



This review of the Addis Ababa Action Agenda is part of an analysis commissioned to IIED by Cities Alliance that aims to help a range of urban development actors understand how six global agreements can support the advancement of sustainable urban development.



## The Addis Ababa Action Agenda

[The Addis Ababa Action Agenda \(AAAA\)](#) was endorsed by the Third International Conference on Financing for Development in July 2015. It supports implementation of the 2030 Agenda for Sustainable Development adopted later that year.

Speaking particularly to the mandates of national Ministries of Finance, it means to provide a global framework for financing sustainable development. However, it can be critiqued for lacking clear narrative and guidelines on mobilising and accessing the necessary financing. Instead, it appears to (re-)make commitments from other agendas, including ending poverty and hunger, respecting human rights, and addressing the needs of the long list of groups said to be vulnerable.

It also does not properly address two issues that featured prominently during the conference: creation of an intergovernmental body on tax, strongly advocated by civil society organisations; and establishment of some form of international sovereign debt restructuring mechanism to address the debt sustainability challenges of some Small Island Developing States (SIDS).

## Commitments

The Addis Agenda spells out a commitment to a new 'social compact' in which countries commit to setting up social protection systems, with national spending targets for essential services like health and education and pledges internal assistance for this objective.

It also reflects an international agreement to work together to fund infrastructure for energy, transport, and water and sanitation, as well as step-up investments in agriculture and nutrition and facilitate innovation and scientific cooperation. It acknowledges shocks, volatility and the need to build capacities in risk preparedness at the local and national level, and to ensure that the international community can respond with timely and adequate financial support.

The Addis Agenda pays special attention to least developed countries (LDCs) as the most vulnerable group of countries in the world. It calls for global support to overcome the structural challenges they face and encourages donor countries to increase the allocation of official development assistance (ODA) to the world's poorest nations to 0.2 per cent of national income. On balance, the AAAA outlines a series of relevant measures which, if implemented, will make an important contribution to financing the sustainable development Agenda 2030.

## Strengths

The Addis Agenda provides a starting point to discuss local finance in the context of sustainable development. It presents a coherent framework for financing the 2030 Agenda, including the SDGs, by putting forward a comprehensive set of corresponding policy actions. It commits Member States to fully engage local authorities in their implementation efforts. The Agenda promotes more financial autonomy and integrated urban planning at the local level as key to sustainable development. With public budgets and official development aid severely restricted, the AAAA highlights the need to mobilise domestic financial resources and private investors.

It recognises the role of local and regional governments, as well as their restrictions in taking action, in paragraph 34: "We further acknowledge that expenditures and investments in sustainable development are being devolved to the subnational level, which often lacks adequate technical and technological capacity, financing and support."

## Challenges

The AAAA does not engage adequately with the massive gap in urban areas between what is needed to meet the SDGs and what is available. It recognises the large funding gap for infrastructure but does not specify from where funding could come. Nor does it provide specifics on two critical issues to local governments: fiscal and governance reforms to allow local governments to mobilise a more diverse set of development finance options and be more strategically included in domestic resource mobilisation strategies; and improving intergovernmental transfers towards a more predictable and transparent framework.

The text is not so strong in addressing finance for urban policy, planning and governance, and on funding initiatives to benefit low-income urban dwellers. For example, there is no mention of informal settlements, and thus no coverage of finance needed for slum upgrading. Similarly, the AAAA elaborates on the importance of data and its disaggregation. Yet, it focuses on national statistical systems and not on city level data to inform policy making at the local level.

## Relevance for local governments

In general, the comprehensive approach of the Addis Agenda translates well for local governments at a conceptual level. For local authorities, drawing upon all sources of finance implies the need to more effectively mobilize internal (e.g., local taxes, user fees and land value capture) and external revenue streams (e.g., intergovernmental transfers and donor support), in order to provide public goods and services and to leverage financing for large-scale capital investments.

A policy framework that realigns local financial flows with local public goals implies a well-coordinated fiscal, political and administrative decentralisation effort, where local expenditure responsibilities are backed by reliable intergovernmental transfers and fiscal empowerment (e.g., the legal and technical capacity to levy taxes).

Yet, the AAAA lacks clarity and coherence on concrete pathways for financing the 2030 Agenda at the local level. It states the importance of local government but lacks concrete elaborations of how to channel finance to local authorities to support them in implementing the SDGs.

Most importantly, it lacks adequate mechanisms for generating buy-in and commitment from local governments and civil society in cities, especially representative organisations of the urban poor.