



# Economic and Social Council

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## Economic and Social Council forum on financing for development follow-up

18-20 April 2016

Item 2 of the provisional agenda\*

### Financing for sustainable development: follow-up to the Addis Ababa Action Agenda of the Third International Conference on Financing for Development

## Monitoring commitments and actions in the Addis Ababa Action Agenda of the Third International Conference on Financing for Development\*\*

### Note by the Secretary-General

#### *Summary*

Under the Addis Ababa Action Agenda of the Third International Conference on Financing for Development, the Secretary-General was encouraged to convene an inter-agency task force to report annually on progress in implementing the financing for development outcomes and the means of implementation of the 2030 Agenda for Sustainable Development and to advise the intergovernmental follow-up thereto on progress, implementation gaps and recommendations for corrective action, while taking into consideration the national and regional dimensions.

The Inter-agency Task Force on Financing for Development, convened in late 2015, comprises over 50 United Nations agencies, programmes and offices and other relevant international institutions and entities.<sup>a</sup> The major institutional stakeholders of the financing for development process, namely, the World Bank Group, the International Monetary Fund, the World Trade Organization, the United Nations Conference on Trade and Development and the United Nations Development Programme, have taken a central role, jointly with the Financing for Development Office of the Department of Economic and Social Affairs of the United Nations Secretariat, which also serves as the coordinator of the Task Force and substantive editor of its report.

The present note highlights the main findings presented in the first report of the Inter-agency Task Force.

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<sup>a</sup> For a list of the agencies, see [www.un.org/esa/ffd/special/inter-agency-task-force-members.html](http://www.un.org/esa/ffd/special/inter-agency-task-force-members.html).

\* E/FFDF/2016/1.

\*\* Reissued for technical reasons on 14 April 2016; previously issued under the symbol E/FFDF/2016/1.



## I. Introduction

1. From 13 to 16 July 2015, world leaders came together in Addis Ababa, for the Third International Conference on Financing for Development, at which they adopted the Addis Ababa Action Agenda of the Conference (the Addis Ababa Action Agenda).<sup>1</sup> The Addis Ababa Action Agenda has established a holistic, coherent framework for financing sustainable development. More than just a framework, the Agenda embodies several hundred concrete actions that States Members of the United Nations have pledged to undertake individually and collectively. As subsequently emphasized in the 2030 Agenda for Sustainable Development, adopted by the General Assembly in its resolution 70/1 of 25 September 2015, entitled “Transforming our world: the 2030 Agenda for Sustainable Development”, full implementation of the Addis Ababa Action Agenda is critical for the realization of the Sustainable Development Goals and targets.<sup>2</sup>

2. Member States committed to staying engaged to the Addis Ababa Action Agenda through a dedicated and strengthened follow-up process to assess progress, identify obstacles and challenges to implementation, ... promote the sharing of lessons learned, address new and emerging topics of relevance, and provide policy recommendations for action by the international community (General Assembly resolution 69/313, annex, paras. 131-132). In this context, under the Addis Ababa Action Agenda, an annual Economic and Social Council forum on financing for development follow-up was established to review implementation of financing for development outcomes and the means of implementation of the 2030 Agenda.

3. Credible and timely monitoring and analysis will be required to inform this process. The Inter-agency Task Force on Financing for Development, convened by the Secretary-General, will seek to make a substantive contribution to these monitoring and analytical functions. According to its mandate, the Task Force will (a) report annually on progress in implementing the financing for development outcomes and the means of implementation of the 2030 Agenda for Sustainable Development and (b) advise the intergovernmental follow-up processes on implementation gaps and recommendations for corrective action (General Assembly resolution 69/313, annex, para. 133). The Task Force’s primary official audiences will be the participants in the Economic and Social Council forum on financing for development follow-up and the high-level political forum on sustainable development.<sup>3</sup> The Task Force expresses its appreciation to Governments, international institutions and other stakeholders that have displayed great interest in its work. It will strive to demonstrate technical precision and thoughtfulness, and to cover the full range of financing for development issues, while remaining accessible to a broad range of readers.

4. The Task Force will base its analysis on the premise that, given the nature of the issues being discussed, there is often not one simple policy solution. Rather, the

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<sup>1</sup> Endorsed by the General Assembly in its resolution 69/313 of 27 July 2015.

<sup>2</sup> See General Assembly resolution 70/1, para. 40.

<sup>3</sup> The high-level political forum on sustainable development was established pursuant to paras. 84-86 of the outcome document of the United Nations Conference on Sustainable Development, entitled “The future we want” (General Assembly resolution 66/288, annex). In the 2030 Agenda for Sustainable Development, the high-level forum was given the responsibility to serve as the central mechanism for follow-up and review of progress towards achieving the Sustainable Development Goals at global level (see Assembly resolution 70/1, paras. 82-90).

complex nature of those issues implies that there are multiple policy options. Indeed, all economic policies have trade-offs. The Task Force sees its role as one of mapping out policy options and analysing their underlying assumptions and economic, social and environmental implications, while leaving the final policy choice to national and international political processes.

5. As requested in the Addis Ababa Action Agenda, the Task Force aims at building upon the positive experience of inter-agency cooperation initiated by the Secretary-General when he invited the relevant international institutions to leverage their specialized expertise in monitoring progress on Millennium Development Goal 8. The MDG Gap Task Force drafted analytical reports which incorporated the official indicators, while also monitoring complementary data and information in order to address emerging concerns.<sup>4</sup> It gave regular updates on international cooperation commitments and recommended policy measures, for consideration by the international community, to further the global partnership. The MDG Gap Task Force represents a model that the present Task Force will seek to emulate.

6. The Task Force further appreciates that progress on achieving the Sustainable Development Goals per se will be monitored through a different international exercise. That effort will focus on a global indicator framework agreed by the Statistical Commission for measuring the targets specified under each Goal, including those pertaining to the means of implementation. These indicators, particularly those for the means of implementation targets, will be important inputs into the Task Force's work. The Addis Ababa Action Agenda also includes numerous additional commitments and action items that are not encompassed by the Sustainable Development Goal targets. In addition, the Task Force has found that many items are difficult to capture fully with just one indicator. The Task Force report will thus complement the statistical report on the Sustainable Development Goal indicators by providing (a) a review of the additional commitments and action items in the Addis Ababa Action Agenda and other financing for development outcomes; (b) an assessment of progress in implementing agenda items that may not be captured easily by quantitative indicators, such as qualitative measurements in areas where data are lacking; and (c) an analytical discussion of the issues to provide a fuller picture of implementation, assess the impact of financing flows and policies on achieving goals, and promote knowledge-sharing and mutual learning. A consideration of the monitoring of commitments made on the sidelines of the Third International Conference on Financing for Development has been included in an appendix (B) to the 2016 report<sup>5</sup> and will be issued separately (as an appendix) in the future.

7. The first report of the Task Force, completed in the first quarter of 2016, does not seek to assess progress in implementation of the Addis Ababa Action Agenda or the means of implementation of the 2030 Agenda for Sustainable Development, which were agreed to less than six months prior to the drafting of the report. Indeed, much of the data for 2015, which is the base year against which progress in implementation is to be measured, had not yet been published when the 2016 report was being prepared. Instead, the focus of the 2016 report is on how the Task Force

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<sup>4</sup> See [www.un.org/en/development/desa/policy/mdg\\_gap/](http://www.un.org/en/development/desa/policy/mdg_gap/) for the 2015 report and links to earlier reports.

<sup>5</sup> *Addis Ababa Action Agenda: Monitoring Commitments and Actions — Inaugural Report 2016* (United Nations publication, Sales No. E.16.I.7).

proposes to monitor implementation of commitments in future years, although the report does also seek to situate the discussion within the context of relevant recent developments.

