

## **2018 ECOSOC Forum on FfD –Draft Rev.1, 29 March 2018**

1. We, ministers and high-level representatives, having met in New York at UN Headquarters from 23 to 26 April 2018 at the third ECOSOC Forum on Financing for Development, express our resolve to continue to work towards the full and timely implementation of the Addis Ababa Action Agenda (Addis Agenda), which builds on the 2002 Monterrey Consensus and the 2008 Doha Declaration on Financing for Development. We reiterate our goal to end poverty and hunger, and to achieve sustainable development in its three dimensions through promoting inclusive economic growth, protecting the environment, and promoting social inclusion. We recall that the Addis Ababa Action Agenda provides a global framework for financing sustainable development and is an integral part of the 2030 Agenda for Sustainable Development. In this regard, we reaffirm the importance of policy coherence for sustainable development at all levels.

2. We note with appreciation the 2018 report of the Inter-agency Task Force on Financing for Development (IATF), which assesses progress and gaps, provides policy options across the seven action areas of Addis Agenda and examines the challenges in financing all the SDGs, including SDGs 6, 7, 11, 12 and 15, as well as SDG 17, to be reviewed at the 2018 High-level Political Forum (HLPF).

3. We are encouraged by the upturn in some areas of the world economy, which has underpinned progress in the policy agenda across all the action areas of the Addis Agenda, while recognizing that the recovery has not been shared evenly across and between countries and regions. We are also concerned that the world economy remains vulnerable to financial and economic volatility and emphasize the need to address medium-term risks, including the potential effects of rising global interest rates leading to a reversal of capital flows to developing countries, inward-looking policies and increased risk of debt distress. We further note that long-term and responsible investment, especially in countries most in need, remains insufficient to meet our global goals. We will seek to use the momentum of the world economy to address implementation gaps that restrain progress towards achieving the SDGs. We devote ourselves collectively to the pursuit of global development, which can bring meaningful gains to all countries and all parts of the world. We reaffirm our strong political commitment to address these challenges in the spirit of global partnership and solidarity, aiming at reversing persistent inequalities within and among countries and leaving no one behind.

4. We commit to take, among others, four key actions in support of the implementation of the Addis Agenda in the current global context: (i) facilitate the use of all sources of financing at all levels, while being mindful of fiscal and debt sustainability, recognizing that they have different objectives and characteristics, which make them suitable in different contexts and sectors; (ii) work to align incentives of both public and private actors with long-term sustainable development; (iii) operationalize national financial frameworks into investable projects and pipelines; and (iv) take into account that every State has and shall freely exercise full permanent sovereignty over all its wealth, natural resources and economic activity.

### **Cross-cutting issues**

5. We reaffirm the need to promote gender equality and the empowerment of women and girls throughout policy-making and programming, including in fiscal policies, finance, development cooperation, labour markets, and other areas, with due recognition of care work where unequal gender roles continue to hold women back in the economy. We commit to implementing social and gender-responsive budgeting. We underline that globally, gross domestic product (GDP) could increase significantly if every country achieved gender equality and increased participation of women in the formal labour force, as well as in leadership and decision-making positions.

6. We emphasize that all of our development policies need to be underpinned by our strong commitment to protect and preserve our planet and natural resources, our biodiversity and our climate. Recalling the entry into force of the Paris Agreement adopted under the United Nations Framework Convention on Climate Change, we call for mobilizing further action and support for climate change mitigation and adaptation, taking into account the specific needs and special circumstances of developing countries, especially those particularly vulnerable to the adverse effects of climate change, including SIDS and LDCs. We request the IATF, as part of its 2019 report, to provide options that take climate and environmental issues into account in sustainable development finance.
7. We strongly stress the critical role of science, existing and emerging technologies and innovation in achieving the SDGs. We also acknowledge the complex challenges and risks of technology, which should be addressed by appropriate policy and regulatory frameworks.
8. We recommit to ensuring that no one is left behind and recognize the importance of addressing the diverse needs and challenges faced by countries in special situations, in particular African countries, least developed countries (LDCs), landlocked developing countries (LLDCs) and small island developing States (SIDS) and countries in conflict and post-conflict situations, as well as the specific challenges faced by middle-income countries.
9. We stress that investing in accessible, affordable, reliable, sustainable and resilient infrastructure, including transport, energy, water and sanitation for all, is a pre-requisite for achieving many of our goals. We acknowledge that closing the global infrastructure gap is a priority for the international community and that major challenges remain to scale up SDG investments in infrastructure, particularly in developing countries. We look forward to the third Global Infrastructure Forum, to be held in Bali, Indonesia, in October 2018, and call on its participants to support developing countries in building project pipelines and standardizing infrastructure contracts. We will explore new instruments for mobilizing resources for long-term infrastructure investment, while recognizing that further work is required to better understand risks associated with creating liquid instruments on illiquid assets. We recognize the important roles of national, regional and multilateral development banks in channelling long-term development finance to infrastructure in developing countries, especially in African countries, least developed countries, landlocked developing countries and small island developing States.

