



Seventy-fourth session

Agenda item . .

Macroeconomic policy questions**Follow-up to and implementation of the outcomes of the
International Conferences on Financing for Development****Report of the Secretary-General***Summary*

The present report was prepared in response to General Assembly resolution [73/223](#), entitled “Follow-up to and implementation of the outcomes of the International Conferences on Financing for Development”.

As mandated in the resolution, the report reviews the first four reports of the Inter-agency Task Force on Financing for Development as well as the agreed conclusions and recommendations of the four Economic and Social Council forums on financing for development follow-up. It identifies several major trends that have shaped the financing for development landscape since the adoption of the Addis Ababa Action Agenda in 2015, including: (i) rising trade tensions; (ii) increasing debt levels; (iii) advancing technological change (iv) growing interest in sustainable investment; and (v) accelerating climate change.

In the context of these trends, the report highlights progress and remaining challenges in cross-cutting issues and in the seven Addis Ababa action areas. It identifies key challenges and areas for action to move forward with the implementation of the Addis Ababa Action Agenda for consideration at the High-level Dialogue on Financing for Development.

I. Introduction

1. In its resolution [73/223](#), the General Assembly requested the Secretary-General to submit a summary report synthesizing the findings of the first four Financing for Sustainable Development Reports (FSDR) of the Inter-Agency Task Force on Financing for Development (IATF), as well as the agreed conclusions and recommendations of the four Economic and Social Council forums on financing for development follow-up. This report should serve as an input to both the 2019 High-level Dialogue on Financing for Development of the General Assembly in and the discussions of the Second Committee during the seventy-fourth session.
2. In the four years since the adoption of the 2030 Agenda for Sustainable Development and the Addis Ababa Agenda, the global context for financing sustainable development has been reshaped by rapid and accelerating shifts in geopolitics, technology, climate, and other factors. Domestic policies, institutional frameworks, and global economic governance have struggled to keep pace with the evolving nature of these global challenges.
3. As noted in the 2019 outcome documents of the Financing for Development Forum, parts of the multilateral system are under strain, and at the current trajectory we will not be able to meet the aspirations of the 2030 Agenda. Yet Member States found that in this difficult context may lie the opportunity to reshape both national and international financial systems in line with sustainable development.

II. Major trends and challenges in the financing landscape since 2015

4. The first four financing for sustainable development reports highlight major global trends and developments (such as technological development and growing interest in sustainable investment), as well as increasing risks and challenges (such as increasing trade tensions, rising debt levels and climate change). Technological change, in particular, has contributed to providing solutions to SDG challenges. At the same time, there has been growing interest in sustainable investing by both public and private actors, as demonstrated by increased interest in sustainability reporting and SDG budgeting. However, the uneven distribution of the benefits of globalization has left many behind, and climate change has continued apace.
5. *Advances in technology*, such as artificial intelligence, big data analytics and increasing digital interconnectedness are accelerating, facilitating progress in SDG implementation across sectors such as health, energy and education, and contributing to rapid advances in financial inclusion. They also raised new risks and challenges, however. For example, the rapid pace of change can exacerbate technology and digital skills gaps across countries and constrain the diffusion of technology across regions, especially to the poorest countries. The increasing automation of routine and some non-routine cognitive tasks has the potential to make millions of workers in developed and developing countries redundant. (See also section IV, Action Area G.)
6. New technologies can help in the fight against *illicit financial flows (IFFs)*, by improving government's access to information, but at the same time there is a risk that crypto-assets and other new technologies facilitate tax evasion, money laundering and crime. (See also section IV, Action Area A.) As they are used more widely, crypto-assets and digital currencies could also become a concern for

financial stability, especially if not properly and adequately regulated. The advance of big data and data analytic tools has generated immense economic value, but has also raised important regulatory challenges in terms of market concentration and data ownership. (See also section IV, Action Area F.)

7. Interest has further grown in *sustainable investing*, driven both by greater interest by individuals in how their savings impact the world, and by investors who aim to maximize environmental and social impacts alongside financial returns. In response, the financial industry has created instruments to tap sustainability investing, e.g. in the green bond market or through sustainability indices. It is not always clear how this interest translates into changes on the ground, but policy makers can and have taken steps to ensure that sustainability issues are more fully reflected in investment considerations, including through pricing externalities, lengthening the investment horizon through regulatory measures, and other steps (See also section IV, Action Area B.)
8. *International trade* has been an engine for economic growth development and poverty reduction over the past several decades. However, since the adoption of the Addis Agenda, this engine has been stuttering. Following two years of negative trade growth in 2015 and 2016, the value of trade rebounded in 2017 and 2018, in part driven by higher commodity prices. However, trade growth is once again losing momentum amid escalating trade tensions. Least developed countries (LDCs) still remain far below the target of doubling their share of global exports by 2020. Escalating tensions and higher tariffs risk continuing to slow trade growth in the near future. Increasing challenges to the functioning of the WTO, including an increase in the number of cases under review by the World Trade Organisation (WTO) dispute settlement system, at a time when this mechanism is hampered by the lack of new appointments of judges, underscore the need for multilateral action. (See also section IV, Action Area D.)
9. *Public and private debt levels* hit record highs in 2018, hampering many countries' ability to invest in the SDGs. Around 30 least developed and other vulnerable countries are either already in or at high risk of debt distress, and some middle-income countries are experiencing debt levels not seen since the debt crises of the 1980s. As debt burdens rise, so does the cost of debt servicing. In 2018, interest payments exceeded 20 per cent of government revenue in several countries in Africa, Latin America and South Asia. The composition of developing country debt has also shifted towards a higher share of variable interest rate instruments and greater reliance on commercial debt. Together with a more prominent role of non-traditional creditors, this is presenting new challenges for potential future debt crisis resolutions. (See also section IV, Action Area E.)
10. These and other trends illustrate the need for policy action to address new and existing challenges to financing the implementation of the SDGs. Member States, in their deliberations at successive FfD Forums, have acknowledged these trends and have agreed on recommendations in the seven action areas of the Addis Ababa Action Agenda, as laid out in sections III, on cross-cutting issues, and IV, on the action areas of the Addis Ababa Action Agenda.

