Environmental and Carbon taxation
    4. Base Erosion and Profit Shifting
    5. Tax Transparency and exchange of information for tax purposes.
    6. Tax Incentives
    7. Taxation of the digital economy
    8. Taxation of high-net-worth individuals
    9. Taxation of Cross-border Services
    10. Mutual administrative assistance
    11. Technical cooperation with respect to exchange of expertise and best practices
    12. Commitment to specific treatment of developing countries.
18. **Data, monitoring and follow-up**
19. The FfD 4 should reemphasize the importance of evidence-based policy making as a strategic tool to track the progress, readjust policies for the successful implementation of the SDG’s and the achievement of the African Union Agenda 2063. Data should be leveraged to improve socio-economic processes and facilitate monitoring and evaluation of development plans at national, regional and global levels. The outcome document should make the case for the production and use of high-quality, timely and reliable disaggregated data. Capacity-building support should also be provided to developing countries.
20. To strengthen follow up of the FfD 4 outcome document, the Conference shall design proper follow up mechanisms, including, but not limited to regular reporting and an accountability framework that allows all parties to report on the progress made, the challenges, the opportunities and the need of support, where appropriate.
21. **Overarching reflections**
22. The FfD 4 outcome document should set a global path for providing sustainable financing to African countries and all developing economies.

1. The Economist, September 21st-27th 2024 [↑](#footnote-ref-1)