

## **Save the Children Submission to the 2018 IATF Report**

This is a submission by Save the Children to input into the 2018 Report of the Interagency Task Force (IATF) on Financing for Development. Suggestions are based on the preliminary draft outline as of 26 October 2017. The submission provides inputs on (III.A) Domestic Resource Mobilisation and Illicit Financial Flows; (III.C) Development Effectiveness; and (III.F) a global social compact and social protection. We hope these inputs are useful as you draft the report and are happy to discuss specific points in more detail. For questions or further inputs, please get in touch with Mareen Buschmann ([m.buschmann@savethechildren.org.uk](mailto:m.buschmann@savethechildren.org.uk); +44 203 763 1070).

The world is off track from reaching the Sustainable Development Goals (SDGs) in time, and lack of sufficient and quality finance is one of the major challenges. Estimates of total investments needed range between [US\\$ 3.3 trillion and US\\$ 4.5 trillion per year](#) in developing countries alone. The Addis Ababa Action Agenda has rightly outlined the breadth of areas, structural issues and financial instruments that need to contribute to financing the SDGs and global development more broadly. The annual Financing for Development Forum has a crucial role to play to assess progress and advance discussions on how stakeholders can provide the quantity and quality of finance needed, while fostering an inclusive and equitable economic and financial global system. This requires accelerated action from all stakeholders – the international community, national governments, local and regional entities and the private sector alike – while ensuring strong civil society participation throughout.

Within efforts to foster better finance and better systems for sustainable development, the focus needs to be on the SDG pledge to leave no one behind, through which governments committed to reach the furthest behind first. The IATF should therefore make connections in its report between raising more and higher quality finance, and investing these funds in development and environment related actions that benefit the poorest and most marginalised stakeholders first and foremost. More than [half of the world's poorest people are children](#), and [reaching every last child](#) is key. The Addis Ababa Action Agenda has rightly recognised that [investing in children and youth is critical](#) to achieve equitable and sustainable development for present and future generations (paragraph 7). Research and recommendations should therefore incorporate a focus on the most excluded groups, and those furthest below the poverty line, with a focus on children.

In regards to format, we would encourage the IATF to outline the diversity of positions on different issues, and back those up by data and solid research as much as possible. This way the report can provide the most informative possible background to member states before they enter the Financing for Development discussions.

### **III.A Domestic Public Finance – Domestic Resource Mobilisation and Illicit Financial Flows**

The potential of domestic resource mobilization (DRM) to help nations achieve the Sustainable Development Goals is huge. The World Bank and International Monetary Fund have found that DRM in emerging and developing nations [generates about \\$7.7 trillion](#) annually. This dwarfs

average annual foreign assistance outlays, which in recent years have averaged [about \\$135 billion](#). If the SDGs are to be achieved on time, increased and effective DRM will be a large part of the solution.

In addition to strengthening developing nations' tax collection and administration, all countries – high, middle and low income alike - must tackle tax avoidance and evasion, corruption and organized crime, also known as illicit financial flows (IFFs). These rob developing economies of resources that could be channeled to education, health, nutrition and infrastructure, among other socially-beneficial projects.

As the Panama and Paradise Papers and other recent disclosures have revealed, global tax avoidance and evasion is massive and the cost has been estimated by some [to run into the trillions](#). Global Financial Integrity estimates that in 2014 alone, IFFs primarily through trade fraud cost developing nations almost [\\$1 trillion](#).

There are several frameworks emerging to address both DRM and IFFs. The 2015 Addis Ababa Action Agenda called for developing nations to increase DRM. The Addis Tax Initiative, which emerged from the 2015 meeting also called on donor nations to double their DRM technical assistance by 2020 and for developing nations to step up their DRM.

The OECD, G20, and UN are all developing international frameworks to reduce IFFs and the momentum to address them has increased in recent years. As these global frameworks and agreements are created it is important that they not only involve more advanced economies, but also allow for meaningful input from developing countries and local and international civil society.