III. Cross-cutting issues

11. The Addis Agenda lays out several cross-cutting issues that build on the synergies of the SDGs, with the aim of linking the different financing flows (public, private,

domestic, and international) and policy frameworks (national and international) presented in the Addis Action Areas to the 17 SDGs.

12. Cross-cutting issues in the Addis Agenda include: (i) delivery of social protection and essential public services for all, combatting inequality and scaling up efforts to end hunger and malnutrition; (ii) closing the infrastructure gap, promoting inclusive and sustainable industrialization, and generating full and productive employment and decent work for all; (iii) protecting ecosystems for all; and (iv) strengthening institutions and promoting peaceful and inclusive societies. The Addis Agenda also addresses gender equality and the empowerment of women and girls.
13. Several of the Addis cross-cutting issues have been highlighted in the first four editions of the Inter-agency Task Force Report, and taken up in the outcome documents of the FfD Forum. The 2017 IATF report highlighted the need for investment in both infrastructure and social protection and services. Long-term and high-quality public and private investments can increase productivity and economic growth, and enhance households' incomes and resilience to shocks. These investments should go hand-in-hand with measures to directly ameliorate the living conditions of the poor, particularly in light of their greater vulnerability to economic downturns, natural disasters and humanitarian crises.
14. The 2018 report re-examined these issues through the lens of the SDGs under in-depth review at the 2018 United Nations High-level Political Forum on Sustainable Development, namely SDGs 6 (clean water and sanitation), 7 (affordable and clean energy), 11 (sustainable cities and communities), 12 (responsible consumption and production) and 15 (life on land).
15. In the 2019 report, the Task Force further expanded on these themes from the perspective on national implementation. It provided a conceptual framework for operationalizing integrated national financing frameworks (INFFs), introduced in the Addis Ababa Action Agenda as a tool to bring together financing policies across its seven action areas to support countries' sustainable development strategies. The report identified four main building blocks for the design and operationalization of INFFs, including (i) assessment and diagnostics of financing flows, needs and policy and capacity constraints; (ii) a financing strategy that brings together priority financing policy actions; (iii) mechanisms for monitoring, review and accountability; and (iv) governance and coordination frameworks. It also stressed the need for the international community to accompany such national efforts with renewed commitment to strengthen multilateral responses and development cooperation to respond to growing global challenges.
16. All four reports also highlight gender issues – gender equality and empowerment of all women is mainstreamed throughout the Addis Agenda, and an explicit goal in the 2030 Agenda. The Task Force reports stress that greater gender equality in the distribution of resources not only provides the means for women to generate income, but also creates positive multiplier effects for the achievement of inclusive, equitable and sustainable growth, given that economic losses from gender gaps estimated to range between 5 and 30 per cent of GDP. The 2019 FfD Forum reaffirmed Member States' commitments to achieving gender equality, and to adopting and strengthening sound policies and enforceable legislation and transformative actions for the promotion of gender equality and women's and girls' empowerment at all levels.
17. Several main messages have emerged from this analysis. *First, public and private finance are not substitutes.* The reports examine the different motivations between public and commercial private finance (the public good vs. profit maximization).

Different financing costs, risk and return profiles and social equity considerations affect which financing and capital structures are most appropriate for different investments. The report highlights several factors that should be considered in determining the combinations of private and public ownership, operating and financing of projects, including when and how to use and structure blended finance and other innovative instruments. These include whether: (i) investments generate sufficient returns to compensate private investors for the risks they bear; (ii) goods or services can be effectively supplied by the market, or whether they include public good properties that may require public involvement; (iii) public intervention is warranted for social equity reasons; or (iv) private investors can bring efficiency gains through the profit incentive. Building on this analysis, in the 2017 FfD Forum outcome document, Member States acknowledged that different financing modalities may be most effective for different SDGs investment areas.

