

## Financing the Future: Accra Perspectives on International Public Finance and the Financing for Development process

The "Financing the Future" conference was organised by a group of organisations from across the world, including Overseas Development Institute (UK), the United Nations Development Programme, Centro Europeo de Pensamiento Estratégico Internacional (Colombia), the Brookings Institution (USA), the Collaborative Africa Budget Reform Initiative (South Africa), the Africa Centre for Economic Transformation (Ghana), Development Finance International (UK), Development Initiatives (UK) and the Economic and Social Research Foundation (Tanzania). The event brought together a diverse group of actors to discuss priorities relating to official development assistance and international public finance to be addressed in the post-2015 Financing for Development (FfD) discussions which will culminate in the Addis Ababa agreement in July 2015. What follows is an overview of the main themes that emerged from these discussions.

### 1. The continued importance of official development assistance (ODA), in particular for fragile states and the poorest countries, and to address strategic priorities in MICs

Participants identified the continued importance of ODA in achieving the Sustainable Development Goals (SDGs) in the post-2015 era, especially in providing support to fragile states and sub-Saharan Africa, where extreme poverty is expected to be concentrated in the future. Participants also highlighted an important role for ODA in supporting newly graduating Middle Income Countries (MICs) to develop sustainably and in addressing pockets of poverty and inequality challenges in more established MICs.

Building on these themes participants emphasised the importance of OECD donors reaffirming the 0.7% of GNI ODA target and committing to an ambitious timetable for its implementation in the Addis Ababa FfD agreement. Participants also emphasised that such commitments need to be sincere and honoured, as the failure to deliver on previous ODA commitments had eroded trust and credibility in relation to ODA delivery.

### 2. Mobilising additional and more diverse sources of international public finance for MICs, whilst addressing debt sustainability issues

Participants highlighted the financing challenges facing new Middle Income Countries (MICs), many of whom have experienced/are experiencing falling levels of ODA (especially in its most concessional forms) following graduation to MICs status. Such an approach to ODA allocation leaves these countries accessing less concessional forms of finance in order to meet their financing needs, creating challenges for financial management and sustainability. The experience of these countries therefore highlights the importance of identifying more appropriate thresholds for when countries are able to graduate from ODA as well as ensuring that this process is better managed to respond to the context of individual countries. It also highlights the potential for other forms of international public finance (e.g. non-concessional long-term loans) to support these countries and therefore the importance of Addis Ababa helping to expand the volume of these flows.

In exploring issues related to less concessional forms of international public finance (IPF) participants identified the critical importance of ensuring that debt sustainability is adequately addressed in the evolving system of IPF and that (donor/international institution and country) financing policies are designed in a way that avoids any future debt crises from emerging.

### 3. Strengthen domestic revenues mobilisation

Domestic Resource Mobilisation (DRM) emerged as a very clear priority to be addressed in the Addis Ababa FfD agreement and in the post-2015 era. In exploring how ODA and other forms of IPF can support efforts to address this agenda participants identified the significant challenges that remain in reorienting these resources to ensure that they focus more effectively on supporting developing countries to reduce and move beyond their dependence on aid. This should involve ensuring that there is a greater focus on ODA and IPF supporting economic transformation and institutional development. It should also involve more extensive use of aid in building the country capacity and expertise required to pursue DRM efforts, as only a very small proportion (possibly as little as 0.07%) of current aid flows are focussed on addressing challenges relating to DRM.

### 4. Mobilising a renewed commitment to aid effectiveness

Participants identified the continued importance of addressing the challenges that remain in maximising the effectiveness of ODA and other forms of IPF in supporting sustainable development. Such efforts are especially important in the poorest countries for whom ODA and IPF remains a significant share of their financing.

Participants identified a range of ODA and IPF effectiveness issues which require action, including the importance of increasing delivery through country systems, reducing the bureaucracy related to such financing, ensuring it is directed by country priorities and improving transparency relating to flows and impacts.

### 5. Priorities for utilising aid to catalysing the sustainable development impact of private flows

With regard to efforts to more effectively utilise ODA and IPF to catalyse the private sector, we discussed the need to support the development of bankable projects, improve regulations designed to ensure these efforts support sustainable development, provide risk guarantees and to support countries to effectively assess, negotiate and design such public-private collaborations. We also discussed the importance of ensuring these collaborations are adequately monitored and ensuring that companies receiving support from IPF sources are set high standards with regard to tax, investment and Environmental, Social and Governance principles.

### 6. Deepening and widening sector priorities

It was agreed that in the post-2015 era a wider range of sectors will need to be prioritised, with a continued focus on the significant unfinished agenda in the social sectors alongside more of a focus on promoting growth and economic transformation. In relation to the social sectors we explored the financing gaps that the poorest countries face in areas such as health, education and social protection, especially as the SDGs will attempt to complete and go beyond the MDGs agenda in these areas. With regard to economic priorities financing needs related to infrastructure were prominent in the discussions.

### 7. Establishing a strong follow-up and accountability process for FfD

We also identified that one of main weaknesses of the Monterrey agreement was that there was insufficient emphasis and political attention on the follow-up and accountability process. If the ambitions expressed by the Addis Ababa FfD Agreement are to be realised then it is vital that time-bound concrete commitments are included in the agreement and that a more significant and better resourced accountability process is also committed to.