#### Key questions, research and analysis:

The chapter of the report should address the following questions:

- To what extent have countries increased their tax revenue, in order to provide adequate and high-quality finance to achieve the SDGs?
- How has this affected spending on social sectors (as per social compact)?
- What are the challenges/roadblocks to both increasing DRM and to ensuring it is equitably spent on the social compact?
- Case studies: What countries have succeeded in increasing tax revenue and have channeled resources to social sectors, and why have they succeeded?
- What are the most effective approaches for strengthening tax systems and improving investments in social services in ways that are sustainable and reach the most marginalised people?
- To what extent are donors providing support for capacity building and systems strengthening; to which extent are national governments and local civil society feeding into this?

#### Specifically, the report could usefully provide further detailed analysis on:

- 1) The evidence base regarding the role of DRM in leading to a) increased budgets for key basic services such as health, nutrition and education; and b) improved development outcomes for countries' most vulnerable children. This could usefully

include an analysis of which reforms have worked to create fiscal space for the social sectors, and real-time effects of DRM revenue and spending.

- 2) The extent to which local civil society is engaged in DRM and tax reform, what the barriers to engagement are, and what impact the engagement of citizens has on DRM in developing nations.
- 3) The negative impacts of IFFs - beyond estimates of money leaving countries (e.g. impacts on the level and nature of investment in the social sectors)? An in-depth study in one or a set of countries would be useful.

Existing analysis and papers that would provide useful inputs for this chapter:

- 1) [The Promise and the Limits of Domestic Resource Mobilization](#)
- 2) [Making a Killing: How tax scams are robbing poor countries of life-saving health care](#)
- 3) [Subnational Domestic Resource Mobilization, Innovation, and Development](#)
- 4) [Taxes and Development: The Promise of Domestic Resource Mobilization](#)

### **III.C International Development Cooperation – Official Development Assistance and Development Effectiveness**

In order to achieve the SDGs, it is crucial that donors fulfil their commitments on spending 0.7% of GNI on aid, and 0.15-20% on the Least Developed Countries. The Addis Ababa Action Agenda further commits to improving the quality, impact and effectiveness of development cooperation, including adherence to the agreed development effectiveness principles. Promoting democratic ownership (i.e. country governments having leadership over their development priorities and strategies and country systems being used for financial delivery) is at the heart of the effectiveness agenda. This must include stronger coordination between relevant fora (such as the GPEDC and UN DCF), and should aim to improve the effectiveness of all financial flows, such as aid and public-private financing.

Aid quality and quantity is measured by agreed international standards. The OECD DAC, which sets accounting rules for what constitutes ODA, has recently changed the rules on aid. It specifically reformed the rules on spending on peace and security; on in donor refugee costs; and is set to agree on rules on private finance in 2018. There is a need to see how these changes will affect the size and allocation of ODA going forward. In regard to geographical allocation, the reform might have a detrimental impact on spending in fragile states and least developed countries, in which poverty rates are highest. In regard to sectoral spend, it should be assessed whether ODA is likely to be diverted away from sustainable development in poorer countries, and towards issues that are of particular concern to more advanced economies. We encourage the IATF to look into the impact of aid rule changes on development impact and the global pledge to leave no one behind.

The 2017 FFD Forum outcome document invited the 2018 IATF report “to examine the best practices that show a catalysing effect of ODA, within its mandate and existing resources”. In its private sector peer learning paper on key modalities and terminology (2016), the [OECD DAC defines catalytic as](#) “the role of development organisations or aid in stimulating actions on the part of other actors such as the private sector, national governments and civil society. The term is often used to refer to catalysing additional flows for development, but a broader understanding includes catalysing other types of change, such as behavioural change and

systemic change.” We recommend that the IATF adopts a broader understanding of catalytic aid, in line with the above definition, looking at both financial and societal effects of catalytic aid.

Furthermore, aid needs to show real financial and/or developmental additionality. We further suggest the IATF examination includes safeguards and monitoring processes to ensure real financial and developmental additionality of catalytic use of ODA.