18. An example of this is in infrastructure. In the Addis Agenda, Member States recognized the need to close the global infrastructure gap in a sustainable manner, and that both public and private investment have key roles to play in infrastructure financing. Member States committed to a number of actions to promote investment in infrastructure, including efforts to address both demand and supply side constraints, such as imbedding resilient and quality infrastructure investment plans in national sustainable development strategies. On the investor side, the Agenda emphasized the role of development banks, and also encouraged long-term institutional investors to allocate a greater percentage of their investment to infrastructure, particularly in developing countries. This was reiterated in the 2017 FfD Forum outcome document, Member States encouraged "...multilateral development banks and development finance institutions to use their capital in a catalytic way to mobilize greater volumes of private sector finance alongside them." However, as noted in the Task Force report, the short-term outlook of both public and private actors is not well-suited for the long-term illiquid investments associated with many infrastructure projects.
19. *A second message is that achieving sustainable development requires a long-term perspective*, with governments, the private sector, and civil society working together to tackle global challenges. This insight was at the heart of the global agreements of 2015. Yet increased global uncertainty is reinforcing the short-term orientation of both private and public actors. During periods of financial insecurity, households tend to focus on their immediate needs, and policymakers, who are often guided by short-term political cycles, may focus on near-term risks. Many private businesses already face short-term incentives. Surveys have found that nearly 90 per cent of corporate executives and directors feel pressured to demonstrate strong financial performance within two years or less; 65 per cent say short-term pressure has increased over the past five years; and 55 per cent would delay investments in projects with positive returns to hit quarterly earnings targets. In the face of increased uncertainty, businesses may hesitate even more to commit funds to long-term investment projects, making it increasingly challenging to reorient global markets towards the long-term-investment needed for sustainable development. The IATF report highlight several mechanisms to strengthen long-term incentives, including better planning through INFFs on the public side and a range of market-based mechanisms for private incentives.
20. Effective social protection and essential public services for all are key instruments for alleviating of poverty, combatting inequality, and supporting human development. Yet, more than half of the world population currently lacks social protection and three out of every four workers in developing countries are in vulnerable forms of employment. Existing social protection and essential

public service delivery, which are often tied to employment, are not necessarily designed for the changing economic and labour market context, such as the growth of the gig economy. At the 2019 FfD Forum, Member States recognized the need to "...promote sustainable social protection systems and extend social security mechanisms to compensate for loss of jobs, and to invest in people's capabilities to enable them to benefit from new technologies." Building universal social protection systems has additional benefits, such as helping improve tax administration and delivering emergency assistance in response to shocks.

21. The Addis Agenda recognizes that all actions need to be underpinned by a strong commitment to protect and preserve the planet and its natural resources, its biodiversity and climate. Acknowledging the specific needs and circumstances of developing countries, in the 2017 and 2018 FfD Forums, Member States called for mobilizing further action and support for climate change mitigation and adaptation. They especially recognized the needs of those countries that are particularly vulnerable to the adverse effects of climate change.
22. The IATF reports emphasize the need for ex-ante measures, along with quality investment in resilience. The 2018 IATF report provided an inventory of quick-disbursing instruments and ex-ante measures to address the effects of external shocks, including disasters. Member States took note of successful sovereign risk insurance facilities and called on development cooperation providers "...to support countries that are not able to afford participation in these mechanisms." In 2019, Member States further encouraged "...the allocation of more resources to ex ante instruments for building resilience, including new financing approaches which incentivize disaster risk reduction." Debt swaps and state-contingent debt instruments can also help mitigate fiscal pressures in the aftermath of disasters, as discussed in section IV.
23. *A third message is on the importance of the quality of investment.* The need to mobilize vast amounts of resources to implement the 2030 Agenda, particularly for investment in infrastructure, has led to the call for development financing to move from billions to trillions. Yet, the Addis Agenda also emphasizes the importance of the quality of investment. One conclusion from ongoing discussions has been of the potential impact that small-scale projects, designed with broad stakeholder participation can have on sustainable development. Local, ecosystem-based approaches to climate change adaptation are a case in point. While such projects may not necessarily be scalable, they can have enormous impacts on people's lives, and to leaving no one behind. There is room for peer-learning and replication in other countries in similar contexts. Against this backdrop, the focus on moving from billions to trillions may risk reducing efforts to promote smaller impactful projects in the search for investments with large headlines. It could also lead to an overreliance on institutional investors who have large assets under management in areas where such investment might not be the most cost effective or appropriate (i.e. not have financial returns to repay investors), nor have the strongest development impact.

IV. Addis Action Areas

24. Specific policy solutions to many of the cross-cutting issues are mainstreamed across the 7 Action Areas of the Addis Agenda. Major trends and emerging challenges in the global financing landscape discussed in section II have affected implementation efforts in each of the seven areas. The FfD Forums discussed these challenges and identified policy options to overcoming implementation gaps, including those exacerbated by new trends and challenges, building on recommendations made by the Inter-agency Task Force.