### **Domestic public resources**

10. We note progress in domestic resource mobilization, underscored by the principle of national ownership, but emphasize that large gaps remain between LDCs, LLDCs, SIDS, middle-income countries and developed countries. We will strive to strengthen revenue collection and related accountability mechanisms as well as public service delivery at the national and subnational levels, including through whole-of-government approaches and Medium Term Revenue Strategies (MTRS). We acknowledge that further work needs to be done on the digitalization of business and finance and its impact on tax revenue collection. We stress that international frameworks need to adapt to new digital business models. We recognize the importance to developing countries of fiscal management, including domestic resource mobilization and encourage that this purpose be a priority for all types of development cooperation, including ODA and technical support, such as through the IMF Tax Administration Diagnostic Assessment Tool. We intend to apply technology to tax administration, enforcement, and combating tax evasion, while ensuring an adequate framework for protecting the privacy of citizens and the confidentiality of data. Efforts in international tax cooperation should be universal in approach and scope and fully take into account the needs and capacities of all countries.

We welcome the work programme of the United Nations Committee of Experts on International Cooperation in Tax Matters. We continue to urge Member States to support the Committee and its subsidiary bodies through the voluntary trust fund, to enable the Committee to fulfil its mandate, including by supporting the increased participation of developing country experts at subcommittee meetings.

11. We note the progress made through international tax cooperation, including the implementation of enhanced international standards on tax transparency, such as the work of the Global Forum on Tax Transparency. We acknowledge that more work is needed to enable developing countries, especially the poorest countries, to benefit from these standards. We will strengthen international cooperation to combat illicit financial flows (IFFs) and encourage countries and relevant multilateral and international organizations to continue their efforts to provide, upon request, technical assistance and capacity-building assistance to developing countries. We welcome the leading role of the Conference of States Parties to the UN Convention against Corruption in helping improve the capacity of and cooperation between States Parties. We also encourage States to strengthen international cooperation on the recovery and return of stolen assets in line with their obligations under domestic and international law and to invest in the human and technical resources necessary to speed up assets return. We welcome progress made on developing good practices in this field and encourage their further elaboration.

12. We note the holding of the first global conference of the inter-agency Platform for Collaboration on Tax (PCT) in February 2018, on “Taxation and the SDGs” and take note of the Platform partners’ statement, including their commitment to support country-led MTRS.

### **Domestic and international private business and finance**

13. We note that the momentum around sustainable investment, including impact investment, is growing, and we invite private companies to adopt sustainable practices that foster long-term value. We note that a reallocation of a small percentage of assets under management towards long-term investment in sustainable development could have a significant impact. We will explore ways to incentivize institutional investors to take a long-term approach, taking into account public interest, including by reviewing regulatory frameworks, accounting measures, short-term benchmarks, compensation systems and other incentives. Proper interpretation of fiduciary duty for long-term investors should include all material impacts on returns that drive long-term performance of investments. We will promote sustainable corporate practices, including integrating environmental, social and governance factors into company reporting as appropriate, with countries deciding on the appropriate balance of voluntary and mandatory rules. We emphasize that the UN should continue to bring together relevant stakeholders to discuss and disseminate the benefits of SDG investing.

