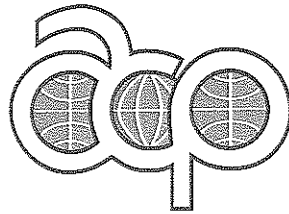


Groupe des Etats d'Afrique
des Caraïbes et du Pacifique
(Groupe ACP)



African, Caribbean and
Pacific Group of States
(ACP Group)

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3rd International Conference on Financing for Development

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Position of the African, Caribbean and Pacific Group of States

Context

1. International development is at a crossroads. The deadline for the Millennium Development Goals (MDGs), adopted in 2000, to bring an end to poverty is 2015. According to the United Nations MDGs Report 2014, significant progress has been made and many targets met, notably reducing poverty, access to better sources of drinking water, eliminating gender disparities in primary school education, improving the lives of slum-dwellers, which helped to ensure sustained economic growth and better living conditions in developing countries.
2. Despite these encouraging outcomes, there is still much work to be done to attain all the MDGs in all the countries, particularly ACP countries. Not only are there marked differences among and within countries, with regard to the targets met, but also many targets will not be met by the deadline due to, among other things, the inadequate implementation of the commitments listed under Goal 8 (Global Partnership for Development) and the global financial crisis which occurred in 2008. In fact, poverty, social inequalities, hunger, and maternal and infant mortality, access to universal medical services, access to improved sanitation services and environmental risks are still major challenges facing many ACP countries.

3. To prepare for the follow-up to the MDGs, at the end of 2015, the international community, under the auspices of the United Nations, will adopt a Post-2015 Development Agenda, which will have sustainable development goals at its core and whose primary objective will be to eradicate poverty. In addition to the MDGs that have not been achieved, it will include new goals for sustainable development with regard to social equalities, environmental protection, climate change, governance, access to energy, etc. It is a vast universal development agenda, with 17 objectives, that aims to promote the social, economic and environmental aspects of sustainable and inclusive development.

4. One of the critical aspects of the Post-2015 Development Agenda is the means and modalities for implementing it. In fact, it can only succeed if there are sufficient resources to implement it, particularly in a context where the world is faced with numerous crises making it difficult to devote adequate and predictable funding for development.

5. Contrary to the momentum and hope generated by the pledges made by the developed countries at international fora, such as the Monterrey Consensus and Doha Declaration, financing for development remains a crippling challenge for many developing countries in general and the ACP Member States in particular.

6. It is in this context that the 3rd International Conference on Financing for Development will be held in Addis Ababa, in July 2015, with the aim of adopting a financing framework for the Post-2015 Development Agenda. The task is a significant and decisive one. It is essential that the Conference has a positive outcome to ensure that it contributes significantly to the effective implementation of an ambitious and radical Post-2015 Development Agenda.

7. The 3rd International Conference on Financing for Development is of great significance to the ACP Group. This common position paper presents the Group's priorities with regard to financing for sustainable development and conveys a political message to the conference about the implementation modalities of the financing framework that will be adopted.

I. ACP Group's Message to the 3rd International Conference on Financing for Development

- The specificities of the African, Caribbean and Pacific Group of States

8. Established in June 1975 by the Georgetown Agreement, the African, Caribbean and Pacific Group of States was founded on the values of unity, solidarity and comprehension among peoples. It focuses, among other things, on the eradication of poverty, sustainable development, integration into the global community through cooperation and policy dialogue.

9. The Group has 79 Member States situated in Sub-Saharan African, the Caribbean and the Pacific, including 39 Least Developed Countries (LDCs), 2 low-income countries and 38 middle-income countries (MICs). Economically, these developing countries are facing structural difficulties tied to their poor development (41) but also relating to their position as landlocked countries (15) and small-island developing States (26) and to the transition from the LDC category to that of the MIC category.
10. To assist these countries integrate in the global trading system, they had been provided with preferences in the form of non-reciprocal duty-free and quota-free access to the EU market. However, these preferences are being fast eroded, thereby adding to their marginalisation.
11. The ACP Group wishes to draw attention to the specific situation of its Member States that are still the most exposed to economic, environmental and climate vulnerability and calls for the establishment of a vulnerability and resilience index.