## II. Evolving global situation

8. There have been several important developments since Member States came together in Addis Ababa in July 2015, including the successful adoption of the 2030 Agenda for Sustainable Development and the adoption of the Paris Agreement<sup>6</sup> by the Conference of the Parties to the United Nations Framework Convention on Climate Change<sup>7</sup> at its twenty-first session, held in Paris from 30 November to 13 December 2015. There has also been progress in other action areas covered by the Addis Ababa Action Agenda. For example, International Monetary Fund (IMF) quota and governance reforms, which had been agreed to in 2010, became effective in January 2016. In response to the call in the Addis Ababa Action Agenda, the new Global Infrastructure Forum, led by the multilateral development banks, will be launched in Washington, D.C., on 16 April 2016 during the Spring Meetings of IMF and the World Bank Group.

9. Nonetheless, these global efforts are being undertaken in an increasingly difficult environment. Growing global risks threaten to make implementation of the agenda even more challenging than just six months ago. As the finance ministers and central bank governors of G20 observed in the communiqué issued at their 27 February 2016 meeting held in Shanghai, China:

The global recovery continues, but it remains uneven and falls short of our ambition for strong, sustainable and balanced growth. Downside risks and vulnerabilities have risen against the backdrop of volatile capital flows, a large drop of commodity prices, escalated geopolitical tensions, the shock of a potential UK exit from the European Union and a large and increasing number of refugees in some regions. Additionally, there are growing concerns about the risk of further downward revision in global economic prospects (para. 1). Indeed, as indicated in *World Economic Situation and Prospects 2016*, over \$700 billion of capital left developing and transition countries in 2015, greatly exceeding the magnitude of net outflows during the “great recession”. At the same time, non-financial corporations in emerging market countries have accumulated significant levels of debt, which increased from less than 60 per cent of gross domestic product (GDP) in 2006 to more than 100 per cent at mid-2015, making these countries particularly vulnerable to sudden stops and reversals of capital flows.

10. Geopolitical risks have also increased. The world has been facing the largest crisis of forced displacement since the Second World War, which is putting growing demands on limited public resources. There is a risk that needed assistance will be diverted from long-term development and countries most in need. Indeed, the least developed countries risk seeing their share of official development assistance (ODA) fall further, despite the commitment in the Addis Ababa Action Agenda to reverse the decline. The challenge for the international community is to address the

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<sup>6</sup> See [FCCC/CP/2015/10/Add.1](#), decision 1/CP.21.

<sup>7</sup> United Nations, *Treaty Series*, vol. 1771, No. 30822.

need for a response to the crisis while maintaining its commitment to long-term sustainable development and implementation of the Sustainable Development Goals. The Economic and Social Council forum on financing for development follow-up could be a useful platform for reasserting that development commitments will not be put at risk.

### **III. From Monterrey to Addis Ababa and the means of implementation of the Sustainable Development Goals: monitoring financing for development outcomes**

11. The Addis Ababa Action Agenda aims at mobilizing public finance, setting appropriate public policies and regulatory frameworks for unlocking private finance, trade opportunities and technological development, and incentivizing changes in consumption, production and investment patterns. It further seeks to align all resource flows and policies with economic, social and environmental priorities. The holistic approach is rooted in the financing for development process, as embodied in the 2002 Monterrey Consensus of the International Conference on Financing for Development and the 2008 Doha Declaration on Financing for Development: outcome document of the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus.<sup>8</sup> The Monterrey Consensus recognized not only that all sources of financing — public and private, domestic and international — are needed to finance development, but that resource mobilization depends on public policies and a strengthened national and international enabling environment. Both national policies and regulations and international rules and agreements are thus linked to development finance and outcomes.

12. The global partnership for development, as delineated in Monterrey, emphasizes the central importance of development cooperation and concessional financing. Indeed, development cooperation, and the forums in which it is discussed, remain a crucial part of the agenda. Building on the Monterrey and Doha outcomes, the Addis Ababa Action Agenda reaffirms that developing countries have primary responsibility for their own economic and social development. Nationally owned sustainable development strategies are thus a core element of the Agenda. However, domestic policies must be supported by an enabling international environment. Science, technology, innovation and capacity-building had been touched upon in the Monterrey Consensus and the Doha Declaration, but they were not accorded detailed treatment. The Agenda explicitly incorporates each of the major non-financial means of implementation for delivering sustainable development along with the more traditional financial means, complementing and contextualizing them within a comprehensive framework.

13. The Addis Ababa Action Agenda goes beyond the Monterrey and Doha outcomes by taking into account policy requirements for realizing all three dimensions of sustainable development — economic, social and environmental — in an integrated manner. It emphasizes the importance of incentives for private

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<sup>8</sup> *Report of the International Conference on Financing for Development, Monterrey, Mexico, 18-22 March 2002* (United Nations publication, Sales No. E.02.II.A.7), chap. I, resolution 1, annex; and General Assembly resolution 63/239, annex.

sector investment, as well as the quality of investment. It also emphasizes global sustainable consumption and production patterns. In doing so, it brings issues such as climate finance, protection of oceans, forests and other environmental concerns into the discussion more prominently, and incorporates them into the global coherence agenda, along with issues of trade and global financial stability.

14. The commitments and action items in the Addis Ababa Action Agenda are organized within seven main action areas and a concluding section on data, monitoring and follow-up. Member States also identified a number of cross-cutting thematic areas where policy actions harness the synergies that exist between many of the action items elaborated in the action areas of the Agenda. The action areas are:

1. Domestic public resources
2. Domestic and international private business and finance
3. International development cooperation
4. International trade as an engine for development
5. Debt and debt sustainability
6. Addressing systemic issues
7. Science, technology, innovation and capacity-building

### **Relationship between the Addis Ababa Action Agenda and the Sustainable Development Goals**

15. All of the means of implementation of the Sustainable Development Goals are included in the Addis Ababa Action Agenda. The indicators for the means of implementation targets will be important inputs into the Task Force's work, as will relevant indicators for other Sustainable Development Goal targets (which are particularly relevant to cross-cutting issues). Nonetheless, the 2030 Agenda for Sustainable Development and the Addis Ababa Action Agenda have different structures, which can make it difficult to track similar targets across the two agendas. The 2030 Agenda for Sustainable Development is organized around the Sustainable Development Goals, or around goals and outcomes, while the Action Agenda follows the form of the Monterrey Consensus, and is structured around different financial and non-financial means of implementation.

16. As emphasized in the Addis Ababa Action Agenda, the 17 Sustainable Development Goals have enormous synergies across goals, with implementation of one contributing to progress in the others. Similarly, there are synergies across the sections of the Addis Ababa Action Agenda, as well as between the Agenda and the Sustainable Development Goals. Each of the Goals draws upon inputs from across the Addis Ababa Action Agenda sections for implementation, while each of the sections of the Agenda speaks to different Goals. Whether the issues are presented in terms of financial flows/means of implementation (the Addis Ababa Action Agenda) or of outcomes (the Sustainable Development Goals), the agenda needs to be understood in a holistic manner.