14. We recognize recent progress in financial inclusion, but note that gaps still remain for women, people in rural communities and disabled people, as well as for micro, small and medium-sized enterprises (MSMEs). We recognize the important role that can be played by development banks, development finance institutions and guarantee instruments in this area. We recognize that financial inclusion can be strengthened by making use of innovative measures of financial intermediation. New financial technology applications may also help lower the cost of remittances. We will work towards reducing the average transaction cost of migrant remittances by 2030 to less than 3 per cent of the amount transferred. We emphasize the need for effective and proportionate regulation to monitor any systemic or consumer risks related to the digitalization of finance. We will continue to broaden the range of financing instruments accessible to MSMEs.

## **International development cooperation**

15. We welcome the increase in ODA in real terms in 2016. The decline in ODA to LDCs has been reversed, but we note a decline in the share of ODA to country programmable aid (CPA). We also note that ODA to SIDS has not kept pace with the overall increase in aid flows since 2000, and remains very concentrated in few SIDS, despite the increasing frequency, volatility, and intensity of weather related hazards many of them are exposed to. We call on ODA providers to increase ODA and fulfil their respective commitments, including the commitment by many developed countries to achieve the national target of 0.7 per cent of gross national income (GNI). We recognize that it is also critical that disaster risk reduction measures, with due consideration to prevention, are incorporated into all development assistance programmes and infrastructure financing, in line with the Sendai Framework for Disaster Risk Reduction. We request the IATF, as part of its 2019 report, to further discuss climate and disaster resilience in development financing to ensure the sustainability of development results. We will hold open, inclusive and transparent discussions on the modernization of the ODA measurement and on the proposed measure of “total official support for sustainable development” and we affirm that any such measure will not dilute commitments already made.

16. We welcome continued efforts to improve the quality, effectiveness and impact of development cooperation and other international efforts in public finance, including adherence to agreed development cooperation effectiveness principles. We call on the Development Cooperation Forum, to be held in New York, on 21-22 May 2018, to provide policy guidance and identify capacity building opportunities concerning the effective use of blended financing to support developing country priorities and efforts to implement the 2030 Agenda. We look forward to the upcoming third high-level meeting of the Global Partnership for Effective Development Cooperation.

17. We welcome the contributions of South-South cooperation to poverty eradication and sustainable development. We reaffirm that South-South cooperation is an important element of international cooperation for development as a complement to, not a substitute for, North-South cooperation. We also commit to strengthening triangular cooperation as a means of bringing relevant experience and expertise to bear in development cooperation.

18. We welcome the work of Multilateral Development Banks (MDBs) in support of the 2030 Agenda and take note of ongoing efforts to strengthen their collaboration and coherence. We note with concern that access to concessional finance is reduced as countries’ incomes grow, and that countries may not be able to access sufficient affordable financing from other sources to meet their needs. We further note a willingness to develop new measures and build on existing experiences with exceptions and multidimensional assessments to address limitations of an income-only assessment of development and ‘graduation readiness’. In this regard, we encourage relevant institutions to learn from each other’s efforts to address diverse circumstances of countries, to better manage transitions and graduation. We welcome efforts by the MDBs to further align their work with the SDGs and to continue optimizing the use of their balance sheets. We acknowledge the increasing and pivotal function of national and regional development banks, alongside the MDBs, in reinforcing the financial architecture for sustainable development and, in this context, take note of the role of the International Development Finance Club (IDFC). We note the potential of blended finance, and stress that projects should be aligned with national priorities, have long-lasting development impact and be in the public interest, while recognizing that for different SDG investment areas, different types of finance may represent the most effective financing modalities. We call for more analysis on how to realize the potential of blended finance, including its impact on closing gender equality gaps, and on designing blended finance instruments to respond to the unique situation of countries, especially those with special needs. We acknowledge that the FfD follow-up process provides important opportunities

to consider how emerging principles for blended finance relate to respective commitments in the Addis Agenda.

19. We recall the need for transparent methodologies for reporting climate finance and welcome the ongoing work in the context of the United Nations Framework Convention on Climate Change. We note with appreciation the significant scaling-up of the operations of the Green Climate Fund (GCF) but note with concern the challenges in accessing financial resources for climate action in developing countries, especially in relation to funding for adaptation. In this regard, we call on the GCF and other providers to further enhance and simplify access to funding.