- An ambitious financing framework able to adequately handle issues and challenges

12. Regardless of the Post-2015 Development Agenda that will be adopted, there is need for an ambitious financing framework to adequately tackle sustainable development issues and challenges. The ACP Group believes that a coherent response based on a global, comprehensive and integrated approach, fuelled by traditional and innovative financing solutions and governed by principles for efficient resource use would be the most appropriate way to finance sustainable development. Access to adequate financial resources, including accrued concessional resources, remains important to ACP countries.

13. All development stakeholders must agree to make commitments, based on common but differentiated responsibilities and continue to contribute to development financing thereby ensuring that no country is left behind.
14. The effectiveness of the financing framework will depend on the quality of the policies involved, the effectiveness of development cooperation, as well as the national, regional and international environment. Each country is responsible for its own development; it is the responsibility of the relevant national political authorities to take the relevant policy decisions to effectively guide the development process. In this regard, the ACP Group reiterates its attachment to taking ownership of policies, which must be the focus of development cooperation and it underscores the importance of regional integration in development process.

- An Effective Global Partnership for Sustainable Development

15. To effectively mobilise and utilise the necessary financial resources to implement the Agenda, the financing framework must be supported by a strengthened global partnership. Such a platform will serve as a framework for policy dialogue, the sharing of experiences, mutual learning between governments and other stakeholders in development, on the major development financing issues, including global economic governance and trade development, the coherency of policies, in order to maintain the high-level political momentum required to ensure an effective and dynamic partnership. The ACP Group holds the view that financing for development must be based on a mutually beneficial partnership for development that incorporates South-South and Triangular cooperation, as a complement to North-South Cooperation, while recognizing the principle of common but differentiated responsibilities.

16. The platform will also serve as a framework for monitoring, assessing and guiding the implementation of the financing framework. The international community must be able to show the results and the impact of financing activities on development and improved living conditions for populations.

II. The ACP Group's development finance priorities

17. Significant financial resources will be required to fund sustainable development. Given the extent of financing needs, the new financing framework must take all available and potential sources of financing into consideration.

18. The development financing landscape has changed immensely since 2002. It offers a wide range of financing possibilities to mobilise both public and private resources, at the national, regional and international level. The utilisation of all resources, comparative advantages and potential complementarity among the various financial sources and options ensures that maximum benefit is derived from this new configuration of development financing.

19. There are many issues and challenges to development financing. The priorities below reflect the ACP Group's position on development financing.

○ **A) Increase support for Mobilising Domestic Resources**

20. Domestic resources, notably public funding, is increasingly being used to finance development in ACP countries. They represent a more stable source of financing that can be directly mobilised to finance public policies and therefore play a central role in development financing.

21. Mobilising public domestic resources will be of considerable importance in funding the Post-2015 Development Agenda. It constitutes a challenge for ACP countries where the level of public revenue is too low or volatile to support development financing. In this context, fiscal policies and reforms, and the fight against illicit financial flows, in particular fraud and tax evasion play a key role in mobilising domestic resources as well as the governance and management of natural resources. In a context of trade liberalisation *and* reduced customs duties, it is important to support the strengthening of tax systems based on a large tax base and on a progressive tax structure that is fair and equitable, in compliance with good governance in fiscal matters.

22. The ACP Group of States is calling for support in their efforts to strengthen the mobilisation of domestic resources. In addition to the efforts, an increase in ODA to build capacity in ACP countries, including tax administrations and systems, will help to significantly increase domestic resources.