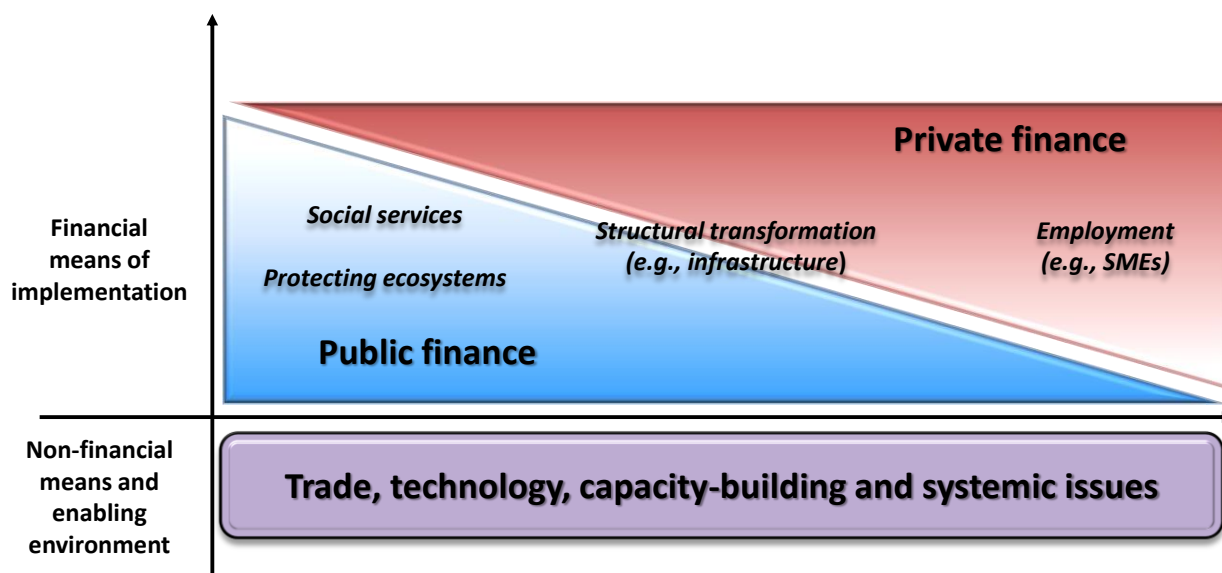
17. Taking this into consideration, the Task Force draws on the nuanced understanding of the benefits and risks associated with different types of finance

and other means of implementation, as conveyed in the seven action area sections of the Addis Ababa Action Agenda. The different sectors and goals have different capital structures, implying that the appropriate combinations of financing modalities vary by sector, as well as by national contexts. For example, some investments, such as those that meet basic social needs, will in most cases be largely financed by public resources (although in some countries, they will be supplemented by private investment). Other investments, such as for infrastructure, will often need to effectively combine public and private funding. Still others, such as financing for small and medium-sized enterprises (SMEs), will be predominantly of a private nature, although generally those investments will be within public policy and regulatory frameworks that support and incentivize investment. All of them will also need support from non-financial means of implementation, such as technology and a supportive international environment, including a stable economic system and debt sustainability (see figure I).

18. As noted in the Addis Ababa Action Agenda and the 2030 Agenda for Sustainable Development, the full set of action areas in the Addis Ababa Action Agenda forms a strong basis for implementation of the Sustainable Development Goals and for support for the global partnership for sustainable development.

Figure I\*

**The continuum of public and private financing and the non-financial means for achieving sustainable development**



\* The figure is for illustrative purposes only and size of boxes is not representative of magnitudes of flows.

#### **IV. Summaries of the chapters of the Task Force monitoring framework**

19. Monitoring the Addis Ababa Action Agenda and the means of implementation of the Sustainable Development Goals constitutes a complex exercise, covering cross-cutting issues and data, the seven action area sections of the Addis Ababa

Action Agenda, and hundreds of commitments and action items. The Task Force addressed this challenge by compiling and clustering all of the commitments and action items in the Addis Ababa Action Agenda, organized around its sections.<sup>9</sup> Under each cluster, the Task Force has presented options for monitoring, including the best currently available sources of data that will allow for monitoring progress in implementation in future years; a discussion on the quality of the data; and other methods such as qualitative and contextual analysis and case studies. In addition, the Task Force noted where the indicators for the Sustainable Development Goals will provide additional data and information. While the Task Force will be flexible with respect to incorporating new data sources in the future, the inaugural 2016 report will serve as a reference guide for the financing for development follow-up process. Future reports will also incorporate the monitoring of the broader financing for development outcomes, building on the annual monitoring carried out, since the adoption in 2002 of the Monterrey Consensus, by the Financing for Development Office of the Department of Economic and Social Affairs of the United Nations Secretariat, in collaboration with the five institutional stakeholders of the financing for development process.

20. Brief summaries of the findings of the Task Force are provided below and cover each of the chapters of the report, including the introduction to each section for context and the short overview of conclusions on monitoring. The detailed and technical assessment of the monitoring of financing for development commitments and its challenges is available in the 2016 Task Force report and at the Task Force's website.<sup>10</sup> The inaugural report will focus on the commitments and action items in the Addis Ababa Action Agenda in an attempt to address the question how to monitor the new commitments and action items.

### **Cross-cutting issues**

21. The Addis Ababa Action Agenda contains several key cross-cutting initiatives which build on the synergies of the Sustainable Development Goals and address critical gaps in their delivery. Cross-cutting issues and commitments in the Agenda, as contained in section I, include: (a) a social compact for the delivery of social protection and essential public services for all; (b) scaling up efforts to end hunger and malnutrition; (c) closing the infrastructure gap, including establishing the Global Infrastructure Forum; (d) promoting inclusive and sustainable industrialization; (e) generating full and productive employment and decent work for all; (f) protecting ecosystems for all; and (g) promoting peaceful and inclusive societies. It also addresses such issues as gender equality and the empowerment of women and girls; children and youth; countries in special situations, and the global partnership for sustainable development. Each of these initiatives can contribute to progress across a large number of Sustainable Development Goals.

22. Because of the close links to the 2030 Agenda, the Task Force, in its monitoring of the areas identified in that section, will be able to draw on a large number of relevant Sustainable Development Goal indicators, in particular for

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<sup>9</sup> See [www.un.org/esa/ffd/wp-content/uploads/2016/01/IATF-on-FfD\\_2016-Report\\_Full-Outline\\_22-2-16.pdf](http://www.un.org/esa/ffd/wp-content/uploads/2016/01/IATF-on-FfD_2016-Report_Full-Outline_22-2-16.pdf).

<sup>10</sup> [www.un.org/esa/ffd/ffd-follow-up/inter-agency-task-force.html](http://www.un.org/esa/ffd/ffd-follow-up/inter-agency-task-force.html).



commitments focused on achieving specific outcomes. The Task Force will add to those as necessary, thereby providing greater specificity and detail.

23. In particular, the section includes a greater focus on financing flows, including domestic spending and international financing relevant to the respective sectors, initiatives, groups of populations and countries. Disaggregated data are readily available in many, albeit not all, of the relevant areas. For example, in the area of infrastructure, the Task Force will draw on the numerous but fragmented existing data sources in order to present a comprehensive picture. Qualitative analysis and progress in international processes will complement quantitative assessments, for example, with respect to strategies for full and productive employment and the promotion of gender equality. The Task Force will also analyse the impact of financial and policy changes on outcomes and progress towards achieving the goals, and provide lessons learned from experiences at national, regional and global levels.