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

20. We welcome that in 2017 trade growth recovered, albeit at low rates. We note with concern that exports of LDCs as a share of the global total declined in recent years. We reaffirm that trade can contribute to the promotion of sustainable development and the alleviation of poverty, as recognized in the 2030 Agenda. We underline the importance for all countries, and in particular LDCs, LLDCs and SIDS, to benefit from opportunities that bilateral, regional, plurinational and multilateral trade agreements generate. We welcome all ongoing market access initiatives for LDCs. We will continue to promote a universal, rules-based, open, transparent, predictable, inclusive, non-discriminatory and equitable multilateral trading system as well as meaningful trade liberalization. We will explore policies that encourage growth in cross-border e-commerce, including for MSMEs. We take note of greater dialogue on aligning new trade agreements with the SDGs.

21. We call for enhancing trade finance. We encourage export credit agencies and MDBs to explore further developing trade and supply chain finance programs. We stress that Aid for Trade, implementation of the WTO Trade Facilitation Agreement, targeted trade-related capacity-building, and continued preferential market access for the exports of LDCs are essential to integrate developing countries, in particular, LDCs, LLDCs and SIDS, into the international trading system. We take note of the ministerial decisions adopted at the 11th Ministerial Conference of the WTO, held in December 2017. We invite the IATF to continue to monitor developments with respect to the trade financing gaps, particularly for MSMEs, as part of its 2019 report.

### **Debt and debt sustainability**

22. We note with concern that emerging debt challenges in developing countries have intensified, adding to the challenges to the achievement of the SDGs. We recognize that it is helpful to differentiate how borrowing resources are used, and that effective public investments in infrastructure and productive capacity in support of the SDGs, under appropriate public debt management, can have a positive impact on fiscal space and debt sustainability. We encourage further work in this regard, including how this could be incorporated into public debt analysis, notably through the use of tools for quality assessment, while ensuring that risks of debt distress are flagged consistently and timely. We emphasize that improving debt analysis and management capacities remains important, including through better and broader data collection and technical assistance. We encourage creditors and debtors to make terms and conditions of lending public and easy to track.

23. We recognize the need to assist developing countries in attaining long-term debt sustainability through coordinated policies aimed at fostering debt financing, debt relief, debt restructuring and sound debt management, as appropriate. The devastating impact of the 2017 Atlantic hurricane season underlined that innovative instruments, such as state-contingent debt instruments, can lessen financial stresses in times of crisis. We intend to explore the potential of innovative debt instruments, as appropriate, particularly for countries and regions facing disasters and climate-related adaptation

needs. We commit to explore how official creditor cooperation mechanisms can address the potentially more complicated future insolvencies, due to changes in emerging and developing countries' debt compositions, more effectively. We reaffirm the importance of debt restructurings being timely, orderly, effective, fair and negotiated in good faith. We reiterate that debtors and creditors must work together to prevent and resolve unsustainable debt situations. We reiterate our call to work towards a global consensus on guidelines for debtor and creditor responsibilities in borrowing by and lending to sovereigns, building on existing initiatives. In this regard, we request the IATF, as part of its 2019 report, to study complementarities and incongruities of such initiatives, as well as to advance the analysis of state-contingent debt instruments, GDP-linked bonds, insurance coverage and other innovative mechanisms, as a means of reducing risks to sovereign balance sheets, particularly in SIDS, LDCs, LLDCs and open economies more vulnerable to disasters.

### **Addressing systemic issues**

24. We welcome progress in reforming international financial regulation and commit to implementing negotiated reforms while being watchful of unintended consequences and the need to balance the goals of access to credit with financial stability. We are mindful of new gaps that may result from financial innovations, including digital finance. We emphasize that correspondent banking is an important means of facilitating cross-border movements of funds, and enables financial institutions to access financial services in different currencies and foreign jurisdictions, thereby supporting remittance flows. We note with concern the decline in correspondent banking in many regions which, if left unchecked, may be detrimental to the promotion of financial inclusion, and welcome efforts by international organizations, as well as the private sector to address these. We invite the IATF to continue to monitor the decline in correspondence banking and its effects, as well as the possible unintended consequences of international financial regulation, as part of its 2019 report.

