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Implementation of and follow-up to major United Nations conferences and summits: Follow-up to the International Conference on Financing for Development**Forum on Financing for Development Follow-up**

New York, 18-20 April 2016

Financing for sustainable development: Follow-up to the Addis Ababa Action Agenda**Monitoring commitments and actions in the Addis Ababa Action Agenda on Financing for Development****Note by the Secretary-General****Summary*

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

The Inter-Agency Task Force, convened in late 2015, comprises over 50 United Nations agencies, programmes and offices, regional commissions and other relevant international institutions and entities.¹ The major institutional stakeholders of the Financing for Development process – the World Bank Group, the International Monetary Fund, the World Trade Organization, the United Nations Conference on Trade and Development and the United Nations Development Programme – have taken a central role, jointly with the Financing for Development Office of the United Nations Department of Economic and Social Affairs, which also serves as the coordinator of the Task Force and substantive editor of its report.

This note highlights the main findings of the first Report of the Inter-Agency Task Force, as prepared for the inaugural session of the ECOSOC Forum on Financing for Development follow-up, to be held on 18-20 April 2016 under the theme “Financing for sustainable development: Follow-up to the Addis Ababa Action Agenda”.

¹ For a list of the agencies see <http://www.un.org/esa/ffd/special/inter-agency-task-force-members.html>

I. Introduction

1. In July 2015, world leaders came together in Addis Ababa, Ethiopia, to adopt the Addis Ababa Action Agenda (the Addis Agenda) at the Third International Conference on Financing for Development.² The Addis Agenda created a holistic and coherent framework for financing sustainable development. More than just a framework, the Addis Agenda embodies several hundred concrete actions that Member States of the United Nations pledged to undertake individually and collectively. As subsequently emphasized in the 2030 Agenda for Sustainable Development, adopted by the General Assembly in September 2015, full implementation of the Addis Agenda is critical for the realization of the sustainable development goals (SDGs) and targets.³
2. Member States committed to staying engaged in the Addis Agenda through a dedicated and strengthened follow-up process to assess progress, identify obstacles and challenges to implementation, promote the sharing of lessons learned, address new and emerging topics of relevance, and provide policy recommendations for action by the international community (paras 131-132). In this context, the Addis Agenda established an annual ECOSOC Forum on FfD follow-up to review implementation of financing for development (FfD) outcomes and the means of implementation (MoI) of the 2030 Agenda.
3. Credible and timely monitoring and analysis will be required to inform this process. The Inter-Agency Task Force, convened by the Secretary-General, will seek to make a substantive contribution to these monitoring and analytical functions. According to its mandate, the Task Force will (i) report annually on progress in implementing the FfD outcomes and the MoI of the 2030 Agenda for Sustainable Development, and (ii) advise the intergovernmental follow-up processes on implementation gaps and recommendations for corrective action (para 133). The Task Force's primary official audiences will be the ECOSOC Forum on FfD Follow-up and the High-Level Political Forum on Sustainable Development (HLPF).⁴ The Task Force appreciates that there is also great interest in its work by Governments, international institutions and other stakeholders. It will strive to be technically precise and thoughtful, and to cover the full range of FfD issues, while also being accessible to a broad range of readers.
4. The Task Force will base its analysis on the premise that, given the nature of the issues being discussed, there is often not one simple policy solution. Rather, the complex nature of the issues implies that there are multiple policy options. Indeed, all economic policies have trade-offs. The Task Force sees its role as mapping out policy options and analysing their underlying assumptions and economic, social and environmental implications, while leaving the final policy choice to the national and international political processes.
5. As requested by the Addis Agenda, the Task Force aims to build on the positive experience of inter-agency cooperation that the Secretary-General initiated when he invited the relevant international institutions to leverage their specialized expertise to monitor the eighth Millennium Development Goal (MDG 8).⁵ The MDG Gap Task Force drafted analytical reports that incorporated the official indicators, while also monitoring complementary data and information to address emerging concerns. It regularly gave updates on international cooperation commitments and recommended policy measures that could be considered by the international community to further the global partnership. It is a model that the present Task Force will seek to emulate.
6. The Task Force further appreciates that a different international exercise will monitor progress on achieving the SDGs per se. That effort will focus on a global indicator framework agreed by the Statistical

² Endorsed by the General Assembly in resolution 69/313.

³ General Assembly resolution 70/1, para. 40.

⁴ The 2012 United Nations Conference on Sustainable Development created the HLPF (General Assembly resolution 66/288, paras. 84-86); it was given responsibility to be the central mechanism for follow-up and review of progress toward the SDGs at global level in the 2030 Sustainable Development Agenda (resolution 70/1, paras 82-90).

⁵ See http://www.un.org/en/development/desa/policy/mdg_gap/ for the 2015 report and links to the earlier reports.

Commission for measuring the targets specified under each SDG, including those pertaining to the MoIs. These indicators, particularly those for the MoI targets, will be important inputs to the Task Force's work. The Addis Agenda also includes numerous additional commitments and action items that are not contained in the SDG targets. In addition, the Task Force has found that many items are difficult to fully capture with just one indicator. The Task Force Report will thus complement the statistical report on the SDG indicators by providing: (i) a review of the additional commitments and action items in the Addis Agenda and other FfD outcomes; (ii) an assessment of progress in implementing agenda items that may not be easily captured by quantitative indicators, such as qualitative measurements in areas where data is lacking; and (iii) an analytical discussion of the issues to give a fuller picture of implementation, assess the impact of financing flows and policies on achieving goals, and promote knowledge sharing and mutual learning. Monitoring of commitments made on the side-lines of the Addis Conference will be included as an annex in this year's Report, and published as a separate appendix in future years.