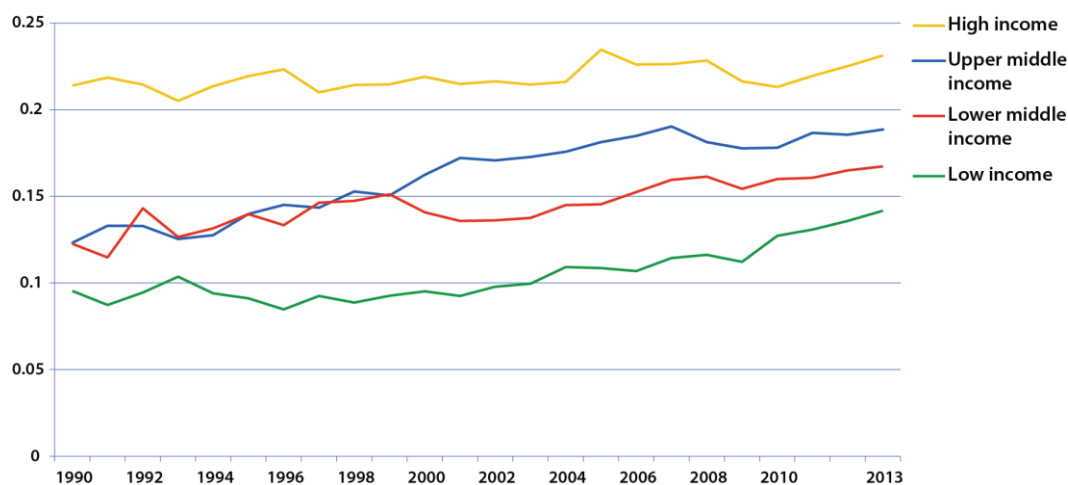
### **Domestic public resources**

24. Domestic public finance is essential to providing public goods and services, increasing equity and assisting in the management of macroeconomic stability. It is a central component of financing across the goals and targets, as well as for the social compact of the Addis Ababa Action Agenda. The section on domestic public resources focuses on raising resources and expenditures, as well as on the quality and alignment of both with sustainable development.

25. On average, countries have increased their tax revenue over the last 15 years (see figure II), although room remains for further improvement. In many countries, domestic resource mobilization remains insufficient to meet sustainable development needs. The Addis Ababa Action Agenda recognizes that the foremost driver of domestic resource mobilization is economic growth, supported by sound policies and an enabling environment at all levels. It also notes the need to strengthen tax administration, implement policies for generating additional resources, and combat corruption in all its forms. At the same time, it stresses the importance of combating illicit financial flows. In a globalized world, there are limits to what countries can do on their own through domestic policies; therefore, the Addis Ababa Action Agenda also calls for strengthening international tax cooperation.

26. Commitments in the Action Agenda aim at addressing these challenges, underscored by the principle of national ownership. To follow up the commitments and action items in these areas, the Task Force will assess trends in domestic resource mobilization and taxation, illicit financial flows and return of stolen assets, and international tax cooperation. The Task Force report also describes how the Task Force will go about examining budget execution and expenditure in support of poverty reduction, ensuring sustainable development and achieving the Sustainable Development Goals, as well as how it will follow up on other topics, such as extractive industries, national development banks and subnational finance.

Figure II  
Median tax revenue as a percentage of GDP by income grouping, 1990-2013



Source: UN/DESA calculations, based on IMF World Revenue Longitudinal Data (WoRLD), 13 July 2015.

Note: Country classification is in accordance with World Bank Group country income groups, 2015.

27. Data availability and monitoring for this section are complex because methodological and definitional issues have not been resolved in all areas. Many sources of information exist on national-level taxation and revenue, and there are a number of efforts towards benchmarking revenue administration systems. Some effort may be needed to harmonize data and ensure their comparability over time. Measuring illicit financial flows in particular is inherently challenging. A number of techniques have been developed, but precise quantification is difficult, in part because of the blurred distinction between areas of clearly illegal activities and those areas where activities — such as some forms of transfer mispricing — may be legal but are not in keeping with the spirit of the law. Monitoring of international tax cooperation will be predominantly qualitative in nature. While much data exist on expenditure and the contributions of other actors such as national development banks, those data are not always brought together effectively at the international level.

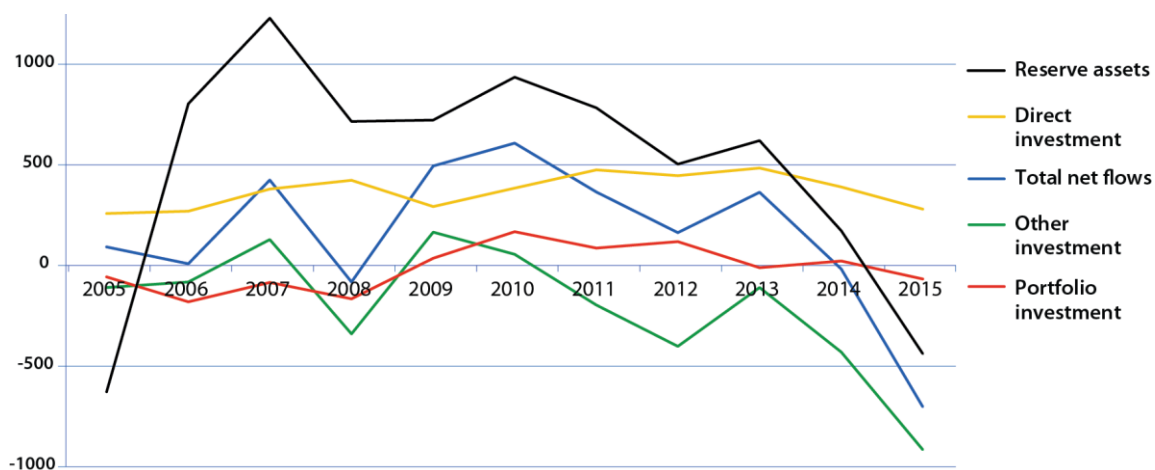
### Domestic and international private business and finance

28. The Addis Ababa Action Agenda emphasizes that private business activity, investment and innovation are major drivers of productivity, inclusive economic growth and job creation. Long-term private investment is critical in supporting growth, employment, structural transformation, social inclusion and environmental sustainability.

29. Nevertheless, finance and investment are not always allocated to areas where they are needed for sustainable development. Moreover, the impact of sudden surges or exits of international private capital flows can seriously undermine sustainable development, as was seen in past financial crises. Indeed, in recent years, private capital flows to developing countries have been highly volatile (see figure III). At the same time, the domestic private sector in a number of developing countries also

risks becoming a source of financial instability, as many emerging market corporates have taken on large amounts of foreign currency debt.

Figure III  
Net financial flows to developing countries and economies in transition, 2005-2015



Source: *World Economic Situation and Prospects 2016*.

30. The Addis Ababa Action Agenda thus emphasizes the importance of mobilizing stable longer-term private finance, both domestic and international, in ways that further sustainable development. The Agenda welcomes private sector corporate responsibility initiatives, while also encouraging the exploration of policy and regulatory frameworks for better aligning business and finance with sustainable development. This necessitates efforts across a range of areas, including strengthening the investment climate, developing appropriate regulatory and policy frameworks, developing domestic capital markets while managing risks and encouraging development-enhancing direct investment in underfunded sectors and countries.

31. The Addis Ababa Action Agenda stresses the role of financial inclusion for achieving sustainable development, as well as the importance of designing regulatory and policy frameworks across all financial intermediation which encourage access to finance and financial market stability in a balanced manner. The Action Agenda also includes commitments aimed at facilitating the flow of international remittances, thereby emphasizing the relationship between remittances and inclusive finance. Finally, it also incorporates commitments on the potential role of philanthropy in the implementation of the Agenda.