23. Tax evasion is worrisome and is affecting many ACP states. It is sapping States' efforts to mobilise domestic resources and is compromising development. The ACP Group stresses the need to step up international efforts to combat fraud and tax evasion more actively and effectively through concrete actions such as the sharing of information, and the planned "base erosion and profit shifting" (BEPS), within the framework of international tax cooperation. Recovery of large sums that are illegally filtered out of developing countries through tax evasion, notably in Africa, must be increased to help augment domestic resources for development financing.

24. Growing savings and developing the national and regional financial sector help to mobilise domestic resources. The ACP Group supports the strengthening of a financial sector accessible to all and developing a regional finance market able to serve as an alternative to traditional financing from banks.

- **B) Increasing and better targeting Official Development Assistance based on needs**

25. ODA remains necessary and relevant in ACP countries. As a catalytic source of financing and with the optimal use of its leverage effect, it can contribute effectively to development financing by better targeting needs.

26. In the context of post-2015 development financing, the ACP Group stresses the importance of the quantitative aspect of aid and is urgently calling on the developed countries to honour their current commitment to allocate 0.7% of their gross national income (GNI) within specified time frames. It encourages other development cooperation actors, notably the emerging countries that are able to do so, to also increase their level of development assistance. The ACP Group also encourages philanthropic institutions, NGOs and other organisations to increase their contributions towards development, and thus the achievement of the Post-2015 goals.

27. The principles for effectiveness in development cooperation (ownership of policies results-based management, transparency and accountability) are still relevant and must continue to be observed by all development cooperation actors.

28. Targeting aid and aid modalities are also important challenges. The strategic use of aid, targeting needs and the priorities jointly defined with beneficiaries, will help further increase its effectiveness and impact on development, particularly in countries most in need, such as least developed countries , low-income countries, small-island developing states , land-locked developing countries and States in conflict or post-conflict situations.
29. Given their low level of development and their limited access to other sources of financing, the ACP Group agrees that ODA should give priority to LDCs and States in conflict or post-conflict situations, where it is a determining factor and plays a critical role in overcoming structural deficiencies and economic vulnerability, which are genuine obstacles to the development of these countries. Given the decrease in the aid allocated to LDCs, the ACP Group wishes to recall the Istanbul Declaration to allocate between 0.15% and 0.20% of gross national income of developed countries to this category of countries and recommends that it be effectively implemented.
30. Some of the countries in this category, with the support of the international community and through their own efforts manage to reach a level of development that allows them to graduate out of the LDC status. For these countries, it is absolutely vital that there are effective measures put in place to accompany them in the process so that they do not abruptly lose all access to grants and concessional funding.
31. There is also an urgent need to provide special assistance to those countries which suffer from inflows of refugees coming from neighbouring states in conflict to help them cope with such situations.

32. Targeting aid also possesses a thematic dimension. Many ACP countries, notably the small-island developing States (SIDS) and other countries, are widely exposed to the adverse effects of climate change, natural disasters and environmental degradation.
33. MICs are facing major development challenges, namely, inequalities, poverty, vulnerability to shocks and the risk of falling into a middle-income trap. The complexity of the challenges and realities faced by Middle Income Countries should be thoroughly examined, with a view to elaborating appropriate modalities and support mechanisms designed to promote an enabling environment for advancing their development.
34. The ACP Group stresses the need to examine the means to support MICs, so as to ensure that potential adjustments to concessional regimes and other development cooperation instruments do not hamper the efforts made by these countries. Support to these countries through ODA should continue to ensure that they move to the next stages of development which will enable them become partners in development and assist other ACP developing countries.

○ **C) Increasing private funding to finance investment**

35. Growing strongly, private financing is an important source of financing and can contribute to development financing by providing additional resources, skills and transferring technology. Many developing countries, in particular MICs, have been mobilising significant private capital flows (loans, foreign direct investments, portfolio investments) to finance development to complement public resources.