A. Domestic public resources

25. Domestic public finance is essential to financing the SDGs, providing public goods and services, increasing equity and helping manage macroeconomic stability. The domestic public resource chapter of the Addis Agenda emphasizes the quality and alignment of the entire fiscal system with sustainable development. Its whole-of-government approach includes raising the quantity of resources, and the quality of expenditures, and ensuring both are done fairly and sustainably.
26. Domestic revenue mobilization has increased since 2015, as median tax revenue to GDP ratios have risen in most country groups, with 60 per cent of LDCs seeing year-on-year improvements in tax-revenue-to-GDP ratios in 2017. Yet, large gaps remain in tax-revenue-to-GDP ratios between LDCs (where the median ratio was 13 per cent), middle-income, and developed countries.
27. Further improvement in these ratios will require both domestic action, such as changes to tax policy and strengthened tax administration, and international cooperation. At the 2019 FfD Forum, Member States committed to "...modernized, progressive tax systems," which can support better alignment of tax policy needs with the SDGs. In the Addis Agenda donors committed to increase support to capacity building for revenue mobilisation. In some, but not all, of the years since the Addis Agenda was agreed, ODA for revenue mobilisation increased, amounting to USD 193 million in 2017. However, partners in the Addis Tax Initiative are not currently on track to meet their commitment to double ODA for domestic resource mobilization by 2020.
28. Technology can help strengthen tax administration, including through improved use of information. Automated tax information systems can also help revenue authorities identify and mitigate risks related to tax avoidance and evasion, improve compliance, and thus expand the tax base. Planning for domestic tax policy and administration reforms needs to be long-term oriented. The development of country-designed and -led medium-term revenue strategies can help countries plan through political and business cycles.
29. The increase in cross-border economic activity over the last several decades underscores the need for international tax cooperation. Since 2015, important agreements in the international tax cooperation, particularly with regard to tax information exchange and combatting base erosion and profit shifting (BEPS), have improved conditions for revenue mobilisation. More information is now available on financial accounts and corporate activity, although profit shifting remains a challenge. Processes to enhance tax transparency have been strengthened and new multilateral instruments are available.
30. While inclusivity in international tax norm-setting has increased, norm setting is not yet universal, and ensuring that all countries can benefit from tax changes is also a challenge. At successive FfD Forums, Member States have emphasised that "...efforts in international tax cooperation should be universal in approach and scope and fully take into account the needs and capacities of all countries, in particular least developed countries, landlocked developing countries, small island developing States and African countries."
31. The increasing digitalisation of the economy has called into question some of the fundamental tenets of the international tax architecture, such as the arm's length principle and allocation of taxing rights. Digitalisation has also opened greater opportunities for corporate tax avoidance, including by making it more difficult

to determine the location of economic activity and value creation. Discussions on how international tax norms should adapt to these challenges are ongoing at several international forums, including at the United National Committee of Experts on International Cooperation in Tax Matters. As the effect of new norms on third countries is not always clear, Member States acknowledged, at the 2019 FfD Forum, that any consideration of tax measures in response to the digitalization of the economy should include "...a thorough analysis of the implications for developing countries, with a special focus on their unique needs and capacities."

32. Illicit financial flows (IFFs) represent a major obstacle to the mobilisation of domestic resources for sustainable development. While such flows are difficult to quantify, in its inaugural substantive report, the IATF mapped out their three main components (corruption, crime and tax-related IFFs) and recommended component-by-component and channel-by-channel estimation, analysis, and most importantly, policy recommendations.
33. Tackling IFFs will require strengthening institutions and enforcement of existing laws, as well as the development of new policies and practices for each channel. For instance, tax transparency reforms are relevant for tracking and stopping tax-related IFFs. Technology can play an important role, such as through strengthened customs enforcement, but policies also need to address the use of technology for tax evasion, money laundering and crime. Technology can also make know-thy-customer and other anti-money laundering rules, which have unintended consequences on correspondent banking, more efficient. For example, more widespread adoption of Legal Entity Identifiers (LEIs) can reduce the cost of their issuance and help combat illicit flows. In addition, Member States are developing good practices on the return of stolen assets. In the 2019 FfD Forum outcome, they called for more "...data on international cooperation on asset return." Meanwhile, efforts by UN agencies and other researchers to quantify IFFs continue, which can help target enforcement action.
34. Fiscal revenue and expenditure cannot be analysed in isolation. The IATF's 2019 Report recommended a comprehensive impact analysis of the fiscal system to help improve inequality outcomes, including gender inequality, and promote environmental sustainability. Gender-responsive budgeting, which can strengthen coherence between government budgets and gender equality objectives, is becoming more widespread, though gaps remain in the comprehensiveness and transparency of these systems. Carbon pricing, which is growing in use though still far from sufficient, and other environmental taxation efforts can incentivise sustainability while also raising additional revenue. Overall, better transparency and disaggregation of budgets can allow all stakeholders to track spending on specific SDGs at the national level. The 2018 FfD Forum outcome encouraged countries "...to share best practices and support capacity-building initiatives aimed at better aligning public expenditures with national sustainable development strategies to stimulate inclusive growth and promote a more equitable society."

B. Domestic and international private business and finance

35. The Addis Agenda emphasizes the importance of private business in achieving sustainable development, along with the role of public policies to enable business activity. It calls for actions to create inclusive financial services and promote incentives along the investment chain that are aligned with long-term performance, stability and sustainability indicators.