32. Monitoring the implementation of these commitments and action items will draw on information from a range of disparate sources. There exists a repository of data, surveys and case studies which can be used to monitor progress on issues relating to the investment climate, financial inclusion, remittances, capital market development and foreign direct investment (FDI). Information pertaining to some private sector efforts and initiatives to further sustainable development can be obtained from sources such as the United Nations Global Compact, the Global Reporting Initiative and the United Nations Environment Programme Finance Initiative (UNEP FI). However, while there are good data on reporting initiatives,

there is less data available on how those initiatives change behaviour. This will be monitored through case studies and examples.

33. There are also significant gaps in the data pertaining to philanthropic activities. This will be addressed in part by gathering evidence from the reports of large philanthropic entities and utilizing various sources of information on, for example, the number of foundations that provide data on their grants and report on them through international initiatives.

### **International development cooperation**

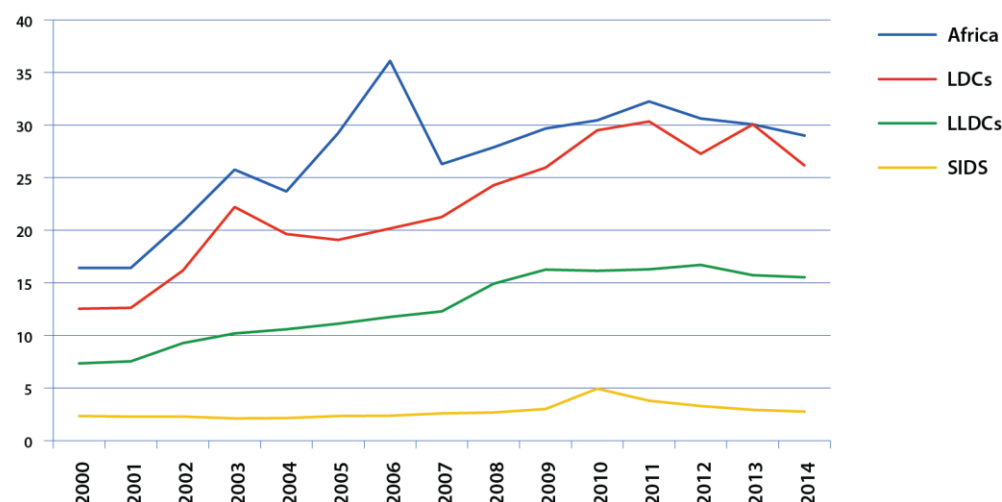
34. The 2030 Agenda for Sustainable Development will place significant demands on public budgets and capacities, which require scaled-up and more effective international support, including both concessional and non-concessional financing. To mobilize this support, the Addis Ababa Action Agenda sets out a range of commitments and action items on ODA. It also includes commitments and action items on South-South cooperation, lending by multilateral development banks and other international development cooperation efforts.

35. ODA was at an all-time high in 2014, having reached \$137.2 billion, and has increased by nearly 70 per cent since the adoption of the United Nations Millennium Declaration<sup>11</sup> in 2000. However, at 0.3 per cent of donor gross national income (GNI), it falls short of the commitment of many donors to achieve the target of 0.7 per cent of GNI for ODA. In the Addis Ababa Action Agenda, developed countries reaffirmed their ODA commitments, and urged all those that had not met their targets to make additional concrete efforts. ODA providers further committed to reversing the declining trend of ODA to least developed countries and the other countries most in need, many of which will continue to rely on concessional finance to meet sustainable development needs. Yet, ODA to least developed countries decreased by 9.3 per cent in real terms in 2014, compared with 2013, and aid to other priority groups has fallen as well (see figure IV). Given the increasing demands on ODA, for example, as a result of in-country refugee costs, there is a risk that ODA to least developed countries will continue to fall.

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<sup>11</sup> General Assembly resolution 55/2.

Figure IV  
**Net ODA received by priority groups of countries from DAC donors, 2000-2014**  
 (Billions of 2013 dollars)



*Abbreviations:* LDCs, least developed countries; LLDCs, landlocked developing countries; SIDS, small island developing States.

*Source:* Organization for Economic Cooperation and Development/Development Assistance Committee (OECD/DAC) data.

36. The Addis Ababa Action Agenda also encourages developing countries to strengthen South-South cooperation. Such cooperation has been increasing in recent years according to various estimates, along with growing South-South trade, investment and regional integration. While different approaches to and modalities of South-South development cooperation render reporting on broad global trends challenging, the availability of information is increasing and efforts are under way, including within the United Nations system, to further improve estimates.

37. Beyond increasing the magnitude of concessional finance, all providers also commit to increasing the quality, impact and effectiveness of their development cooperation, including through the adherence to agreed development cooperation effectiveness principles. They further commit to taking into account the three dimensions of sustainable development in all international public finance, and to practise knowledge-sharing with respect to their efforts.

38. Multilateral development banks are encouraged, in recognition of their significant potential to finance sustainable development, to adapt and be fully responsive to the sustainable development agenda. In response to this expression of recognition, multilateral development banks announced their intention to extend financing for sustainable development on the sidelines of the Third International Conference on Financing for Development, by making better use of their balance sheets, among other measures. New development finance institutions, recently set up and welcomed in the Addis Ababa Action Agenda, will provide an additional source of international public finance for sustainable development investments, in particular in sustainable infrastructure.

39. Additional sources of international public finance, including climate finance, humanitarian finance and innovative sources of finance, represent a further enhancement of the international public financing landscape for sustainable

development. The Addis Ababa Action Agenda emphasizes the importance of both meeting all existing commitments and achieving greater coherence in all development financing. The Agenda also acknowledges the role played by multi-stakeholder partnerships in financing certain sectors and encourages them to support country-driven priorities and strategies.

40. Monitoring of the implementation of these commitments, in particular on financing flows by traditional donors and development banks, will enable drawing on a well-established set of data sources. Existing surveys on the effectiveness of development cooperation by both the Development Cooperation Forum and the Global Partnership for Effective Development Cooperation (GPEDC) provide the Task Force with additional data in support of its efforts. In other areas, monitoring will rely on compilation and analysis of data from a wider variety of available sources, while taking into account the lack of fully harmonized and comparable data. Finally, development banks, multi-stakeholder partnerships and other relevant institutions will also report on progress in implementing procedural and policy commitments set out in the section.

### **International trade as an engine for development**

41. The Addis Ababa Action Agenda acknowledges that international trade is an engine for inclusive economic growth and poverty reduction. It notes that, with appropriate supporting policies, infrastructure and an educated workforce, trade can also help to realize the goals of productive employment, decent work, women's empowerment and food security, as well as a reduction in inequality, among other objectives.

42. International trade in goods and services increased rapidly in the past several decades, from approximately \$4 trillion in 1990 to about \$24 trillion in 2014. However, the 2008-2009 financial crisis changed world trade dynamics. Although trade strongly rebounded in 2010 and 2011, global trade in goods has not yet regained its pre-crisis rate of growth. The slowdown in global merchandise trade has been somewhat compensated for by high growth in trade in services, with developing countries' participation in trade in services having increased in the past decade. Nonetheless, dwindling commodity prices make it difficult for least developed countries, in particular, to re-experience the buoyant growth in commodity export earnings that contributed to almost a doubling of their share in world exports, from 0.6 per cent in 2000 to 1.1 per cent in 2014.