7. The first report of the Task Force, completed in the early months of 2016, does not seek to assess progress in implementation of the Addis Agenda or the MoIs of the 2030 Sustainable Development Agenda, which were agreed to less than six months prior to the drafting of the report. Indeed, much of the data for 2015, which is the base year against which to measure progress in implementation, had not yet been published when this year's report was being prepared. Instead, the focus of this year's report is on *how* the Task Force proposes to monitor implementation of commitments in future years, although the report also seeks to situate the discussion in the context of relevant recent developments.

II. The evolving global situation

8. There have been several important developments since Member States came together in Addis Ababa in July, including the successful adoption of the 2030 Agenda for Sustainable Development and the adoption of the Paris Agreement under the UN Framework Convention on Climate Change. There has also been progress in other action areas of the Addis Agenda. For example, IMF quota and governance reforms, which had been agreed to in 2010, became effective in January of 2016. In response to the call in the Addis Agenda, the new Global Infrastructure Forum, led by the multilateral development banks, will be launched in Washington, DC on 16 April 2016 during the IMF/World Bank Group Spring Meetings.

9. Nonetheless, these global efforts are taking place in an increasingly difficult environment. Growing global risks threaten to make implementation of the agenda even more challenging than just six months ago. As the finance ministers and central bank governors of the Group of 20 observed in their communiqué at their 27 February 2016 meeting, "The global recovery continues, but it remains uneven and falls short of our ambition for strong, sustainable and balanced growth. Downside risks and vulnerabilities have risen against the backdrop of volatile capital flows, a large drop of commodity prices, escalated geopolitical tensions, the shock of a potential UK exit from the European Union and a large and increasing number of refugees in some regions. Additionally, there are growing concerns about the risk of further downward revision in global economic prospects." Indeed, as indicated in the United Nations *World Economic Situation and Prospects 2016*, over \$700 billion of capital left developing and transition countries in 2015, greatly exceeding the magnitude of net outflows during the "Great Recession". At the same time, non-financial corporations in emerging market countries accumulated significant levels of debt, which increased from less than 60 per cent of gross domestic product (GDP) in 2006 to more than 100 per cent at mid-2015, making these countries particularly vulnerable to sudden stops and reversals of capital flows.

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

The Forum on FfD Follow-up could be a useful platform to reassert that development commitments will not be put at risk.

III. From Monterrey to Addis Ababa and the SDG means of implementation: Monitoring Financing for Development outcomes

11. The Addis Agenda aims to mobilize public finance, set appropriate public policies and regulatory frameworks to unlock private finance, trade opportunities and technological development, and incentivize changes in consumption, production and investment patterns. It further seeks to align all resource flows and policies with economic, social and environmental priorities. The holistic approach is rooted in the Financing for Development process, embodied in the 2002 Monterrey Consensus and 2008 Doha Declaration on Financing for Development. The Monterrey Consensus recognized not only that all sources of financing – public and private, domestic and international – are needed to finance development, but that resource mobilization depends on public policies and a strengthened national and international enabling environment. Both national policies and regulations and international rules and agreements are thus linked to development finance and outcomes.

12. The global partnership for development, as delineated in Monterrey, emphasizes the central importance of development cooperation and concessional financing. Indeed, development cooperation, and the fora in which it is discussed, remains a crucial part of the agenda. Building on Monterrey and Doha, the Addis Agenda reaffirms that developing countries have primary responsibility for their own economic and social development. Nationally owned sustainable development strategies are thus a core element of the Addis Agenda. However, domestic policies must be supported by an enabling international environment. Science, technology, innovation and capacity building had been touched upon in the Monterrey Consensus and Doha Declaration,⁶ but they were not accorded detailed treatment. The Addis Agenda explicitly incorporates each of the major non-financial means of implementation for delivering sustainable development along with the more traditional financial means, complementing and contextualizing them in a comprehensive framework.

13. The Addis Agenda goes beyond Monterrey and Doha outcomes by taking into account policy requirements for realizing all three dimensions of sustainable development -- economic, social and environmental -- in an integrated manner. It emphasizes the importance of incentives for private sector investment, as well as the quality of investment. It also emphasizes sustainable consumption and production patterns globally. In doing so, it brings issues such as climate finance, protection of oceans, forests and other environmental concerns more prominently into the discussion, and incorporates these into the global coherence agenda, along with issues of trade and global financial stability.

14. The commitments and action items in the Addis Agenda are organized in seven main action areas (see Table 1) and a concluding section on data, monitoring and follow-up. Member States also identified a number of cross-cutting thematic areas where policy actions harness the synergies that exist between many of the action items elaborated in the action areas of the Agenda.

⁶ Report of the International Conference on Financing for Development, Monterrey, Mexico, 18–22 March 2002 (A/CONF.198/11, chapter 1, resolution 1, annex; Report of the Follow-up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus, Doha, Qatar, 29 November–2 December 2008 (A/CONF.212/7, chapter 1, resolution 1, annex).