36. Since the Addis Agenda was adopted, Member States have embarked on numerous reforms to encourage entrepreneurship and investment. Between June 2015 and May 2018, close to 900 regulatory reforms have been introduced worldwide to make it easier for companies to do business.¹ Countries have also been actively promoting foreign direct investment (FDI) —for instance, by opening up industries for investment, relaxing foreign ownership restriction, and granting incentives.
37. Yet, private investment has remained weak. FDI has been on a slowing trajectory globally since peaking in 2015 and private participation in infrastructure in developing countries has declined from \$112 billion in 2015 to \$90 billion in 2018.² Against this backdrop, countries have increasingly realized the need for alignment and coherence between investment policies and national sustainable development strategies. Member States encouraged such policy alignment in the 2017 FfD Forum outcome document. Country-designed and owned Integrated National Financing Frameworks (INFFs) provide an opportunity to assess and if necessary strengthen such alignment.
38. Private sector development depends on access to finance. Since 2015 there have been strong inroads in access, with technology supporting enormous gains in this area. More than half a billion adults obtained an account between 2014 and 2017, notably due to growth in mobile banking. Access to finance, nonetheless, continues to be a major obstacle, in particular for micro, small and medium-sized enterprises (MSMEs). The IATF reports also highlight the benefits of diversified financial institutions, such as cooperatives and saving banks, and provides guidance on how to develop financial sector strategies to tackle market failures in an integrated manner. In addition, as technology companies and non-bank financial institutions are progressively playing a growing role in the delivery of financial services, regulatory frameworks will need to adjust (see Systemic Issues).
39. Reaching close to \$690 billion worldwide in 2018, migrant remittances have received a lot of attention because they exceed other cross-border flows in size. IATF reports have underlined that remittances, as wages of migrant workers, cannot be compared with public or private investment flows. They are often spent on consumption and their development impact depends on characteristics unique to each country. Nonetheless, their impact would be greater if the transaction costs were reduced in line with targets set in the Addis Agenda. Progress has been too slow in this area. IATF reports have highlighted how to leverage technology to make additional headway, including by measures to address the decline in correspondent banking, which raises the cost of remittance transfers.
40. In the long run, new policy frameworks and evolving consumer demand are likely to reward companies that are better aligned with sustainable development and penalize those that fail to adjust. This has created significant interest among investors to incorporate sustainability considerations into their investment decisions, and to allocate resources to companies more likely to perform better in the future. Corporations have started to progressively incorporate sustainability elements into their reporting. According to a survey of about 5000 companies from 49 countries, 75 percent now publish corporate responsibility reports and 60 percent include some sustainability information in their financial filings.³

¹ UN/DESA analysis based on World Bank Doing Business database.

² UN/DESA analysis based on World Bank Private Participation in Infrastructure database.

³ KPMG, “Survey of Corporate Responsibility reporting” (October 2017).

Since 2015, the number of signatories to Principles for Responsible Investing grew by 71 percent between 2015 and 2019.

41. Progress towards SDG achievement remains insufficient, however, and it remains unclear to what extent the growing interest in sustainable development and reporting on it are creating changes on the ground. In part the lack of clarity on impact is due to confusion regarding what sustainable investment means and a lack of consensus on how to measure its impact. Measurement issues can also exacerbate challenges that still exist around the lack of competitiveness of certain sustainable investments with alternative opportunities available to private investors. Both private initiatives and public policies will be needed to further align private incentives with sustainable development. First, most SDG investments require a long-term outlook since many sustainability risks will only materialize over the longer term, while many investors continue to be most concerned with short-term returns. The IATF reports list a range of measures to incentivize longer-term investing, such as long-term indices and other performance measures, basing performance fees on longer-term results, accounting rules and credit ratings. Second, as profit maximizers, most companies do not internalize the costs of their behavior on society unless policymakers set the proper incentives, for instance by pricing externalities.
42. In the 2019 FFD Forum outcome document, Member States acknowledged that further work is needed to measure the impact of sustainable investing and that they aimed “to create incentives for long-term sustainable investing, which could include requiring more meaningful disclosure on sustainability issues by companies, clarifying fiduciary duties and asset owner preference, and pricing externalities.” The 2018 FFD Forum outcome document already stipulated that “...proper interpretation of fiduciary duty for long-term investors should include all material impacts on returns that drive long-term performance of investments”.

C. International development cooperation

43. The 2030 Agenda places significant demands on public budgets and capacities. The Addis Agenda contains a range of commitments and actions for scaled up and more effective international support, including official development assistance (ODA), South-South cooperation, and lending by Multilateral Development Banks (MDBs). It also addresses additional sources of international public finance—including climate finance, humanitarian finance, and innovative sources of finance—and emphasizes the importance of meeting all existing commitments, as well as achieving greater coherence in all development financing.
44. Since 2015, ODA provided by members of the OECD Development Assistance Committee (DAC) increased by 7.5 per cent in real terms, to \$149.3 billion or 0.3 per cent of gross national income (GNI) in 2018, still below the UN target of 0.7 per cent. ODA flows to LDCs increased by 5 per cent over the same period. But bilateral ODA to LDCs decreased by 2.7 per cent in real terms in 2018, and remains below the UN target of 0.15-0.2 per cent of GNI. Until 2017, most of the increase in ODA was in humanitarian assistance and in donor spending on refugees, though these numbers decreased thereafter with the levelling off of the number of refugees arriving in DAC member countries.
45. There has also been a fall in the share of bilateral ODA disbursed as grants over the period, with an increase in loans. This change coincides with a shift in ODA allocation from social needs towards productive investment (though social sectors remain the largest ODA category), in line with the broader focus of the

SDGs. Such changes in allocation underscore the importance of country ownership in development cooperation. Developing countries can use country-designed and owned INFFs as a tool to highlight financing priorities, match development priorities and financing sources, and strengthen country ownership of development cooperation.