43. One of the features that characterises today's patterns of global trade flows is the emergence of global value chains (GVCs). GVCs have been the motor behind the massive expansion in trade among developing countries, or South-South trade, in the past decade. Closely linked to the evolution of GVCs has been the surge in the number of bilateral and regional preferential trade agreements (RTAs). Many of the recently formed regional trade agreements aim at deeper economic integration, encompassing a range of behind-the-border measures and other non-tariff regulatory measures, in addition to reciprocal tariff liberalization. In 2014, almost half of world trade took place between countries that had signed a regional trade agreement, and almost one third was regulated by "deeper" trade agreements (see figure V).<sup>12</sup> Virtually all countries belong to at least one regional trade agreement,

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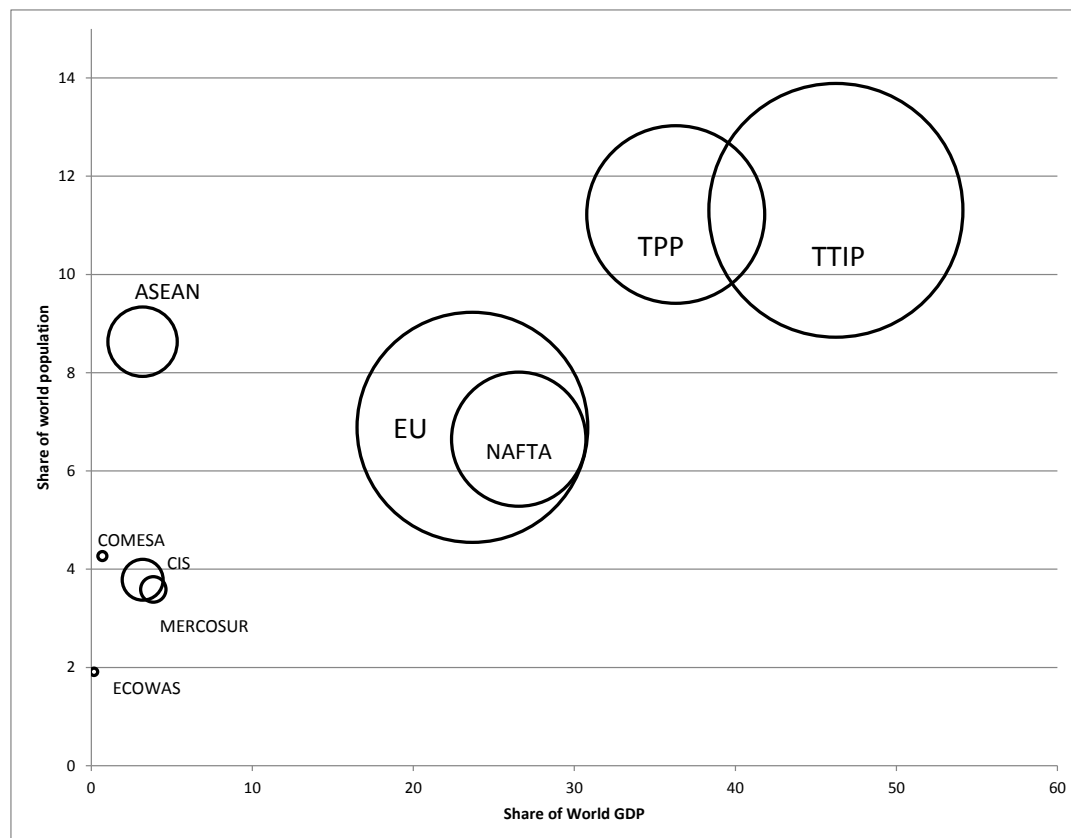
<sup>12</sup> United Nations Conference on Trade and Development, *Key Statistics and Trends in Trade Policy 2015* (UNCTAD/DITC/TAB/2015/2) (Geneva, 2015).

with some countries being more active than others in forming bilateral and regional trade agreements. Globally, the emergence of “mega” RTAs, such as the Trans-Pacific Partnership agreement and the United States of America-European Union Transatlantic Trade and Investment Partnership (TTIP), may further change the dynamics of world trade flows and the underlying international trade rules.

44. Nonetheless, the Addis Ababa Action Agenda reaffirms the need to promote a universal, rules-based, open, transparent, predictable, inclusive, non-discriminatory and equitable multilateral trading system under the World Trade Organization and meaningful trade liberalization. At the Tenth Ministerial Conference of the World Trade Organization, which was held in Nairobi from 15 to 19 December 2015, members reaffirmed the pre-eminence of the World Trade Organization as the global forum for the setting and governance of trade rules. They also acknowledged the contribution that the rules-based multilateral trading system has made to the strength and stability of the global economy and the role that international trade can play in achievement of sustainable, robust and balanced growth for all.

Figure V

**Mega-regional trade agreements: relative size of population and output, 2014**



*Abbreviations:* ASEAN, Association of Southeast Asian Nations; CIS, Commonwealth of Independent States; COMESA, Common Market for Eastern and Southern Africa; ECOWAS, Economic Community of West African States; EU, European Union; MERCOSUR, Southern Common Market; NAFTA, North American Free Trade Agreement; TPP, Trans-Pacific Partnership; TTIP, Transatlantic Trade and Investment Partnership.

*Source:* UNCTAD calculations.

45. Against the background sketched above, monitoring the trade-related commitments in the Addis Ababa Action Agenda will rely on data collected by the World Trade Organization and the United Nations Conference on Trade and Development (UNCTAD) in particular, which in part build upon the long-standing work of the United Nations in compiling official trade statistics. These include statistics on global trends in trade, trends in market access and preferential tariffs for specific country groups. The World Trade Organization will also be able to provide qualitative assessments of its future negotiations and policies, while UNCTAD will continue to monitor trends in international investment agreements.

### **Debt and debt sustainability**

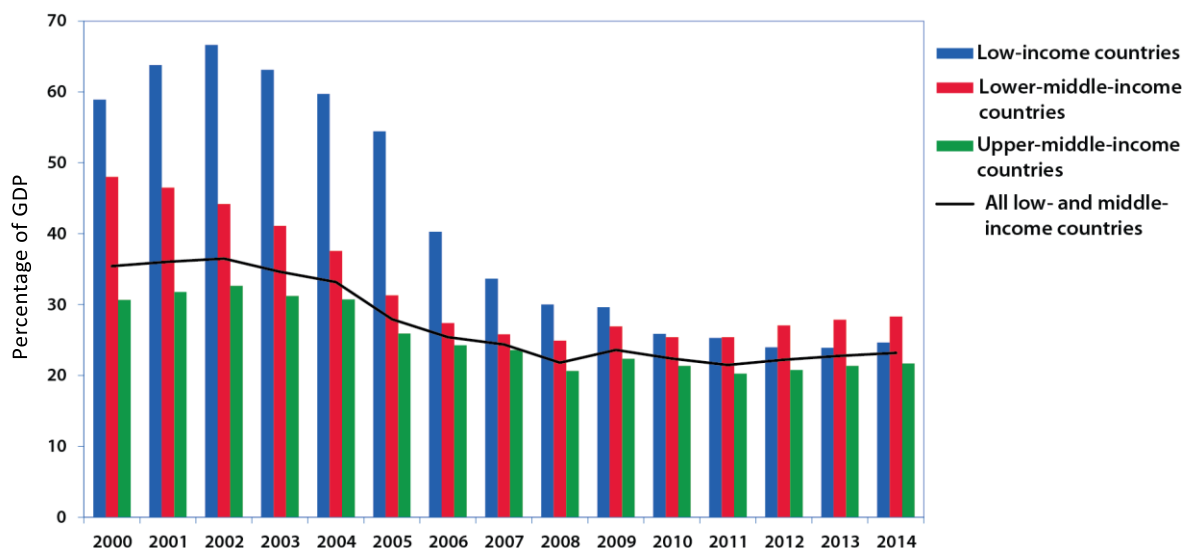
46. Borrowing, both by Governments and by private entities, is an important tool for financing investment critical for achieving sustainable development, as well as for covering short-term imbalances between revenues and expenditures. Government borrowing can also allow fiscal policy to play a countercyclical role over economic cycles. However, high debt burdens can impede growth and sustainable development.

