

DOMESTIC FINANCE FOR DEVELOPMENT (DF4D)

HELPING DEVELOPING COUNTRIES FUND THEIR OWN DEVELOPMENT



“...corruption, lack of transparency, and poorly functioning tax systems are major barriers to long-term growth in many developing countries.”

– Secretary of State Hillary Rodham Clinton

The primary goals of development assistance are to promote sustainable economic prosperity and to mitigate aid dependency. One way to accomplish these objectives is to empower developing countries to finance more of their own needs through mobilizing domestic public revenue, improving budget transparency, and fighting corruption. These steps would enable governments to allocate more revenue for public services and to strengthen investment climates for private sector engagement. They would also reassure citizens that their hard-earned tax money is not being wasted or misused.

What Is DF4D?

Domestic Finance for Development (DF4D) is a United States government policy initiative with the goal of achieving these aims. It seeks to:

- Strengthen the political will for reform within partner countries.
- Provide technical assistance, such as taxation expertise, in partner countries including through innovative public-private partnerships.
- Elevate the importance and interrelation of domestic resource mobilization, fiscal transparency, and anti-corruption efforts in public finance as key components for sustainable economic development.

DF4D 2012 Activities

Volunteer Tax Expert Corps

This program seeks to supplement the existing work of bilateral and multilateral donors to improve tax administration and public financial management in partner countries. DF4D is partnering with public and private organizations to recruit an international cadre of volunteer tax experts to provide technical assistance, training, and advisory services to DF4D partner countries.

El Salvador

The U.S. Agency for International Development (USAID) is implementing a \$7.6 million Fiscal Policy and Expenditure Management Program (FPEMP) with the Government of

El Salvador. Over the next four years, FPEMP will advance El Salvador’s fiscal reform agenda by building capacity and improving systems for public expenditure management, tax revenue mobilization, and promoting private sector engagement. USAID is also creating a \$2 million Revenue Challenge Fund to support improved tax collection at the municipal level. It will also provide resources to generate productive job opportunities and educational alternatives for at-risk youth.

Middle East and North Africa Open Governance Conference in Tunis

In support of the democratic transitions in North Africa, DF4D is partnering with the Government of Tunisia and the International Tax Dialogue to host an international open governance conference in May 2012. Regional finance ministers, tax administrators, and civil society and business representatives will discuss best practices in domestic resource mobilization, transparency, and anticorruption as key tools to strengthen institutions and promote private sector development.

South-South Partnerships

DF4D is also working with emerging market countries to explore best practices and triangular technical assistance and human capital development in DF4D partner countries.

During 2012, the U.S. Government plans to create DF4D partner programs in Honduras, Kyrgyzstan, and Zambia, in addition to the work in El Salvador and Tunisia. DF4D will partner with other countries, especially those receiving significant levels of U.S. assistance, which are willing to adopt reforms to mobilize domestic resources for development.

Where Are We Headed?

The U.S. Government is eager to collaborate with other organizations already active in this area. DF4D especially seeks private sector and civil society partners to take this initiative to the next level.

Email DF4D@state.gov for more details.