Table 1: Action Areas of the Addis Agenda

- A. Domestic public resources
- B. Domestic and international private business and finance
- C. International development cooperation
- D. International trade as an engine for development
- E. Debt and debt sustainability
- F. Addressing systemic issues
- G. Science, technology, innovation and capacity building

The Relationship between the Addis Agenda and the SDGs

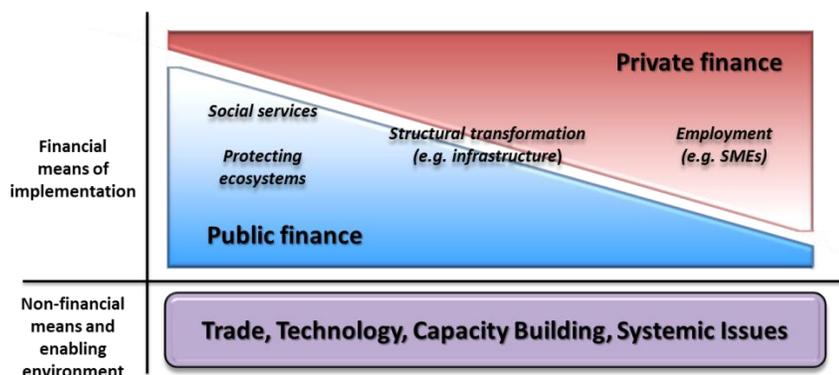
15. All the MoIs of the SDGs are included in the Addis Agenda. The indicators for the MoI targets will be important inputs to the Task Force’s work, as will relevant indicators for other SDG targets (which are particularly relevant to cross-cutting issues). Nonetheless, the 2030 Agenda for Sustainable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

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

17. In consideration of this, the Task Force draws on a nuanced understanding in the Addis Agenda of the benefits and risks associated with different types of finance and other MoIs, as depicted by the seven chapters of the Addis Agenda. The different sectors and goals have different capital structures, implying that the appropriate combinations of financing modalities vary by sector, as well as by national contexts. For example, some investments, such as those that meet basic social needs, in most cases will be largely financed by public resources (though in some countries, supplemented by private investment). Other investments, such as for infrastructure, will often need to effectively combine public and private funding. Still others, such as financing for small and medium-sized enterprises (SMEs), will be predominantly private, though generally within public policy and regulatory frameworks that support and incentivize investment. All of these will also need support from non-financial means of implementation, such as technology and a supportive international environment, including a stable economic system and debt sustainability (see Figure 1).

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

Figure 1: The continuum of public and private financing and the non-financial means for achieving sustainable development



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

IV. Chapter summaries of the Task Force monitoring framework

19. Monitoring the Addis Agenda and the MoIs of the SDGs represents a complex exercise, covering cross-cutting issues and data, the 7 chapters of the Addis Agenda, and hundreds of commitments and action items. The Task Force addressed this challenge by compiling and clustering all of the commitments and action items in the Addis Agenda, organized around its chapters.⁷ Under each cluster, the Task Force presented options for monitoring, including: the best currently available sources of data that will allow for monitoring progress in implementation in future years; a discussion on the quality of the data; and other methods such as qualitative and contextual analysis and case studies. In addition, the Task Force noted where the indicators for the SDGs will provide additional data and information. While the Task Force will be flexible to incorporate new data sources in the future, the inaugural 2016 report will serve as a reference guide for the Financing for Development follow-up process. Future reports will also incorporate the monitoring of the broader FfD outcomes, building on the annual monitoring done since the 2002 Monterrey Consensus by the FfD Office of the UN Department of Economic and Social Affairs, in collaboration with the five institutional stakeholders of the FfD process.

20. The findings of the Task Force are briefly summarized below for each of the chapters of the report, including the introduction to each section for context and a short overview of conclusions on monitoring. The detailed and technical assessment of the monitoring of FfD commitments and its challenges is available in the 2016 Task Force Report and on the Task Force's website.⁸ The inaugural report will focus on the commitments and action items in the Addis Agenda, in an attempt to address the question of how to monitor the new commitments and action items. Future reports will also incorporate the monitoring of the broader FfD outcomes, building on the annual monitoring done since the 2002 Monterrey Consensus by the FfD Office of UN DESA, in collaboration with the five major institutional stakeholders of the FfD process.

Cross-cutting issues

21. The Addis Agenda contains several key cross-cutting initiatives that build on the synergies of the SDGs and address critical gaps in their delivery. Cross-cutting issues and commitments in the Agenda, as contained in Chapter I, include: (i) a social compact for the delivery of social protection and essential public services for all;

⁷ http://www.un.org/esa/ffd/wp-content/uploads/2016/01/IATF-on-FfD_2016-Report_Full-Outline_22-2-16.pdf

⁸ See: <http://www.un.org/esa/ffd/ffd-follow-up/inter-agency-task-force.html>

(ii) scaling up efforts to end hunger and malnutrition; (iii) closing the infrastructure gap, including establishing the Global Infrastructure Forum; (iv) promoting inclusive and sustainable industrialization; (v) generating full and productive employment and decent work for all; (vi) protecting ecosystems for all; and (vii) promoting peaceful and inclusive societies. It also addresses such issues as gender equality and the empowerment of women and girls; children and youth; countries in special situations, and the global partnership for sustainable development. Each of these initiatives can contribute to progress across a large number of SDGs.

22. Because of the close links to the 2030 Agenda, monitoring by the Task Force in this chapter will be able to draw on a large number of relevant SDG indicators, in particular for commitments focused on achieving specific outcomes. The Task Force will add to those as necessary, providing greater specificity and detail.