46. Since 2015, MDBs have taken measures to make better use of their balance sheets to increase lending, as called for in the Addis Agenda. Some MDBs have merged concessional windows with ordinary capital or enabled concessional windows to access capital-market resources, and shareholders of several MDBs have increased, or are considering increasing, their paid-in capital. FfD Forum outcomes recognized MDB efforts and encouraged them to “...continue strengthening their cooperation, as well as efforts to mainstream Sustainable Development Goal considerations in all operations.”
47. South-South cooperation, an important element of international cooperation for development as a complement to, not a substitute for, North-South cooperation, has continued to expand since the adoption of the Addis Agenda, becoming more diversified and identifying new partnerships and forms of cooperation. Several Southern partners continue to make major financial contributions, and UN/DESA surveys also confirm that a growing number of developing countries provide some form of development cooperation. Member States underlined the importance of South-South cooperation in the 2019 FfD Forum, where they also welcomed the outcome of the second High-level United Nations Conference on South-South Cooperation (BAPA+40).
48. Providers are increasingly focusing on the ability of official development finance to mobilize additional commercial financing, often referred to as “blended finance.” To date, such projects have mainly targeted productive sectors with the potential for financial returns. Recipient-country involvement in decision-making has so far been relatively low in blended finance, because blending operations often take a project form in which international development finance institutions deal directly with private sector entities. Strengthened engagement of development finance institutions with host countries at the strategic level can help align priorities in their project portfolios with national priorities, as well as strengthening host-country capacities and enabling environments. At the 2019 FfD Forum, Member States called “... upon providers of blended finance to engage strategically with host countries at the planning, design and implementation phases, to ensure that priorities in their project portfolios align with national priorities.” Blended finance has also been focused primarily in middle-income countries, largely bypassing LDCs, due to barriers in their enabling environment, such as macroeconomic, governance and other risks, and at the project level, such as small project size, difficulties in project preparation, and others.
49. As developing countries pass per capita income thresholds for access to concessional finance, vulnerabilities to socio-economic setbacks persist. More flexible mechanisms could assist countries through transition and graduation processes. The IATF report called on the international community to lend greater support to efforts of countries to manage transitions and graduation, and to consider flexibilities that allow countries access to appropriate sources of financing, depending on country needs and vulnerabilities. In the 2018 and 2019 FfD Forum outcome documents, Member States encouraged “...relevant institutions to learn from each other’s efforts to address the diverse circumstances of countries, to better manage transitions and graduation.”

50. Climate finance flows have increased significantly since 2015. According to the 2018 climate finance assessment of the Standing Committee on Finance of the UNFCCC, public and mobilized private flows reached \$71 billion in 2016, still below the commitment by developed countries to jointly mobilize \$100 billion a year by 2020. Access to climate finance remains a challenge for some of the poorest and most vulnerable countries, which was recognized in FfD Forums. In 2018, Member States called on the Green Climate Fund "...to ensure that all developing countries have access to the financial instruments available, in line with the eligibility criteria of the Fund."

D. International trade as an engine for development

51. The Addis Agenda stresses that international trade is an engine for inclusive economic growth and poverty reduction and contributes to the promotion of sustainable development. It also encompasses actions to facilitate trade and promote policy coherence.
52. Trade growth is expected to slow in 2019 amid significant downside risks associated with escalating trade tensions. This will likely further impact global value chains, which had facilitated trade growth and job creation in many developing countries, including LDCs, in the 1990s and 2000s, but which have experienced a slowdown in growth since 2011. As a result, LDCs remain far below the target of doubling their share of global exports by 2020, despite an increase in the share of LDC exports admitted duty-free and ongoing market access initiatives for these countries.
53. The global trade environment has shifted considerably in recent years. In the 2019 FfD Forum outcome document, Member States recognized the positive contribution of the multilateral trading system but acknowledged that "...the system was currently falling short of its objectives..." and supported "...the necessary reform of the WTO to improve its functioning." Completing this reform will be critical to preserve a conducive trade environment and to emerge with a strengthened and reinforced system.
54. Addressing trade finance gaps is critical to allow MSMEs to better tap trade opportunities and integrate into international value chains, as the persisting gap continues to affect them disproportionately. Past reports of the IATF have made recommendations to this end. In the 2018 FfD Forum outcome document, Member States encouraged "...export credit agencies and multilateral development banks to explore further developing trade and supply chain finance programmes." In 2019, they encouraged "...financial institutions to adopt, where applicable, trade finance techniques that are less document intensive."
55. Trade discussions have also focused on how to ensure that the benefits of trade are spread more widely and equitably, and are aligned with the SDGs. In the 2019 FfD Forum outcome document, Member States encouraged "...new and existing trade and investment agreements to address linkages between trade, investment and economic, social and environmental policy." For example, minimum wage policies can contribute to a better distribution of the benefits of trade, and social protection policies can provide financial support to those who have lost their jobs. Provisions on environmental sustainability can also be introduced in free trade agreements. At the same time, it will be important that measures to align new trade agreements with the SDGs do not inadvertently act as non-tariff barriers to exports from developing countries.

