African Faith Leaders Statement on Financing for Development

Issued by the

African Inter Faith Initiative on the Post 2015 Development Agenda

PREAMBLE

1. We, Religious Leaders from all over Africa, under the auspices of the Africa Interfaith Initiative on the Post 2015 Development Agenda, have met in Nairobi at the Desmond Tutu Conference Centre on 21 May 2015 to reflect on Funding for Development (FfD) in light of the ongoing debate on shaping the Sustainable Development Goals (SDGs).

2. As African faith communities we eagerly anticipate the promise of sustainable development - a life of abundance, without hunger, poverty and the injustices brought forth by war, inequality, and other evils. At an earlier meeting, on 2 July 2014 in Kampala, Uganda, we expressed our faith in the potential of the Post 2015 development agenda and its outcomes as a genuinely transformative platform in the interests of Africa's development. We also expressed our support for the African Common Position on the Post 2015 Development Agenda in the context of Africa's Vision 2063 articulated by the African Union.

3. We recognise that financing shall comprise a primary condition for whether or not Africa can achieve desired development goals. The experience of the Millennium Development Goals (MDGs) demonstrates clearly the connection between financing and individual states' progress on each of the goals. It is therefore gratifying that the question of how to finance development is preceding the final U.N. decision summit on the Sustainable Development Goals and later in the year, the Paris Climate Change summit.

4. Africa has articulated a very ambitious agenda for development. For Africa to realise the proposed sustainable development agenda, no effort should be spared to get the resources needed in place. By and large, this shall call for a re-evaluation and restructuring of domestic, regional and external arrangements in relation to taxation, financial and capital markets. It also calls for a departure from the common view of Africa as a resource poor recipient of external benevolence, to take into account that Africa is a place blessed with abundance whose wealth has historically been unfairly appropriated by other societies through slavery, colonization, unfair trade and illicit financial outflows. It calls for a sustained shift in relations in light of our shared humanity and the shared desire for human flourishing.

5. Drawing from our aspirations for a genuinely prosperous Africa and being fully aware of the internal and external contradictions that impede Africa's development and having lived with the impact of poverty and inequality, we make the following observations and recommendations about Financing for Development.

ESSENTIAL CHANGES AT THE GLOBAL LEVEL

6. The 2002 Monterrey Consensus and its subsequent improvements placed a premium on developed nations' obligations to raise so-called development assistance to 0.7 percent of their annual spending. So many years later financing for development can hardly be discussed through the prism of Monterrey. To enthusiastically finance the demands of sustainable Development, it will be necessary to transform the global financial and capital markets and how they work in relation to Africa.

In particular:

7. Remittances have long since overtaken development assistance as a source of capital for social expenditures on the continent. Greater effort and efficiencies in mo-

bilizing remittances to the continent from its diaspora abroad should be enabled by reducing the cost of remittance transactions from the source markets as well as domestically within the continent.

8. Given the prominent role of external inflows to Africa, including remittances, trade proceeds and development assistance, it is important that a greater effort is made to identify and mitigate shocks from negative economic and social developments in these source markets, including risks posed by terrorism and money laundering.

9. An Intergovernmental mechanism should be established for the compulsory monitoring and exchange of tax information on individual and corporate accounts that will effectively end tax evasion and the use of tax havens.

10. Ecologically destructive activities must be prohibited and heavily taxed. To cater for the rising demands of climate justice and in order to safeguard existing commitments in financing for development, financing for climate should be isolated from the 0.7 target for ODA. States should consider raising a new floor for development assistance above 0.7 of country GDP.

11. Governments should be encouraged to manage capital flows so that surges or flows into or out of a country do not destabilize the economy.

12. Sovereign debt restructuring mechanism: A comprehensive, fair and transparent international debt restructuring mechanism to address sovereign insolvency on a timely basis should be established.

2.0 ESSENTIAL CHANGES AT STATE LEVEL

13. The proclamation of Sustainable Development Goals shall bring a sharp focus on African States and their governments, who are charged with the primary responsibility to provide essential services and the intermediation of economic, political, social and environmental conditions to assure the wellbeing of their citizens.

14. As the primary site for the mobilization of resources to meet targets for sustainable development, African States shall have to confront numerous challenges.

Maximize Domestic Resource Mobilization

15. In the new effort to finance development, States must realign taxation and other revenue mechanisms so that they maximize revenue collection. This would entail elimination of gaps through which potential revenue is lost.

16. Taxation must be progressive so that those who can afford it pay more than those less endowed, and fair so that, for instance, income from labour is not taxed more heavily than profit income.

17. All private enterprises should pay an appropriate fee in return for services they derive from the state. All enterprises above some specified small size should pay tax on their profits. States must also work to eradicate rampant tax evasion in the informal sector.

18. African States, working in concert with developing states elsewhere, must seal the avenues through which they lose revenue potentially owed by corporations—including the award of tax incentives and the shifting of tax reporting to low-tax jurisdictions. Competition for investment that results in undermining revenue collection should be eliminated.

19. States should also pursue a prioritization and hybridization strategy in the domestic revenue and expenditure effort so that only those efforts that promise a clear fit between financing and outcome, that deliver the maximum public benefit and that work to meet multiple goals at once are pursued.

20. States must also aggressively court the use of taxation to achieve desired development outcomes such as low carbon emissions and less pollution, better corporate governance arrangements, and industry value chains that best promote human wellbeing.

21. States must also aggressively fight tax evasion and tax avoidance through stronger international cooperation such as the automatic exchange of taxpayer information among tax authorities.

22. Accountability, eliminating waste and corruption should be at the centre of governance and management of public resources.

Sovereign borrowing and debt

23. It is important that States borrow responsibly, and also that creditors lend responsibly. States and other actors need to put in place an ethical borrowing and lending framework with emphasis on transparency and the State capacity to manage debt. States need to ensure that borrowing happens only on the best conditions and to effectively utilize borrowed funds to grow strategic capacity to promote wellbeing.

24. State borrowing should also be clearly subordinated to the broad goals of sustainable development. A lending regime must be structured such that borrowing nations still have capacity to respond to emergencies and disasters, and such that debt repayment does not lead to withdrawal of critical public goods and services.

25. It is also important that the world's nations put in place a robust arrangement to aid countries in financial difficulties early enough to prevent state borrowing to repay old debt and the build-up of unsustainable debt obligations.

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