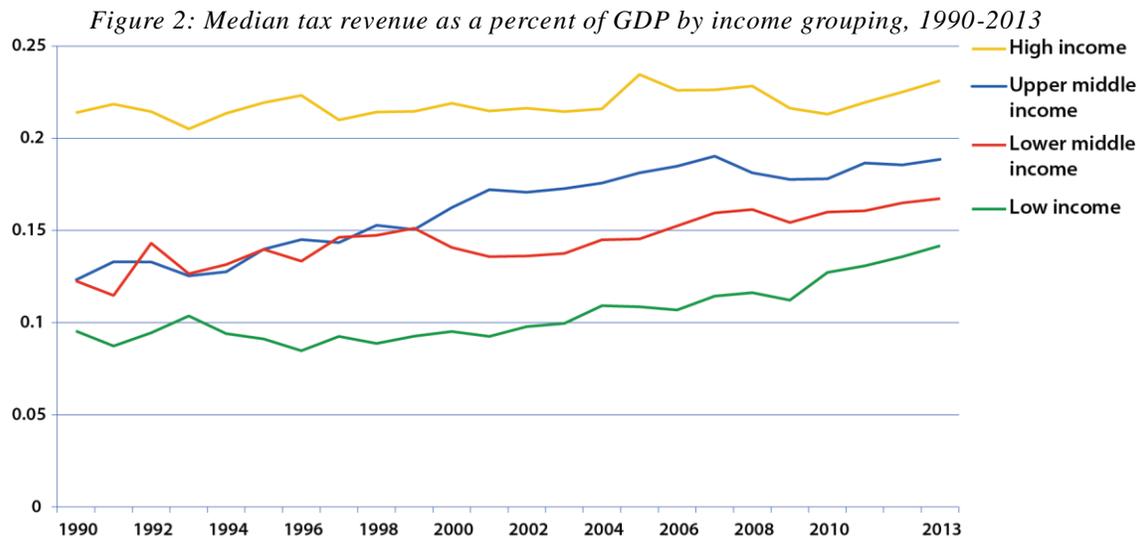
23. In particular, the chapter includes a greater focus on financing flows, including domestic spending and international financing relevant to the respective sectors, initiatives, groups of populations and countries. Disaggregated data is readily available in many, albeit not all, relevant areas. For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

Domestic public resources

24. Domestic public finance is essential to providing public goods and services, increasing equity, and helping manage macroeconomic stability. It is a central component of financing across the goals and targets, as well as for the social compact of the Addis Agenda. This chapter focuses on raising resources and expenditures, as well as the quality and alignment of both with sustainable development.

25. On average countries have increased their tax revenue over the last 15 years (figure 2), although room remains for further improvement. In many countries domestic resource mobilisation remains insufficient to meet sustainable development needs. The Addis Agenda recognises that the foremost driver of domestic resource mobilisation is economic growth, supported by sound policies and an enabling environment at all levels. It also notes the need to strengthen tax administration, implement policies to generate additional resources, and combat corruption in all its forms. At the same time it stresses the importance of combatting illicit financial flows. In a globalized world, there are limits on what countries can do on their own through domestic policies; the Addis Agenda thus also calls for strengthening international tax cooperation.

26. Commitments in the Addis Agenda aim to address these challenges, underscored by the principle of national ownership. To follow-up the commitments and action items in these areas, the Task Force will assess trends in domestic resource mobilisation and taxation, illicit financial flows and return of stolen assets, and international tax cooperation. The Task Force Report also describes how the Task Force will examine budget execution and expenditure in support of poverty reduction, ensuring sustainable development and achieving the SDGs, as well as how it will follow-up on other topics, such as extractive industries, national development banks and subnational finance.



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

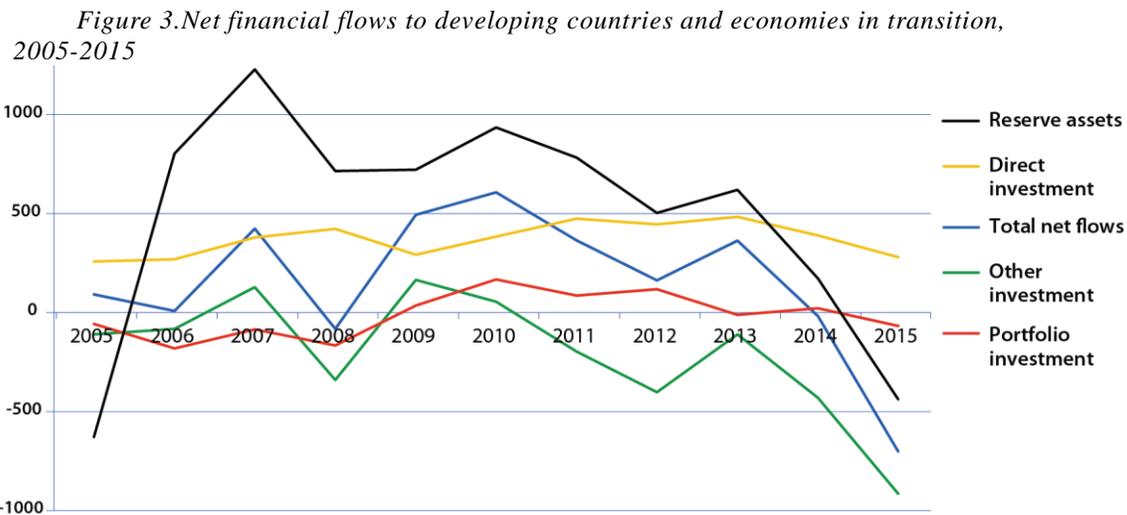
Note: Tax revenue as a percent of GDP, country classification according to World Bank Group country income groups 2015.