36. The ACP Group recognises the role of private financing and underscores the importance of broadening the partnership with the private sector to take greater advantage of its potential for financing and its know-how to increase investments for development. Apart from private sector development and improving the macroeconomic framework, the major challenge to the mobilisation of private resources to finance development remains access to such resources given the perceived level of risk.
37. Innovative financing (Private Public Partnership, blending, guarantee instruments) can help in raising private financing to finance investments. When well designed, these types of financing can raise substantial additional resources on the financial market under beneficial conditions, by sharing risks, to finance public development goals.
38. Risk management is critical and constitutes a key element for mobilising private financing for development. The strategic use of aid and the implementation of incentive policies can contribute to better managing risks and reducing costs to raise private resources for public investment projects.
39. In 2013 remittances from the Diaspora amounted to \$404 billion worldwide and the prospects remain very strong, which makes them one of the sources of external financial flows towards households in the developing world.

40. The ACP Group, while emphasising that remittances from the Diaspora are private funds, and unpredictable in nature, should therefore not be considered as a component of aid for development.
41. The ACP Group calls, in particular, for innovative transfer solutions and a reduction in the cost of remittance transfers. The ACP Group further underscores the need to adopt a regulatory framework after full and inclusive consultations involving developing countries.

- **D) Improving public debt management in developing countries**

42. The global economic environment remains uncertain and unstable. Budget deficits and the public debt prospects in ACP countries place the issue of debt and public debt sustainability at the centre of development policies.
43. Public debt sustainability is a challenge for public policies, particularly in a period of economic instability and vulnerability and when financing priorities place severe pressure on national budgets. The country's debt profile weighs heavily on its ability to raise funds.

44. Debt-relief programmes have helped alleviate the external public debt burden in beneficiary countries. The ACP Group underscores the relevance and effectiveness of these programmes and supports their extension to other highly-indebted ACP countries. Beyond debt relief, the ACP Group believes that the establishment of a long-term, responsible debt management policy, by using innovative and effective debt-management mechanisms can assist countries in dealing with debt problems. In this regard, the prevention of debt crises, and the provision of technical assistance and capacity building are essential to ensure optimum debt management in synergy with other national economic policies.

E) Bridging the Technology and ICT Divide

- 45 Lack of adequate technology and ICT architecture and infrastructure in ACP countries continues to hamper their efforts and limits their prospects for using these important tools to support their development agenda. The ACP Group calls on the developed countries to facilitate and support programmes that are designed to foster technology and ICT transfer, in preferential terms , in two main aspects: infrastructure on the one hand and “soft” capacities on the other hand (policies, training, networking) to the ACP countries. The ACP also calls for the setting up of a Technology transfer clearing house to help countries identify and match technology needs. This support will enable the ACP countries to realise the full potential of their human and material assets through innovation and creativity among their key social and economic actors.

F) Trade to generate growth and revenue for development

46. For the ACP States, a successful integration in the global trading system remains a formidable challenge against the backdrop of their current marginalization, inherent structural and infrastructural constraints, dependence on commodity exports and the uncertainty of the potential benefits from the final outcome of the WTO Doha round of negotiations and the Economic Partnership Agreements with the EU.

47. To address these pressing issues, the ACP calls for: support in addressing supply-side constraints, carrying necessary reforms and building their competitiveness to seize trade opportunities arising from regional and multilateral trade negotiations; increased and improved support through bilateral and multilateral initiatives including 'Aid for trade' to enable the ACP countries to address the paucity of trade finance; end of non-tariff measures which are overly burdensome for ACP countries and of trade distorting measures; reform of global trade rules, in particular for trade in agriculture; support for the realization of ACP's regional economic integration agenda with a view to enhancing south-south trade; coherence between trade rules and development objectives; and support to address the impact of mega trade arrangements by major trading blocks on ACP countries.

48 The ACP also urges development partners to refrain from taking action, either individually or collectively, which can cause undue damage and prejudice to the interests of developing countries on matters for which international institutions are the recognized authority
