Inter-agency Task Force on Financing for Development

Background Note on Progress towards the 2018 Task Force Report
February 2018

The Inter-agency Task Force (IATF) on Financing for Development is mandated to report annually on progress in implementing the FfD outcomes and the means of implementation (MoIs) of the 2030 Agenda, and to advise the intergovernmental follow-up process on progress, implementation gaps and policy recommendations. The IATF comprises over 50 United Nations agencies, programmes and offices and other relevant international institutions and entities. It is chaired by the the Under-Secretary-General for Economic and Social Affairs, Mr. Liu Zhenmin. DESA's Financing for Development Office (FfDO) serves as the substantive lead and coordinator of IATF activities and substantive editor of its annual report.

The 2018 IATF report will (i) discuss the global context and its implications for FfD follow-up; (ii) include a thematic chapter that analyses financing challenges for the SDGs under priority review at the 2018 HLPF – on water, energy, cities, sustainable production and consumption, and terrestrial ecosystems, and; (iii) assess progress in implementation in each chapter of the Addis Agenda.

The Task Force's 2017 report and online annex (http://developmentfinance.un.org) provided the basis for the intergovernmentally agreed conclusions and recommendations of the 2017 ECOSOC Forum on Financing for Development follow-up (FfDF). The negotiated outcome mandated the Task Force to carry out substantive work in eight focus areas, listed below, and to include findings of this work in its 2018 report. In response, FfDO established a series of Task Force working groups in these areas (for more detail see http://developmentfinance.un.org/workstreams).

As part of the preparations for the 2018 IATF report and in response to the mandates in the outcome of the FfD Forum, the IATF held six technical and expert meetings in the fall of 2017. Highlights of these meetings are described below. The Task Force also agreed to try to mainstream consideration of cross-cutting issues throughout the body of the report, noting in particular the strong focus on gender equality and women's empowerment in the 2017 FfD Forum outcome. The IATF's gender cluster working group worked to ensure that the report sufficiently incorporates gender perspectives and impacts across the action areas.

An advance unedited version will be available in the last week of February, early enough to contribute to the negotiations of Member States on the agreed conclusions and recommendations of the 2018 FfD Forum. FfDO will organize a series of informal technical briefings on the report for Member States in the week of 5 March. The final edited report will be publicly launched in April at the FfD Forum.

Mandated work

Chapter	Work Stream	Mandate
Addressing systemic issues Domestic public resources	The IATF chose to look at this mandate as two issues: i) inventory of international quick dispersing facilities ii) discussion of funding modalities for social protection, in consultation with SPIAC-B	**2017 Forum (para 7):** We invite the Inter-Agency Task Force, within its mandate and existing resources and as part of its 2018 report, in consultation with the Social Protection Inter-Agency Cooperation Board (SPIAC-B), to prepare an inventory of domestic and international financial instruments and funding modalities, and existing quick-disbursing international facilities and the requirements for accessing them.
Private finance	Mapping of incentives financial system	**2017 Forum (para 11):** We note that the Inter-Agency Task Force has begun work on mapping out the incentive structures of different actors in the financial system and look forward to its findings, including on how fiduciary responsibilities and non-financial impacts are viewed and taken into account.
	Business case for SDG implementation	**2017 Forum (para 11):** We invite the Inter-Agency Task Force to examine the business cases that promote Sustainable Development Goal implementation and business conditions for supporting the development of pipelines of investable projects.
	Sustainability benchmarks	**2017 Forum (para 11):** We take note of voluntary initiatives to develop corporate sustainability benchmarks and invite the Inter-Agency Task Force to analyse and report on these efforts.
International development cooperation	Catalytic ODA	**2017 Forum (para 14):** We invite the Inter-Agency Task Force to examine the best practices that show a catalysing effect of ODA.
International trade	Trade financing gap	**2017 Forum (para 15):** We also note the US $1.6 trillion shortage in trade finance provision reported by the Asian Development Bank and the International Chamber of Commerce and invite the Inter-Agency Task Force to review the trade financing gap
Addressing systemic issues	Design of a sustainable financial system	**2017 Forum (para 19):** We note the ongoing work of the United Nations Environment Programme Inquiry into the design of a sustainable financial system and related work by G-20 and others and look forward to updates on developments in this area, including through the Inter-Agency Task Force
Science, technology and innovation	Impact of technologies on labour markets	**2017 Forum (para 21):** We recognize both the transformative and disruptive potential of new technologies on our labour markets and on the jobs of the future, particularly advances in automation, and in this regard invite the Inter-Agency Task Force to further examine these issues

Highlights of technical meetings

The impact of new technologies on labour markets and jobs, 3 October 2017

Experts from 15 IATF member agencies took part in the technical meeting. Much work is on-going in this area across the UN system, and the meeting served to (i) share Task Force members' perspectives and ongoing work on this issue, and (ii) to discuss potential focus areas, key issues, messages and recommendations that would add value to the discussion in the context of the Financing for Development process, and could be included in the 2018 Task Force report. Experts from the ILO, UNCTAD, the World Bank, OECD, and DESA Divisions for Sustainable Development and Policy Analysis and Development presented their agencies' analytical work in this area. This was followed by a series of interactive exchanges, moderated by FfDO staff, with Task Force members and an expert from the Center for Global Development.