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

Domestic and international private business and finance

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

29. Nevertheless, finance and investment is not always allocated to where it is needed for sustainable development. Moreover, the impact of sudden surges or exits of international private capital flows can seriously undermine sustainable development, as was seen in past financial crises. Indeed, in recent years, private capital flows to developing countries have been highly volatile. (See Figure 3.) At the same time, the domestic private sector in a number of developing countries also risks becoming a source of financial instability as many emerging market corporates have taken on large amounts of foreign currency debt.



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

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

32. Monitoring the implementation of these commitments and action items will draw on a range of information from disparate sources. There exists a repository of data, surveys and case studies that can be used to monitor progress on issues relating to the investment climate, financial inclusion, remittances, capital market development and foreign direct investment. Information pertaining to some private sector efforts and initiatives to further sustainable development can be obtained from sources such as the Global Compact, GRI and UNEP-FI. However, while there is good data on reporting initiatives, there is less data available on how these initiatives change behaviour. This will be monitored through case studies and examples.

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

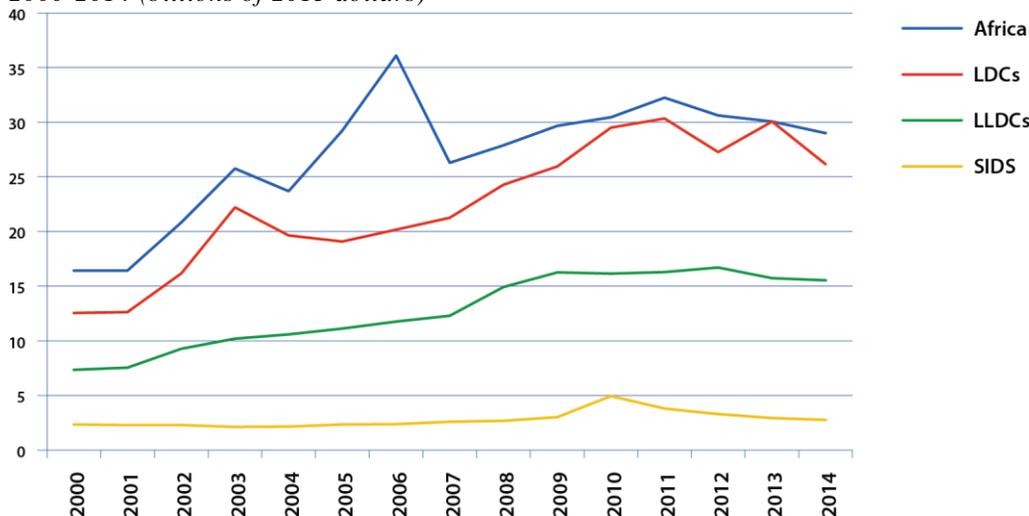
International development cooperation

34. The 2030 Agenda for Sustainable Development will place significant demands on public budgets and capacities, which require scaled up and more effective international support, including both concessional and non-concessional financing. To mobilize this support, the Addis Agenda contains a range of commitments and

action items on official development assistance (ODA). It also contains commitments and action items on South-South cooperation, lending by multilateral development banks and other international development cooperation efforts.

35. ODA reached an all-time high in 2014, at \$137.2 billion, and has increased by nearly 70 per cent since the adoption of the Millennium Declaration in 2000. However, at 0.3 per cent of donor GNI, it falls short of the commitment by many donors to achieve the target of 0.7 per cent of ODA/GNI. In the Addis Agenda, developed countries reaffirmed their respective ODA commitments, and urged all those that have not met their targets to make additional concrete efforts. ODA providers further committed to reverse the declining trend of ODA to LDCs and other countries most in need, many of whom will continue to rely on concessional finance to meet sustainable development needs. Yet, in 2014, ODA to LDCs decreased by 9.3 per cent in real terms compared to 2013, and aid to other priority groups has fallen as well (see Figure 4). Given increasing demands on ODA, for example from in-country refugee costs, there is a risk that ODA to LDCs will continue to fall.

Figure 4: Net ODA received by priority groups of countries from DAC donors, 2000-2014 (billions of 2013 dollars)



Source: OECD/DAC data

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

37. Beyond increasing the magnitude of concessional finance, all providers also commit to increasing the quality, impact and effectiveness of their development cooperation, including the adherence to agreed development cooperation effectiveness principles. They further commit to take into account the three dimensions of sustainable development in all international public finance, and to share knowledge about their respective efforts.

38. In recognition of their significant potential to finance sustainable development, multilateral development banks are encouraged to adapt and be fully responsive to the sustainable development agenda. In response, multilateral development banks announced their intention to extend financing for sustainable development at the side lines of the Third International Conference on Financing for Development, held in Addis Ababa, by making better use of their balance sheets, among other measures. New development finance institutions, recently set up

and welcomed in the Addis Agenda, will provide an additional source of international public finance for sustainable development investments, in particular in sustainable infrastructure.

39. Additional sources of international public finance – including climate finance, humanitarian finance, and innovative sources of finance – further add to the international public financing landscape for sustainable development. The Addis Agenda emphasizes both the importance of meeting all existing commitments and of achieving greater coherence in all development financing. The Addis Agenda also acknowledges the role played by multi-stakeholder partnerships in financing certain sectors and encourages them to support country-driven priorities and strategies.