### Key questions, research and analysis

This report chapter should address the following questions:

- What are the biggest obstacles to donors and recipients for achieving commitments on effectiveness, and which steps are needed to fulfil commitments?
- Is coordination between the DCF and GPEDC strong enough, and are there any other stakeholders or processes that should be linked to the development effectiveness agenda more strongly?
- Providing adequate and high-quality finance to achieve the SDGs: To what extent is ODA prioritized for achieving the SDGs? How does current international public finance contribute to strengthening systems?
- How do the rule changes at the OECD DAC affect the sectoral allocation of ODA, geographical allocation, and focus on the most marginalised countries and people, in line with the pledge to leave no one behind?
- Financial and developmental additionality of leveraging: In the case of “catalytic aid” – what safeguards and monitoring processes are needed to ensure real financial and developmental additionality?
- What principles should apply to mixed and innovative forms of financing – e.g. blended finance, Public Private Partnerships, loans, innovative mechanisms such as the Global Financing Facility?

Specifically, the report could usefully provide further detailed analysis on:

- 1) Catalytic aid and blended finance: this should elaborate the universal principles different forms of finance need to comply with, and give practical guidance how to ensure additionality (in terms of financial investment, and development impact) for private finance that is leveraged with public funds.

Existing analysis and papers that would provide useful inputs for this chapter:

- 1) [The Power of Ownership: Transforming US Foreign Assistance](#)
- 2) [Making Development Cooperation more effective: 2016 GPEDC progress report](#)
- 3) [A principled approach to public private finance](#)
- 4) [Does Development Aid work?](#)

### **III.F Addressing systemic issues – social compact and social protection**

Child sensitive social protection systems, and equitable access to quality health, education and protection services, are key to fighting child poverty and achieving the SDGs for children. The lack of financial resources in many countries, including due to a low tax take, leads to limited resources to invest in health, education and social protection services for children.

It is therefore very welcome that the Addis Ababa Action Agenda gives strong attention to and recognition of the importance of investing in children. Countries committed to deliver social protection, including floors, and essential services for all. This included “a focus on those furthest below the poverty line and the vulnerable, persons with disabilities, indigenous persons, children, youth and older persons.” All countries were also encouraged to “consider setting nationally appropriate spending targets for quality investments in essential public services for all, including health, education, energy, water and sanitation”.

#### Key questions, research and analysis:

This chapter should address the following questions:

- What are the most cost-effective delivery systems for benefits which are also equitable and inclusive, enabling secure and cost-free access for very poor households?
- How to measure the impacts of social protection measures for the poorest people, including girls and boys of different ages, for different aspects of their well-being and rights?
- What particular designs and measures or adaptations work to reach and support groups of people in particular need, including children, people with disabilities, semi-nomadic populations, people without registered domiciles, in forced migration, etc.?
- How to build fiscal space for sustained and progressively-expanded coverage of social protection and basic service delivery to cover all poor and vulnerable people in very low income, fragile and unstable environments?
- To what extent are countries setting national spending targets for basic service provision as outlined in the social compact of the Addis agenda, and have these led to increased spending on basic services?
- How do social safety nets respond to humanitarian emergencies and disasters – especially in a child sensitive way?

#### Specifically, the report could usefully provide further detailed analysis on:

- 1) How many / which countries have set national spending targets for for basic service provision as outlines in the social compact of the Addis agenda, and have these led to increased spending on basic services?
- 2) How to build the fiscal space for social protection and basic service delivery to cover all poor and vulnerable people in an equitable way.
- 3) How to make social protection shock and crisis responsive – especially in countries prone to humanitarian disaster.

#### Existing analysis and papers that would provide useful inputs for this chapter:

- 1) [Global Coalition to End Child Poverty’s call for Child Sensitive Social Protection](#)
- 2) [World Bank and ILO Universal Social Protection Initiative](#)

- 3) [Cash transfers: what does evidence say?](#)
- 4) [The story of cash transfers and impact evaluation in Sub-Saharan Africa](#)
- 5) [The World Bank 2012-2022 Social Protection and Labour Strategy](#)
- 6) [DFID Cash Transfer Literature Review](#)