47. Developing countries made considerable progress in reducing their external debt in the early part of the present century (see figure VI), with the support of the international community, especially in the case of the heavily indebted poor countries (HIPC). Yet, some developing countries are currently in debt distress, and several countries have external debt exposures that leave them vulnerable to debt difficulties from external shocks, such as falls in commodity prices or natural disasters. In addition, some low-income countries are now accessing international capital markets, which introduces new financing opportunities along with new risks, such as exposure to volatile international capital flows. At the same time, domestic debt issuance has increased in many developing countries, creating new opportunities for financing while reducing currency mismatches for domestic borrowers. Nonetheless, domestic debt overhang can be costly and, like other forms of debt, needs to be managed. Private debt in emerging market countries has also grown substantially since the financial crisis, posing systemic risks related to currency and maturity mismatches. Indeed, there is a risk that some liabilities could be shifted to the public balance sheet in the event of large-scale defaults.

48. Managing sovereign debt and addressing debt crises when they do occur has been in the financing for development agenda since the adoption of the Monterrey Consensus. The Task Force will report on debt management and crisis prevention, as well as on debt crisis resolution. Mitigating the dangers of private debt build-ups is also addressed in the discussion of financial regulation under systemic issues, while promoting long-term finance and the development of local capital markets is discussed under the private sector.



Figure VI  
External debt of developing countries, 2000-2014



Source: *World Economic Situation and Prospect, 2016*, based on IMF data.

Note: Debt includes the US dollar value of external public and publicly guaranteed and private non-guaranteed long-term debt, use of IMF credit, short-term debt and arrears.

49. Debt statistics are available on debt volumes and, to some degree, on emerging domestic and external vulnerabilities and risks which threaten debt sustainability, although a review aimed at assessing the comprehensiveness, timeliness and reliability of debt data from all sources could help to strengthen the quality of data. While there are less data available on debt management and debt restructuring, international organizations intend to launch new databases to capture some of this information. Qualitative progress reports will be available in relation to policy developments.

### Addressing systemic issues

50. The Addis Ababa Action Agenda includes commitments and action items related to institutional structures and governance of the international financial architecture, building on the Monterrey Consensus. While the Agenda does reflect the emphasis of the Consensus on the importance of the coherence and consistency of the international financial, monetary and trading systems, it goes further towards integrating the three dimensions of sustainable development into the coherence agenda, including environmental and social issues such as the international movement of people, alongside economic issues.

51. In the Addis Ababa Action Agenda, Governments reiterated their commitment, as expressed in Monterrey, to further governance reform in international economic decision-making. In an important development in this regard, the IMF quota and governance reforms, agreed to in 2010, became effective in January 2016, paving the way for continued efforts to strengthen the voice and participation of developing countries in global governance.

52. The Monterrey Consensus further recognized the need to strengthen the international monetary and financial systems in support of development, which included emphasizing that reforms made to the international financial architecture should aim at poverty eradication. As noted in the Addis Ababa Action Agenda, the 2008 world financial and economic crisis highlighted risks and vulnerabilities in the international system. Since the crisis, important reforms have been put in place to improve its functioning, stability and resilience. The global financial safety net has been strengthened, new coordination mechanisms have been established, and regulatory reforms have been initiated. Nonetheless, vulnerabilities remain in the banking system, and international capital flows continue to be highly volatile. At the same time, as noted in the Agenda, developing countries are still exposed to the risk of spillover effects.

53. The Task Force intends to monitor all relevant quantitative and qualitative indicators of progress. Macroeconomic data are abundant and already well monitored. Careful monitoring of the implementation of financial regulatory reforms is already in progress as well. However, a challenge is posed by the fact that data on progress in implementing such reforms are sometimes available only in relation to G20 members and a select few additional countries with large financial centres. In addition, a key issue presented in the Addis Ababa Action Agenda is the impact of regulations on incentives for investment in countries most in need and areas important for sustainable development, which is difficult to monitor.

54. Migration issues are also covered in the chapter on systemic issues. There is also concern expressed regarding violence and crime, which can impede the intended functioning of the international system. There have been significant efforts made to carry out data collection on outcomes in these areas, including through the use of non-traditional data sources to track migration, although fewer efforts have focused on policy development.

55. Monitoring progress in implementing this chapter will also take the form of narratives on policy development, given that most of the policy actions do not lend themselves to monitoring through quantitative indicators. For example, in areas such as global governance and policy coherence, qualitative information will be provided. In addition, by its very nature, the Task Force can help identify policy inconsistencies and serve as a means of increasing collaboration further between international institutions. The Economic and Social Council forum on financing for development follow-up can be viewed as the mechanism through which Member States will be able to make better use of United Nations platforms for coordination and policy coherence.

### **Science, technology, innovation and capacity-building**

56. In a major expansion of the Monterrey Consensus, the Addis Ababa Action Agenda stresses the importance of science, technology and innovation (STI) for economic growth and sustainable development and highlights the need for capacity-building. The Agenda notes with concern the unevenness of innovative capacity, connectivity and access to technology that exists within and between countries. Commitments set out in the Agenda aim at addressing these inequities, incentivizing research and innovation for sustainable development, and promoting greater access to technologies through domestic policy and international cooperation.

57. Currently, access to technology is uneven and unequally distributed. For example, 74 per cent of populations in developed countries use the Internet, compared with only 26 per cent in developing countries. Developing countries, and least developed countries in particular, spend significantly less on research and development and international collaboration in science. Despite these gaps, the view that technology is developed in the North and simply transferred to the South is misleading. Most innovation involves incremental improvements and adaptations of existing technologies. Innovation, in this sense, is widespread in many developing countries, and firms in middle-income countries, in particular, are responsible for a growing share of global research and development spending. Some low-income countries have also begun to develop domestic technological capacities. These experiences have underscored the importance of interactive learning, information exchange, and coordination among Governments, firms, universities, research centres and other actors in building an innovative economy.

58. The science, technology and innovation capabilities of a country depend not only on access to a growing stock of science and technology, but also on the quality of interactions among the innovation actors within what might be called the “innovation system”. One of the major challenges in promoting technological innovation in developing countries is posed by the lack of an appropriate innovation system able to ease interaction among key actors — enterprises, universities, research institutes, the government and the financial system — along with non-governmental organizations and the informal sector, including grass-roots innovators, and sources of local and indigenous knowledge. An effective innovation system should encourage greater interaction among different groups. Such a system should foster investment in advanced technology and promote the development of affordable technology to meet the needs of the poor. The Addis Ababa Action Agenda seeks to strengthen those interactions so as to improve the contribution made by science, technology and innovation to the achievement of sustainable development, including the Sustainable Development Goals.

59. For this purpose, the Addis Ababa Action Agenda includes a range of commitments extending from domestic commitments to strengthen the domestic environment for technological development, to international commitments to enhance international cooperation, encourage technology transfer, implement the Technology Facilitation Mechanism, and establish the technology bank. Monitoring these commitments will rely on a mix of existing data, on both policy outcomes and financing flows, and more qualitative assessments of policy frameworks and strategies on science, technology and innovation. A wide range of data are available to monitor policy outcomes, as provided, for example, through the use of information and communications technologies, and access to technical education and training. These often overlap with and can draw on the indicators for monitoring the Sustainable Development Goals. Similarly, both national spending and international support for science, technology and innovation can draw on existing data sets. Monitoring the adoption of specific policies will rely on a combination of qualitative assessments, which can draw from policy reviews in existing forums and case studies, and databases on policy instruments and frameworks.