40. Monitoring the implementation of these commitments, in particular on financing flows by traditional donors and development banks, will be able to draw on a well-established set of data sources. Existing surveys on the effectiveness of development cooperation from both the Development Cooperation Forum (DCF) and the Global Partnership on Effective Development Cooperation (GPEDC) provide additional data for the Task Force’s efforts. In other areas, monitoring will rely on compiling and analysing data from a wider variety of available sources, while taking into account the lack of fully harmonised and comparable data. Finally, development banks, multi-stakeholder partnerships and other relevant institutions will also report on progress in implementing procedural and policy commitments contained in the section.

International trade as an engine for development

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

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

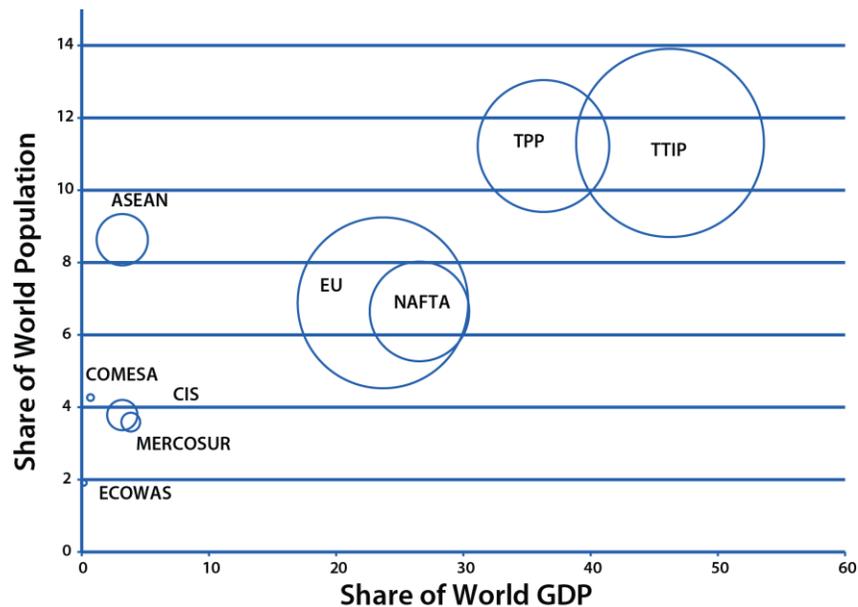
43. One of the features that characterises today’s patterns of global trade flows is the emergence of global value chains (GVCs). GVCs have been the motor behind the massive expansion in trade among developing countries, or South-South trade, in the past decade. Closely linked to the evolution of GVCs has been the surge in the number of bilateral and regional preferential trade agreements (RTAs). Many of the recently-formed RTAs aim at deeper economic integration, encompassing a range of behind-the-border measures and other non-tariff regulatory measures, in addition to reciprocal tariff liberalization. In 2014, almost half of world trade took place between countries that had signed a RTA, and almost one third was regulated by “deeper” trade agreements (figure 5).⁹ Virtually all countries belong to at least one RTA, with some countries being more active in forming bilateral and regional RTAs than others. Globally, the emergence of “mega” RTAs, such as the Trans-Pacific Partnership Agreement (TPP) and the US-EU Transatlantic Trade and Investment Partnership (TTIP) may further change the dynamics in world trade flows, and the underlying international trade rules.

44. Nonetheless, the Addis Agenda reaffirms the need to promote a universal, rules-based, open, transparent, predictable, inclusive, non-discriminatory and equitable multilateral trading system under the WTO and

⁹ Key Statistics and Trends in Trade Policy 2015, UNCTAD.

meaningful trade liberalization. At the 10th Ministerial Conference of the WTO which took place in December 2015 in Nairobi, Kenya, Members reaffirmed the pre-eminence of the WTO as the global forum for the setting and governance of trade rules. They also acknowledged the contribution that the rules-based multilateral trading system has made to the strength and stability of the global economy and the role that international trade can play towards achieving sustainable, robust and balanced growth for all.

Figure 5: Mega-regional trade agreements: relative size of population and output, 2014



Source: UNCTAD calculations

45. Against the above background, monitoring the trade-related commitments in the Addis Agenda will rely on data collected by the WTO and UNCTAD in particular, which in part build upon the UN long-standing work compiling official trade statistics. These include global trends in trade, trends in market access and preferential tariffs for specific country groups, and others. The WTO will also be able to provide qualitative assessments of future WTO negotiations and policies, while UNCTAD monitors trends in international investment agreements.