E. Debt and debt sustainability

56. Borrowing is an important tool for financing investment critical to achieving sustainable development. High debt burdens, however, can impede growth and investment in the SDGs, and increase the risk of crises. Managing sovereign debt and addressing debt crises when they occur has been on the FfD agenda since the Monterrey Consensus. The Addis Agenda recognizes the need to assist developing countries in attaining long-term debt sustainability, including through fostering appropriate debt financing, debt relief, debt restructuring and supporting sound debt management, as appropriate.
57. Since the adoption of the Addis Agenda, levels of public and private debt have continued to rise in many countries, and global debt continues to hit new record highs. As discussed in section II above, over 40 per cent of LDCs and other low-income countries are currently assessed as being at high risk of debt distress or in debt distress. The composition of developing country debt has further increased debt vulnerabilities, as more debt finance is provided on commercial terms, with variable interest rates, or from non-traditional creditors.
58. Higher debt has led to an associated rise in debt-servicing costs and to limited fiscal space for financing SDG investments. Successive IATF reports have highlighted the link between debt and investment, and emphasized the importance of ensuring that heavily indebted countries have fiscal space to invest in the SDGs. The 2018 report called for stronger consideration to be given to the positive impact of investments in infrastructure and productive capacity on debt sustainability. Member States recognized this challenge in the 2018 and 2019 FfD Forums. In the outcome of the 2019 FfD Forum, Member States encouraged "...differentiating how debt financing is used and prioritizing borrowing for productive investments that can promote economic growth and create fiscal space."
59. The changing composition of debt has further underlines the importance of effective public debt management and of debt data quality and transparency. The 2019 FfD Forum called for greater transparency on the side of both debtors and creditors, and reiterated the call, first made in the Addis Agenda, to work towards a global consensus on guidelines for debtor and creditor responsibilities.
60. The increasing frequency and intensity of climate-related disasters has put the spotlight on the fiscal vulnerabilities of affected countries, particularly small island developing States and LDCs. Innovative instruments, such as debt swaps and of state-contingent debt instruments, can help mitigate fiscal pressures. The latter do so by reducing debt payments during periods of low revenue, such as the aftermath of a disaster. Such instruments have attracted the attention of policymakers, and at the 2019 FfD Forum Member States encouraged "...all creditors to consider increasing the use of state-contingent debt instruments in their lending." While they have been used in recent debt restructurings, they await more widespread application. The Inter-agency Task Force has stressed that official creditors in particular should consider increasing their use, which may also help to overcome reluctance in markets.
61. The proliferation of debt financing modalities and instruments, along with the growing importance of official creditors outside of traditional creditor coordination mechanisms (such as the Paris Club), and the increase in debt levels, have further complicated debt restructurings. The Addis Agenda had already recognized that there was scope to improve the arrangements of sovereign debt restructuring. The most recent experiences and challenges to debt crisis resolution underline the need to review arrangements for sovereign debt restructuring. In

response, in the 2019 FfD Forum Member States encouraged exploring ways to strengthen creditor coordination and creditor and debtor dialogue, drawing on the existing work of other forums. The Inter-agency Task Force further recommended consideration of additional steps, such as temporary standstills, as appropriate.

F. Addressing systemic issues

62. The 2008 world financial and economic crisis was a stark reminder of how systemic risks can undermine progress towards poverty alleviation and sustainable development. Reforms to financial system oversight proposed in the aftermath of the 2008 financial crisis aimed to address the concerns about financial system stability. A decade later, policy development for the agenda endorsed by the Group of Twenty (G20) is largely complete, particularly with the finalisation of Basel III package. However, implementation has been stronger in some areas than in others.
63. While reforms have reduced risks in the regulated financial system, there are also growing risks in areas beyond such reforms, including outside of the regulatory framework. For example, crypto-assets⁴ are an emerging fintech innovation that has grown rapidly since the bitcoin network was first launched in January 2009, growth, which could over time have systemic implications. Building on analysis in the IATF's Financing for Sustainable Development Report, the 2019 FfD outcome document called on financial regulators to "...increasingly shift to looking at underlying risks associated with the financial activity rather than the type of financial institution." (See Action Area G.)
64. In the Addis Agenda governments acknowledged that some risk-mitigating measures could potentially have unintended consequences, such as making it more difficult for micro, small and medium-sized enterprises to access financial services. Member States committed to work to ensure that policy and regulatory frameworks supports financial market stability and promotes financial inclusion in a balanced manner, and with appropriate consumer protection. At the 2018 FfD Forum, Member States committed to implementing agreed regulatory reforms "...while being watchful of unintended consequences and the need to balance the goals of access to credit with financial stability".
65. Given the complex and ambitious set of transformations needed to deliver on the 2030 Agenda, coherence across policy areas is critical. While there is a growing understanding of how financial regulations are impacting incentives for sustainable development investment, there is less understanding of the impacts of social and environmental risks on credit quality and the stability of the financial system. Policies and regulations need to act together in order to create a sustainable financial system.
66. Member States have continued to develop the global financial safety net, a set of multilateral, regional and bilateral public financing arrangements to assist countries experiencing shocks. Gaps in the global safety net and concern over the sufficiency of the available funds remain. In the 2018 FFD Forum outcome, Member States "...recognized that the international system's overall financial response to disasters is insufficient." Improved shocks financing instruments that include better ex ante disaster risk reduction and resilience-building mechanisms, as well as quick-disbursing ex post instruments, can make responses by authorities to economic shocks or disasters more efficient and effective.

⁴ Crypto-assets are private assets that depend primarily on cryptography and distributed ledger or similar technology. Examples include bitcoin, litecoin and Ethereum.

67. International capital inflows can deliver substantial benefits to countries by supplementing domestic savings and investment. However, short-term oriented and volatile capital flows give rise to macroeconomic and financial stability risks, often impacting the real economy. The Addis Agenda recognised that when dealing with risks from large and volatile capital flows, necessary macroeconomic policy adjustment could be supported by macroprudential and, as appropriate, capital flow management measures, in line with the Institutional View developed by the IMF in 2012, which notes that capital flow management measures can be appropriate in certain circumstances. In 2018, the IMF published a taxonomy of such measures and analysed their appropriateness in different circumstances.
68. There is currently limited understanding of how source countries of capital flows can use appropriate combinations of macroeconomic, macro-prudential, and regulatory policies to meet domestic macroeconomic objectives while avoiding excessive leverage and large international spillovers in the form of capital flow volatility. Incentivizing longer investment horizons for international investors would not only help to achieve sustainable development, it could have the added benefit of potentially helping reduce volatility.
69. Implementation of the 2030 Agenda also requires strengthened global governance. The IMF achieved implementation of its 2010 governance reforms after the Addis Agenda was adopted, and the World Bank's members agreed to a rebalancing of voting rights at the institution in 2018, though it has only been partially adopted. Across many different institutions and norm setting bodies, more work is needed on broadening and strengthening the voice and participation of developing countries, as committed in the Addis Agenda.
70. To achieve sustainable development, the international community should continuously examine whether its institutions are sufficient and remain fit for purpose. Most institutions were not designed with sustainable development as a goal. In the 2017 FfD Forum, Member States reiterated this and "...call[ed] on all regional and global organizations and institutions to consider the Sustainable Development Goals as they develop their strategies, policies and practices."