## **Data, monitoring and follow-up**

60. The final section of the Addis Ababa Action Agenda considers how the international community should monitor implementation of the agreed actions. It emphasizes the importance of high-quality disaggregated data for policymaking and monitoring of progress of implementation of the Addis Ababa Action Agenda and the 2030 Agenda for Sustainable Development and prioritizes capacity-building in this area. The adoption of the Addis Ababa Action Agenda marks the first time that data issues have received such comprehensive treatment in the financing for development conferences and follow-up processes. This reflects a deeper appreciation of the importance of statistical systems and data administration and their role in strengthening domestic capacity in all areas, as well as promoting transparency and accountability. Yet, data also need to be transformed into useful, actionable information.

61. The Task Force will follow up on the commitments on data completeness, data quality, disaggregation and availability. It will also address the development of specific measures and tools, transparency and needs assessment, and capacity-building efforts in this context.

62. In this area, there will be considerable synergies with the efforts to both develop an indicator framework for the Sustainable Development Goals and, under the auspices of the Statistical Commission, support and develop the capacities of national statistical agencies. Qualitative information on these efforts, and on how they correspond with open data and other transparency initiatives, can be presented by the Task Force. Additionally, qualitative reporting will be carried out on the development of specific measures called for in the Addis Ababa Action Agenda, including on transparent measurements of progress on sustainable development which go beyond per capita income and on tools to monitor sustainable development impacts for different economic activities.

## **V. Conclusions**

### **Substantive input to the Economic and Social Council forum on financing for development follow-up**

63. In fulfilling its mandate to advise the intergovernmental follow-up on progress, implementation gaps and recommendations for corrective action (see General Assembly resolution 69/313, annex, para. 133), the Task Force has carefully examined the full range of commitments and action items in the Addis Ababa Action Agenda, in order to create a framework for monitoring the broad agenda in future years. This first exercise of the Task Force has focused on building a monitoring and assessment framework. The work of the Task Force has been ongoing in the context of a changing global environment, faced with new challenges which have risked impacting implementation of the new agendas. The changing global context, combined with the sheer breadth of the data-gathering exercise, raised several questions about future monitoring. In particular, it drew forth three observations on how the Task Force can best support the Economic and Social Council forum on financing for development follow-up.

64. First, the changing global environment underscores the importance of maintaining flexibility in addressing key issues in the financing for development follow-up process. As mandated in the Addis Ababa Action Agenda, the financing for development follow-up process should address “new and emerging topics of relevance to the implementation of this agenda as the need arises” (para. 131). The multidimensional expertise available within the Task Force could help provide the Economic and Social Council forum on financing for development follow-up with reliable and balanced assessments of the state of play in respect of newly arising issues that have an impact on implementation of the financing for development agenda. Indeed, the Task Force brings together the international community’s expertise and channels its responsibilities in support of detailed policymaking in the areas of economic, financial and trade questions. A challenge for the Task Force will centre on how to incorporate flexibility into its work programme, given the large number of agencies involved and the timing of the intergovernmental processes. The Task Force could contribute targeted analysis to assist the forum in addressing new issues in its annual report, if timing allows. Alternatively, analytical inputs could take the form of policy briefs prepared by the Secretariat, through working with relevant Task Force members on a case-by-case basis.

65. The second observation relates to the importance of balancing the breadth and depth of the agenda. The Addis Ababa Action Agenda is extremely broad, covering seven sections and cross-cutting issues and including hundreds of commitments and action items. While the breadth of the agenda calls for full coverage of this wide range of issues, the complexity of the issues addressed also demands in-depth discussions, supported by data and analytical work. To cover the entire agenda in depth every year will most likely exceed any reasonable page limit of the Task Force report. It may also overburden the Economic and Social Council forum on financing for development follow-up, given its mandate of “up to five days”. Yet, if the full agenda is not covered, then there could be important gaps left in implementation.

66. To address this challenge, the Task Force has discussed a three-pronged approach to the report: first, inclusion of a brief discussion of the global context and its implications for implementation of the agenda and the follow-up process; second, a concise overview of each section of the full agenda, including updated data and pertinent issues as well as updates on new initiatives as called for in the Addis Ababa Action Agenda (such as the Global Infrastructure Forum and the Technology Facilitation Mechanism), with the broader set of commitments and action items covered in an online annex; and third, if Member States so request, a discussion of specific thematic issues, drawing on inputs from across the seven action areas of the Addis Ababa Action Agenda. Such a theme or themes, if supported, could, for example, draw from the cross-cutting issues delineated in the Agenda, the high-level political forum on sustainable development or a theme decided by the Economic and Social Council, or from other issues. The thematic approach would necessitate, however, further guidance from Member States. Given the time necessary to produce a full in-depth report, especially with the active engagement of over 50 agencies, such guidance would need to be given in a timely manner. Member States may wish to consider including recommendations on modality agreements in the previous year’s agreed conclusions of the Economic and Social Council forum on financing for development follow-up, or alternatively, laying out in those conclusions a plan on how and when those modalities could be agreed, so as to ensure adequate time for preparation of the report.

67. The third observation addresses the question how to engage countries on a national level in the financing for development process. While the report is global in nature, several of the issues addressed in the action areas, particularly those related to national sustainable development strategies, would be best informed by country reporting. Yet, countries already carry a significant reporting burden for the Sustainable Development Goals. Further guidance from Member States would be needed to assess options for country reporting in the financing for development process, and its relation to related efforts for the Sustainable Development Goals.

68. Finally, the Task Force will welcome feedback on its current monitoring proposals, which build on the Sustainable Development Goal indicators, but extend further so as to serve as a basis for analysis of the full Addis Ababa Action Agenda and the means of implementation of the Sustainable Development Goals, from the Economic and Social Council forum on financing for development follow-up.

### **Moving from monitoring to action**

69. As noted, the monitoring exercise carried out by the Task Force serves a twofold purpose: to advise the intergovernmental follow-up on progress and implementation gaps, and to provide recommendations for corrective action. This advisory function establishes an important link between monitoring and implementation. It was perceived as too weak within the context of the experience presented in the MDG Gap Task Force Report which, in its final assessment, found that, for advocacy to have a continued impact, the monitoring of commitments must be complemented by effective mechanisms and avenues for accountability.<sup>13</sup> The Task Force report and discussion thereon at the intergovernmental level can serve to provide this link. In the context of an aspirational and non-binding agreement, such monitoring is a central component and lever of the process of change needed to achieve progress over time.

70. Indeed, if they lead to a deeper understanding of the issues and the creation of consensual knowledge, monitoring and analysis can change the perception of policy options and become a driver of change, as evidenced in the field of environmental agreements.<sup>14</sup> The norms and principles contained in international agreements confer legitimacy and can reinforce the positions of political actors. At the same time, they can contribute to the diffusion of policy approaches and peer learning when they serve as a means of bringing together a community of practitioners who can exchange experiences and learn from each other.

71. It is to be hoped that the knowledge created through this monitoring and review exercise, combined with the intergovernmental and multi-stakeholder discussion in the Economic and Social Council forum on financing for development follow-up, can in turn support greater political traction for the implementation of the Addis Ababa Action Agenda and the means of implementation of the 2030 Agenda for Sustainable Development at national and global levels.

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<sup>13</sup> United Nations, *MDG Gap Task Force Report 2015: Taking Stock of the Global Partnership for Development* (New York, 2015).

<sup>14</sup> May Miller-Dawkins, "Global goals and international agreements: lessons for the design of the Sustainable Development Goals", *ODI Working Paper*, No. 402 (London, Overseas Development Institute, 2014).