The trade finance gap, 11 November 2017

FfDO/DESA, in collaboration with ICC, organized a high-level meeting with key stakeholders, including IATF member agencies, practitioners from the private sector and development banks, including the Nigerian NEXIM bank (representing G-NEXID a group of export-import banks from the South), the Asian Development Bank, and senior representatives from large commercial banks including Deutsche Bank, BNY Melon, Standard Chartered, JP Morgan Chase and HSBC. The Financial Stability Board (FSB) and the World Trade Organization (WTO), who are both members of the Task Force, participated via video link. The meeting was open to the UN community, and several Member States, from both the North and the South, were present as observers. Participants discussed the size and reasons for the trade financing gap, and the implications for implementation of the SDGs, and laid out concrete policy proposals for reducing risks and uncertainties associated with trade finance and addressing unintended consequences of regulations on access to trade finance, including the decline in correspondent banking.

The thematic chapter of the 2018 report: Subnational finance, 29 November 2017

Experts from 13 IATF member agencies took part in a discussion on subnational finance. The co-hosts of the meeting, the United Nations Capital Development Fund and UN-Habitat, invited four experts from academia and United Cities and Local Government to contribute. Paragraph 34 of the Addis Ababa Action Agenda notes that "expenditures and investments in sustainable development are being devolved to the sub-national level, which often lack adequate technical and technological capacity, financing and support." Subnational governments face challenges in mobilizing adequate revenue - both own source revenue and external resources such as central government transfers - to meet both recurrent expenditures and for long term investments in support of sustainable local development. Least developed countries (LDCs) and second tier cities face even steeper challenges. Increasing urbanisation will intensify these challenges. The meeting laid out principles for subnational finance, and explored potential sources of finance, including strengthened domestic resource mobilization, international finance, and capacity development, depending on country circumstances.

The thematic chapter of the 2018 report: Financing for water, energy and ecosystems, 1 December 2017

The IATF held a technical meeting on financing for water, energy and ecosystems, which are . three of the SDGs under in-depth review at the 2018 High-level Political Forum (HLFP), and form a coherent cluster around infrastructure and ecosystem commitments in the Addis Agenda. The IATF will explore financing challenges for these SDGs and their relation to broader financing frameworks in the thematic chapter of its 2018 report. Experts from 13 member agencies took part in the discussion. Their deliberations were complemented by presentations from six external experts from academia and civil society, including from the University of London and the Institute for Development Studies in Sussex, the Brookings Institution, and Climate Policy Initiatives. The meeting, which was chaired and moderated by staff of the Financing for Development Office (FfDO), started with a discussion of the financing framework embedded in the Addis Agenda, including the roles of public, private and blended financing in addressing the major infrastructure financing gaps. The sessions on water, energy and ecosystems applied this framework and sought to elicit how it could be used to address specific sectoral and sub-sectoral financing challenges. The meeting found that the characteristics of these investment areas vary greatly – between ecosystems on the one hand, which is mostly a public good that needs to be publicly financed, and energy provision, aspects of which have attractive returns associated with them – leading to different combinations of financing and service provision.. The discussions underlined that financing solutions within the three SDG investment areas would need to address externalities and public good characteristics, risk profiles and potential returns as well as equity considerations.

International financial instruments for shocks and countercyclical financing, Thursday 7 December 2017

Representatives from 12 IATF member agencies and seven external experts from academia and civil society participated in a meeting on quick-disbursing international financial instruments, which was organised by the Financing for Development Office of UN DESA. UN-DESA presented a draft of an inventory of international quick dispersing facilities, which was requested by Member States. Discussions emphasized that the international system is built around national self-insurance models as opposed to multi-country risk pooling, thus not taking advantage of the benefits of diversification. Participants stressed the importance of clarification of incentives of relevant stakeholders, quantification of the cost associated with inaction, late versus early recognition, and risk-sharing. Donors providing humanitarian and disaster relief after crises occur implicitly serve as insurers of last resort. This *ad hoc* approach does not adequately address the needs of victims and is inefficient. Participants agreed on the need for Member States to prepare for crises in good times, underscoring the advantages of ex-ante risk reduction and preparedness compared to ex-post relief. Financial stability efforts, disaster preparedness and all types of risk reduction need to be integrated into broader sustainable development planning. The benefits and risks associated with alternative types of financing structures were analysed, as input to the systemic chapter of the 2018 report.

Financial and corporate incentives for long-term investment, 15 December 2017

FfDO/UN-DESA organised an IATF meeting on financial and corporate incentives for long-term investment. High level representatives from 10 member agencies of the IATF, the private sector (including investors from commercial banks, institutional investors, and private equity investors, representing a combined total of $670 billion assets under management), academia, rating agencies, international media and NGOs participated in the meeting. The meeting was open to the UN community, and Member States from both developing and developed countries joined the meeting as observers. The meeting built on the commitment in the Addis Agenda to "endeavour to design policies, including capital market regulations… that promote incentives along the investment chain that are aligned with long-term performance and sustainability indicators, and that reduce excess volatility." While long-term investment is essential for sustainable development, it has been weak in recent years, with private participation in infrastructure in developing countries falling in 2016. Without a long-term perspective, certain risks, such as climate risks, will not be priced into decision-making. However, even with long-term investment horizons, risk-adjusted financial returns generally do not ‘price in’ externalities and economic, social and governance (ESG) factors. Challenges to achieving the SDGs include raising investment levels, facilitating greater long-term investment, and better aligning such investment with SDG indicators. Drivers of increasing short-termism in corporate decision-making and investment were identified, with participants articulating concrete proposals changing incentives. Measures to tackle unintended consequences of regulations of commercial banks and insurance companies for long-term infrastructure projects in developing countries were discussed, as were measures to better incorporate sustainability criteria into investment decision making along the investment chain.