Debt and debt sustainability

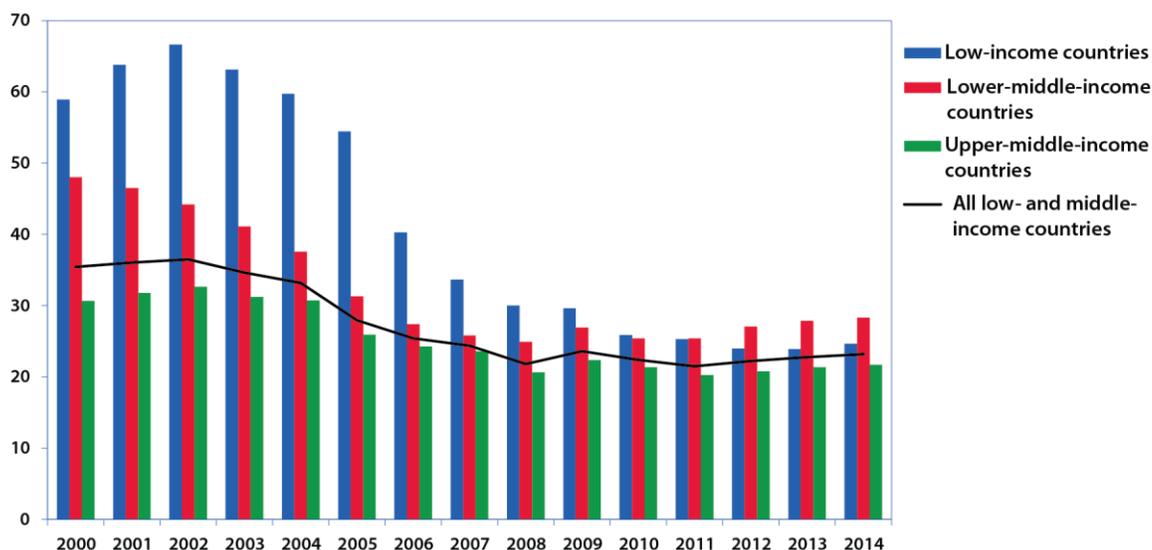
46. Borrowing, both by governments and private entities, is an important tool for financing investment critical to achieving sustainable development, as well as for covering short-term imbalances between revenues and expenditures. Government borrowing can also allow fiscal policy to play a countercyclical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

47. Developing countries made considerable progress in reducing their external debt in the early part of the century (see figure 6), with the support of the international community, especially in the case of the heavily-indebted poor countries (HIPC). Yet, some developing countries are currently in debt distress, and several countries have external debt exposures that leave them vulnerable to debt difficulties from external shocks, such as falls in commodity prices or natural disasters. In addition, some low-income countries are now accessing international capital markets, introducing new financing opportunities along with new risks, such as exposure to volatile international capital flows. At the same time, domestic debt issuance has increased in many developing countries, creating new opportunities for financing while reducing currency mis-matches for domestic borrowers.

Nonetheless, domestic debt overhang can be costly and, like other forms of debt, needs to be managed. Private debt in emerging market countries has also grown substantially since the financial crisis, posing systemic risks related to currency and maturity mismatches. Indeed, there is a risk that some liabilities could get shifted to the public balance sheet in the event of large-scale defaults.

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

Figure 6: External debt of developing countries, 2000-2014



Source: United Nations, *World Economic Situation and Prospect, 2016*, based on data of the International Monetary Fund.

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

49. Debt statistics are available on debt volumes, and to some degree on emerging domestic and external vulnerabilities and risks that threaten debt sustainability, though a review to assess the comprehensiveness, timeliness and reliability of debt data from all sources could help to strengthen the quality of data. There is less data available on debt management and debt restructuring, however international organisations have the intent to launch new databases to capture some of this information. Qualitative progress reports will be available in relation to policy developments.

Addressing systemic issues

50. The Addis Agenda includes commitments and action items related to institutional structures and governance of the international financial architecture, building on the Monterrey Consensus. The Addis Agenda reflects Monterrey's emphasis on the importance of coherence and consistency of the international financial, monetary and trading systems, but it goes further to integrate the three dimensions of sustainable development

into the coherence agenda, including environmental and social issues, such as the international movement of people, alongside economic issues.

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

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

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

54. Migration issues are also covered in the chapter. Concern is also expressed about violence and crime, which can impede the intended functioning of the international system. There are significant efforts at data collection on outcomes in these areas, including use of non-traditional data sources for tracking migration, though fewer on policy development.

55. Monitoring progress in implementing this chapter will also take the form of narratives on policy development, in that most of the policy actions do not lend themselves to monitoring through quantitative indicators. For example, in areas such as global governance and policy coherence, qualitative information will be provided. In addition, the very nature of the Task Force can help to identify policy inconsistencies and serve to increase collaboration further between international institutions. The Forum on FfD Follow-up can be seen as the mechanism by which Member States will make better use of UN platforms for coordination and policy coherence.

Science, technology, innovation and capacity-building

56. In a major expansion of the Monterrey Consensus, the Addis Agenda stresses the importance of science, technology and innovation (STI) for economic growth and sustainable development and highlights the need for capacity building. The Addis Agenda notes with concern the uneven innovative capacity, connectivity and access to technology that exists within and between countries. Commitments contained in the Addis Agenda aim to address these inequities, incentivize research and innovation for sustainable development, and promote greater access to technologies through domestic policy and international cooperation.

57. Currently, access to technology is uneven and unequally distributed. For example, 74 per cent of populations in developed countries use the Internet, compared to only 26 per cent in developing countries. Developing countries, LDCs in particular, spend significantly less on research and development and international

collaboration in science. Despite these gaps, the view that technology is developed in the North and simply transferred to the South is misleading. Most innovation involves incremental improvements and adaptations of existing technologies. Innovation, in this sense, is widespread in many developing countries, and firms in middle income countries, in particular, are responsible for a growing share of global research and development spending. Some low-income countries have also begun to develop domestic technological capacities. These experiences have underscored the importance of interactive learning, information exchange, and coordination among governments, firms, universities, research centres, and other actors in building an innovative economy.

58. The STI capabilities of a country depend not only on access to a growing stock of science and technology, but also on the quality of interactions among the innovation actors in what might be called the “innovation system”. One of the major challenges in promoting technological innovation in developing countries is the lack of an appropriate innovation system to ease interaction among key actors – enterprises, universities, research institutes, the government and the financial system – along with non-governmental organisations and the informal sector, including grassroots innovators, and local and indigenous knowledge. An effective innovation system should encourage greater interaction between different groups. Such a system should foster investment in advanced technology and promote the development of affordable technology to meet the needs of the poor. The Addis Agenda seeks to strengthen these interactions so as to improve the contribution STI makes to the achievement of sustainable development, including the SDGs.

