

FINANCING FOR DEVELOPMENT: PROGRESS AND PROSPECTS

Report of the Inter-agency Task Force
on Financing for Development 2017



United Nations

Executive summary

In 2016, the first full year of implementation of the Addis Ababa Action Agenda, efforts have begun at all levels to mobilize resources and align financing flows and policies with economic, social and environmental priorities. Progress can be reported in all seven action areas of the Addis Agenda. Nonetheless, a difficult global environment has impeded individual and collective efforts, and many implementation gaps remain. The Addis Agenda offers a broad framework for individual actions and international cooperation to increase sustainable development investment, stimulate global growth and advance the world towards achieving the Sustainable Development Goals (SDGs). Its rapid implementation is therefore more important than ever.

The challenging global environment in 2016 had significant impacts on national efforts to implement the Addis Agenda. This includes not only economic factors, such as challenging macroeconomic conditions, low commodity prices, slow trade growth, and volatile capital flows, but also humanitarian crises. Despite improvements projected for 2017 and 2018, the current growth trajectory will not deliver the goal of eradicating extreme poverty by 2030. Least developed countries (LDCs) will fall short by large margins.

National actions and international cooperation can help change the trajectory of the global economy and support countries towards achieving the SDGs. The seven action areas of the Addis Agenda address the different sources of finance: domestic public resources; domestic and international private business and finance; international development cooperation (including official development assistance, South-South cooperation and development bank lending); international trade; debt sustainability; systemic issues; and science, technology, innovation and capacity building.¹ Each section of the report highlights key issues and puts forth policy options for consideration by Member States. These recommendations emanate from the assessment of progress and implementation gaps presented in the report and its online annex. Chapters also share lessons learned from the experience of taking action at the national and regional levels. Across the chapters, the Task Force has identified two elements in particular that respond to the challenges posed by the current environment—the need to increase long-term investments in sustainable development and the importance of addressing economic vulnerabilities.

Increases in long-term and high-quality investments will lead to a sustainable rise in economic growth. Additional public and private investment and financing will be required to meet the large investment needs associated with the SDGs, particularly in infrastructure and especially in the LDCs. Such investment will also help stimulate global

¹ Those commitments and actions summarized in chapter I of the inaugural Task Force report (Cross-cutting issues), which includes issues such as social protection, infrastructure and gender, are covered partially in the respective action areas and partially in the thematic chapter of this report. All cross-cutting issues also have dedicated sections in the report's online annex at <http://developmentfinance.un.org>.

economic growth, creating a virtuous cycle. To achieve this, the report proposes measures that will address impediments to private investment and enhance public investments and the role of development banks. It raises the question of how to use such resources—including blended finance—most effectively, and identifies a number of principles for the use of blended instruments and public-private partnerships.

Increased long-term investments need to be complemented by measures to directly ameliorate the living conditions of the poor and vulnerable, such as social protection floors. Economic growth will not suffice to eradicate extreme poverty. The Addis Agenda responds to this challenge with a social compact, which includes a commitment to social protection floors for all, with a focus on the vulnerable, persons with disabilities, indigenous persons, children, youth and older persons. To address financing challenges associated with social protection floors, it proposes domestic measures and international support that respond to the countercyclical nature of financing needs. The Task Force also underlines that policies and actions on investment and vulnerabilities need not be just gender-sensitive, but should actively advance the goal of gender equality and women's empowerment.

Countries are taking actions on policy commitments across the Addis Agenda, and have started to bring them together into coherent implementation frameworks. Analysis by the Task Force shows that developing these financing frameworks is a central challenge for countries as they embark on implementing both the Addis Agenda and the 2030 Agenda for Sustainable Development. There are calls in all action areas for strategies and plans to guide implementation efforts, including medium-term revenue strategies, infrastructure plans, development cooperation strategies, and others. These strategies have to be coherent with the broader overall sustainable development strategy. The integrated national financing frameworks called for in the Addis Agenda, which take into consideration all financing sources and policies, can provide this coherence. Task Force members will continue analytical work in this area, with a view to sharing lessons and supporting Member States in building and strengthening these frameworks.

A steadfast commitment by the international community to multilateral cooperation for sustainable development should support national efforts. International cooperation is as vital as ever. Many of the challenges that countries face, including slow economic growth, climate change and humanitarian crises, have cross-border or even global repercussions, and cannot be addressed by any one actor alone. Rooted in the financing for development process, the Addis Agenda recognizes the complementary nature of national actions and a supportive international architecture for sustainable development.