Keynote speech by Stephen Karingi at the General Assembly of the Addis Ababa Tax Initiative (ATI) on 22 July 2025

Excellencies,

All Protocols Observed

I am delighted to be speaking at the ATI General Assembly, 10 years after the proclamation of the Addis Ababa Action Agenda, the global framework for financing sustainable development, emphasizing the need for increased domestic resource mobilization alongside international cooperation.

Permit me to start by highlighting that progress towards achieving the Sustainable Development Goals (SDGs) agreed in 2015 is off-track globally. With 5 years to 2030, in Africa, out of 144 measurable SDG targets, only 10 are on track, while 106 are progressing too slowly, with 28 targets actually regressing.

It is our experience that external aid is no longer dependable. ODA to Africa has fallen from 3.4% of GDP in 2006 to 2.1% in 2023. This decline is likely to continue and be permanent, as evidenced by major donors funding cut: US **83%** (through USAID), UK **28%**, France **19%**, Germany **26%**, Belgium **14%** (2026 compared with 2023). The exposure risk to financing development is also significant. For example, the share of USAID disbursement in total ODA received in 2023 was **more than 40%**, in **26** countries.

Domestic resources on the other hand bring financial stability, greater flexibility to channel resources to felt needs, foster a sense of ownership and accountability for development outcomes and lessen the need for borrowing, thus reducing the debt burden. Unfortunately, Africa is not doing well on these two accounts; the tax revenue as per cent of GDP is around 16%, and half of the countries have a debt-to-GDP ratio that is greater than 60%.

Meanwhile, Africa is hemorrhaging financial resources through trade-based illicit financial flows to the tune of more than US$90 billion annually through practices such as trade mis-invoicing and transfer-pricing by multinational enterprises.

The performance of the climate finance environment is also unsatisfactory, where countries marginally contributing to climate change, but suffering most significantly from its impacts, are expected to mostly borrow to mitigate and adapt to its impacts.

Moreover, many countries are transitioning towards middle income level, limiting their access to affordable financing, hemming them into the middle-income trap. This, for instance, affects more than 30 African countries, 23 of which are classified as lower-middle income.

The picture we have then is one in which the fiscal space in most developing countries, particularly in Africa, has been under considerable stress, not least burdened by debt-servicing.

The global architecture of determination of sovereign credit ratings, whose rates influence the terms and ability to access financing internationally, has been constructively criticized for being biased against developing countries due to the methodologies used, which do not account for local factors leading to expensive risk-perceptions and the so-called African Premium.

The result is finance-desperate countries contracting debt on discriminatory terms based on flawed methodologies of determining repayment capabilities.

This context dovetails into the 2025 ATI General Assembly's theme of "***Domestic Revenue Mobilization – a turning point for servicing SDGs***".

Permit me to start by highlighting the role of DRM in closing the SDGs financing gap.

The financing gap for achievement of the sustainable development goals, and aspirations of African Union's Agenda 2063, require stable and predictable finance sources not vulnerable to exogenous stimuli we have experienced since 2019.

DRM enables countries to generate and utilize their own financial resources to finance locally agreed development priorities, and to more confidently predict the trend for achievement of the SDGs and aspirations of African Union's Agenda 2063.

To increase funding for SDGs, DRM will necessarily entail:

- Ensuring fiscal policy formulation is underpinned not only by theory but also empirical analytics and practical experience to provide insights into the effectiveness and efficiency of alternative tax policy choices
    - Some African countries were losing between 4 and 76 percent of their total government revenues through unproductive tax incentives, prompting them reform their tax incentives policies
- Aspire to increase tax revenues by improving tax administration through digitalization of public finance systems to facilitate compliance, transparency and accountability. Frontier technologies such as Artificial Intelligence could be of great use in digitalized economies.
- Broadening the effective tax base by supporting formalization of the informal sector, taxing wealth, analyzing viability of, and reforming, tax policies.
- Sensitively taxing activities in the informal sector, and
- Plugging leakages in the fiscal system by rationalizing tax incentives and implementing policies for combatting tax evasion and tax avoidance.