G. Science, technology, innovation and capacity-building

71. In a major expansion of the Monterrey Consensus, the Addis Agenda stresses the importance of science, technology and innovation (ICT) as a means of implementation for sustainable development. It notes with concern the uneven innovative capacity, connectivity and access to technology within and between countries, and contains commitments to address these inequities, incentivize research and innovation for sustainable development, and promote greater access to technologies.
72. Access to and use of ICT has increased steadily since the adoption of the Addis Agenda. More than half the world's population now has access to the internet. There are more mobile-cellular subscriptions than people globally. Yet internet uptake remains limited in LDCs, with access to fast internet and mobile broadband, in particular, available to less than a third of the population, despite fast growth in recent years. The continued digital divide was raised as a major concern in successive FfD Forums. Member States called for both national action – implementation of national strategies for STI and strengthened enabling environments – and enhanced international cooperation to bridge the digital divide.

73. International cooperation on STI has advanced significantly since the adoption of the Addis Agenda. The Technology Facilitation Mechanism was set up and four Multi-stakeholder Forums on STI took place at the United Nations. The Technology Bank for the Least Developed Countries has started operations. ODA for STI has increased sharply, albeit not for LDCs and other vulnerable countries. Nonetheless, diffusion of technologies remains constrained by a number of factors, including a lack of absorptive capacities, economic incentives, as well as intellectual property rights issues. Overcoming these barriers to diffusion requires a better understanding of the specific impediments most important for different types of technologies and countries.
74. Digitally enabled financial innovation is changing the shape of financial systems. Fintech is driving the rapid expansion in access to financial services, and has enabled innovations such as new credit and deposit, payment and clearing services. But risks have also emerged, as new providers are challenging traditional business models and regulatory systems that have traditionally focused on regulating entities from within the financial sector. They include risks to financial integrity due to the growing prevalence of crypto-assets, or algorithms that reinforce existing inequalities and discrimination in access to credit. In its 2019 report, the Inter-agency Task Force recommended that financial regulators shift from looking at the type of financial institution to the underlying risks associated with the financial activity provided. At the 2019 FfD Forum, building on recommendations in the report, Member States underscored the need to address such risks without stifling financial innovation, and committed to "...aim for improved dialogues between policymakers, regulators and new service providers to find the right balance..." while also stressing the need for peer learning and the exchange of experiences.
75. The rise of new technologies and the related potential for widespread automation of production processes has also caused concern over the state of labour markets and the possibility of large-scale unemployment. The widespread introduction of digital technologies has so far not led to a rise in overall unemployment, but has contributed to rising income inequality and job polarization. While highly uncertain, it is possible, however, that a range of occupations are at risk of automation. This points to potential future disruptions of labour markets, particularly in developing countries. Manufacturing exports have already become less labour intensive, and highly skilled labour that is often required to operate new technologies is scarce in developing countries. In response to these challenges, the thematic chapter of the 2020 Financing for Sustainable Development Report of the IATF will assess the impacts of new technologies on the financing for development agenda and sustainable development prospects more broadly.

V. The way forward

76. The multilateral system is under stress. And yet, in this difficulty may lie opportunity. Governments should aim to revamp the global economic and financial architecture to make it fit for purpose for sustainable development, particularly in the areas of debt, illicit financial flows, and digitalization, as well as in international trade.
77. Challenges in sovereign debt restructuring have sensitized the international community to gaps in the existing architecture. The complexities of resolving unsustainable debt situations have brought new salience to the issue of creditor coordination and long-standing challenges in the existing architecture. It may be timely to review whether a path towards a consensus on these issues might be

forged, including on specific elements such as creditor coordination, debtor-creditor dialogue, or temporary standstills, in line with the Addis Agenda.

78. Tackling IFFs will require the development of targeted policies and practices in response to each channel and component - tax evasion, corruption and crime. Existing institutions need to be strengthened, and existing laws enforced. Policy frameworks need to be designed to ensure that new technologies can support this effort, particularly by improving transparency. More widespread adoption of LEIs could reduce the cost of their issuance and help combat illicit financial flows.
79. Regulatory frameworks should aim to harness the tremendous potential of innovation while managing risks. Policymakers and regulators will need to increasingly shift to looking at the underlying risks associated with financial activities from all actors rather than looking at the type of institution. At the same time, they need to strike a balance between managing emerging risks and enabling experimentation and innovation.
80. The digitalisation of the economy has also fuelled the debate about the design of the international tax system, as jurisdictions are increasingly struggling to tax corporations that actively participate in their markets. Along with growing market concentration, this has underscored the need to revisit relevant international rules, and ensure that socio-economic implications, in particular growing inequities within and between countries, are carefully managed.