25. We note the ongoing 15th General Review of Quotas of the IMF and look forward to the successful conclusion of the World Bank Group's shareholding reform. We will continue our work on further strengthening the global financial safety net (GFSN) to ensure adequate levels of financing, flexibility and counter cyclical, including through existing and, where appropriate, new ex-ante instruments. We support efforts to improve the coordination between different elements of the GFSN. We recognize that the international system's overall financial response to disasters is insufficient and that better ex-ante disaster risk reduction and resilience building mechanisms and quick-disbursing ex-post instruments are required. We take note of a growing number of successful regional sovereign risk insurance facilities, while underscoring that global risk management would offer more efficient risk diversification, sustainability and efficiency. We call on development cooperation providers to support countries that are not able to afford participation in these mechanisms. We invite the IATF to examine existing frameworks and best practices with regards to approaches to risk management by development banks and related financial institutions and to report its findings in the 2019 report.

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

26. We reaffirm that the creation, development and diffusion of new innovations and technologies and associated know-how, including the transfer of technology on mutually agreed terms, are powerful drivers of economic growth and sustainable development. We remain committed to closing the digital divide in access and capacity within and between countries, including the gender gap. We recognize that new technologies are affecting the functioning of labour markets, with new types of employment in many cases replacing traditional patterns of work. We take note of the work of IATF in this regard and invite the IATF to continue its work on this topic. We will support lifelong learning and skill acquisition for all, including entrepreneurial skills, adapt and strengthen employment, decent

work and social protection systems and measures for all, as appropriate, and make efforts to address continued gender disparities and enhance inclusion of marginalized groups, including for young people and persons with disabilities. We invite the IATF to examine the implications of fintech and the weightless economy on financial inclusion, access to finance and financial regulation.

27. We stress that capacity development is essential for achieving the 2030 Agenda for Sustainable Development and that capacity development must be country-driven, address the specific needs and conditions of countries and reflect national sustainable development strategies and priorities. We continue to support capacity-building for developing countries to strengthen their national science, technology and innovation capabilities. We welcome that ODA for scientific, technological and innovative capacity has increased significantly, but note with concern that it has not sufficiently benefited the poorest and most vulnerable countries. We welcome the progress made towards the establishment of the Technology Facilitation Mechanism and the operationalization of the Technology Bank for the LDCs, and we encourage all development partners to provide financial and technical assistance to ensure their full and effective implementation. We invite the IATF to reflect and report on possible options to improve developing countries access to appropriate technologies and innovative solutions.

28. We look forward to the third annual Multi-stakeholder Forum on Science, Technology and Innovation for the Sustainable Development Goals, to be held in New York, on 5-6 June 2018, and its discussion on the SDGs to be reviewed in-depth at the 2018 HLPF, indigenous knowledge, STI roadmap and the impact of new and emerging technologies on sustainable development finance, which will be fed into the preparations of the 2018 HLPF and 2019 ECOSOC Forum on Financing for Development follow-up.

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

29. We recognize that large data gaps persist, particularly at the disaggregated levels, and that significant efforts are required to modernize and strengthen national statistical systems. We encourage increased support of all types and from all sources, including capacity building and technical support, to strengthen statistical systems. We will strengthen our efforts to produce sex-disaggregated data and make better use of statistics to improve policy design and implementation with regards to gender equality and the empowerment of women and girls.

30. We note the establishment of the Intergovernmental Group of Experts on FfD in response to the Nairobi Maafikiano which was adopted by UNCTAD XIV.

31. We invite international, bilateral and other potential development cooperation partners to consider contributing generously to the Trust Fund to Support Activities for the Follow-up to the International Conference on Financing for Development, in particular to support the travel to and participation of representatives from developing countries, in particular LDCs, LLDCs and SIDS, in the annual ECOSOC Forum on Financing for Development follow-up. We encourage Member States to continue to support the work of the IATF, including through voluntary contributions.

32. We decide that the 4<sup>th</sup> ECOSOC Forum on Financing for Development follow-up will convene from 15 to 18 April 2019, and will include the special high-level meeting with the Bretton Woods institutions, the WTO and the UNCTAD. We also decide that the forum's modalities will be the modalities that applied to the 2018 forum. We further decide that in the outcome document of the 2019 FfD Forum we will consider the need to hold a follow-up conference.

33. We request the Inter-Agency Task Force on Financing for Development to issue an advance unedited version of its 2019 report, no later than the end of February 2019, to be updated with the latest data upon its release, in order to facilitate the timely preparation of the draft conclusions and recommendations.