Countries will also need to consider leveraging other sources of domestic revenue to finance their development aspirations. Key sources of finance include:

- Private sector investment, and therefore providing a conducive environment will be critical
- Establishing or strengthening capital markets to mediate private sector activity
- Leveraging hitherto under-tapped Pension funds, Sovereign Wealth funds, Central Bank reserves and philanthropies towards financing productive capacity and long-term development
- Capitalizing natural resources through strategic analysis and valuation of natural resources and informed engagement with international climate finance and carbon market funding
- It will also necessitate exploring innovative financing such as green bonds, impact investment, blended finance, and public-private partnerships.

While mobilizing more resources is a priority, it runs alongside curbing leakages in the financial system (such as illicit financial flows and unproductive tax incentives) and improving efficiency in spending.

This entails strengthening public financial management institutions to ensure that the resources mobilized are allocated effectively and efficiently to the country's sustainable development priorities.

This not only ensures that resources mobilized go further to achieve intended objectives but also help build public trust which promotes compliance in paying taxes.

With increased financing from DRM, countries can then better address the multiple challenges being experienced.

To uphold progressivity, equity and fairness in DRM, countries need to undertake public consultation in policy formulation to ensure that those with greater ability-to-pay (wealth and income) contribute more to public revenue, policies are inclusive, sensitive to circumstances of vulnerable populations and safety nets can be realistically designed.

There is also a need to conduct thorough policy impact assessments before implementing tax reforms to understand the potential effects on different segments of society as well as establish a robust monitoring and evaluation system to track progress, identify challenges and undertake corrective measures over time.

Countries must also engage in international cooperation by collaborating with other countries, for instance in case of curbing leakages through illicit financial flows – collaborate with countries which are transit or destinations, to effectively combat tax avoidance and tax evasion, and recover lost assets.

In the outcome document of fourth International Conference of financing for Development held in Sevilla, Spain from 30 June – 3 July 2025, DRM was underscored to be crucial for closing the SDGs financing gap and advocated for increasing support for capacity building of developing countries through bilateral and multilateral support.

To translate these political commitments into action, the Conference identified critical actions which include all the points I have mentioned, such as:

1. Development of a specific, measurable, achievable, relevant and time-bound (SMART) framework for DRM for SDGs to track and report progress intermittently.

2. Restructure global debt governance to ensure that borrowing is sustainable for developing countries

3. Align the practices of mobilizing and allocating resources by the Multilateral Development Banks with financing SDGs.

4. Strengthen Tax system by improving tax administration, broadening the tax base and ensuring equitable and efficient tax collection

5. Implement measures to combat illicit financial flows and recover stolen assets to boost DRM

6. Promote transparency and accountability, including beneficial ownership in companies, a key loophole in perpetuating illicit financial flows, and ensure that resources are used efficiently and effectively.

7. Foster international cooperation, particularly on tax matters and ensure that developing countries have a voice in international tax policy formulation and dispute resolution

8. Provide technical assistance to build the capacity of developing countries for mobilizing domestic resources

9. Integrate DRM into national development plans, strategies and budgeting processes

10. Develop and implement a robust monitoring and evaluation framework to regularly monitor, track progress, evaluate achievements towards DRM's contribution to meeting SDGs and adjust as needed.

These are welcome steps and need to be noted and encourage member States to be fully engaged in the on-going inclusive process at UN to draft the Framework Convention on International tax cooperation aimed at enhancing DRM in countries through ensuring profits are fairly taxed where value is created.

Lastly, DRM plays an important role in addressing Societal challenges beyond revenue through, for instance, requirement to strengthen institutions by improving public financial management, transparency, and accountability which are essential for effective DRM but also contribute to better governance.

Hinging reforms for DRM on fair and equitable tax policies as a core component of DRM, could greatly reduce inequality in the country.

In conclusion, domestic resource mobilization is critical in closing the SDGs financing gap by enabling countries to generate and utilize their own financial resources towards their felt priorities for sustainable development.

It is critical to establish a robust monitoring and evaluation system to track progress, identify challenges, and make relevant adjustments to policies as needed.

This approach will increase domestic resources, reduce vulnerability to volatility in external aid, and foster ownership and self-sufficiency in achieving the SDGs and aspirations of African Union’s Agenda 2063 - make the world better prepared to assess the progress made, challenges encountered and how best to tackle them next time.

I wish you very fruitful deliberations.