59. To this effect, the Addis Agenda includes a range of commitments from domestic commitments to strengthen the domestic environment for technological development, to international commitments to enhance international cooperation, encourage technology transfer, implement the Technology Facilitation Mechanism, and establish the Technology Bank. Monitoring these commitments will rely on a mix of existing data, both on policy outcomes and financing flows, and more qualitative assessments of policy frameworks and strategies on STI. A wide range of data is available to monitor policy outcomes, such as the use of information and communication technologies, access to technical education and training, and others. These often overlap with and can draw on the indicators for monitoring the SDGs. Similarly, both national spending and international support for science, technology and innovation can draw on existing data sets. Monitoring the adoption of specific policies will rely on a combination of qualitative assessments, which can draw from policy reviews in existing fora and case studies, and databases on policy instruments and frameworks.

Data, monitoring and follow-up

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

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

62. In this area there will be considerable synergies with both the efforts to develop an indicator framework for the SDGs and efforts under the auspices of the United Nations Statistical Commission to support and develop the capacities of national statistical agencies. Qualitative information on these efforts, and on how they correspond with Open Data and other transparency initiatives, can be presented by the Task Force. Additionally,

qualitative reporting will be made on the development of specific measures called for in the Addis Agenda, including on transparent measurements of progress on sustainable development that go beyond per capita income and on tools to monitor sustainable development impacts for different economic activities.

V. Conclusions

Substantive input to the ECOSOC Forum on FfD Follow-up

63. In fulfilling its mandate to advise this intergovernmental follow-up on progress, implementation gaps and recommendations for corrective action (para. 133), the Task Force has carefully gone through the full range of commitments and action items in the Addis Agenda, to create a framework for monitoring the broad agenda in future years. This first exercise of the Task Force has focused on building a monitoring and assessment framework. The Task Force work was ongoing in the context of a changing global environment, with new challenges that risked impacting implementation of the new agendas. The changing global context, combined with the sheer breadth of the data gathering exercise, raised several questions about future monitoring. In particular, it brought forth three observations on how the Task Force can best support the Forum on FfD Follow-up.

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

65. The second point relates to the importance of balancing the breadth and depth of the agenda. The Addis Agenda is extremely broad, covering seven chapters and cross-cutting issues and including hundreds of commitments and action items. While the breadth of the agenda calls for full coverage of this wide range of issues, the complexity of the issues addressed also demands in-depth discussions, supported by data and analytical work. To cover the entire agenda in depth every year will most likely exceed a reasonable page limit of the Task Force report. It may also overburden the Forum on FfD Follow-up given its mandate of ‘up to five days’. Yet to not cover the full agenda could leave important gaps in implementation.

66. To address this challenge, the Task Force has discussed a three-pronged approach for the Report: first, inclusion of a brief discussion of the global context and its implications for implementation of the agenda and the follow-up process; second, a concise overview of each chapter of the full agenda, including updated data and pertinent issues as well as updates on new initiatives called for in the Addis Agenda (such as the Global Infrastructure Forum and the Technology Facilitation Mechanism), while covering the broader set of commitments and action items in an on-line annex; and third, if Member States so request, a discussion of specific thematic issues, drawing on inputs from across the seven action areas of the Addis Agenda. Such a theme or themes, if supported, could for example draw from the cross-cutting issues delineated in the Addis Agenda, the HLPF or ECOSOC theme, or other issues. The thematic approach would, however, necessitate further guidance from Member States. Given the time necessary to produce a full in-depth report, especially with the active engagement of over 50 agencies, such guidance would need to be given in a timely manner. Member States may

wish to consider including recommendations on modality agreements in the prior year's agreed conclusions of the Forum on FfD Follow-up, or alternatively, laying out in those conclusions a plan of how and when those modalities could be agreed, to ensure adequate time for preparation of the Report.

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

68. Finally, the Task Force will be pleased to have feedback on its current monitoring proposals, which build on the indicators from the SDGs, but go further to serve as a basis for analysis on the full Addis Agenda and the MoI of the SDGs, from the Forum on FfD Follow-up.

Moving from monitoring to action

69. As noted, the monitoring exercise carried out by the Task Force serves a two-fold purpose: to advise the intergovernmental follow-up on progress and implementation gaps, and to provide recommendations for corrective action. This advisory function establishes an important link between monitoring and implementation. It was perceived as too weak in the experience of the MDG Gap Task Force Report, which in its final assessment found that the monitoring of commitments must be complemented by effective accountability mechanisms and avenues for advocacy to have a continued impact.¹⁰ The Task Force Report and its discussion at the intergovernmental level can serve to provide this link. In the context of an aspirational and non-binding agreement, such monitoring is a central component and lever of change for achieving progress over time.

70. Indeed, if it leads to a deeper understanding of the issues and the creation of consensual knowledge, monitoring and analysis can change perception of policy options and become a driver of change, as evidenced in the field of environmental agreements.¹¹ The norms and principles contained in international agreements confer legitimacy and can reinforce positions of political actors. At the same time, it can contribute to the diffusion of policy approaches and peer learning when it serves to bring together a community of practitioners that can exchange experiences and learn from each other.

71. Combined with the intergovernmental and multi-stakeholder discussion in the FfD Forum, it may be hoped that the knowledge created through this monitoring and review exercise can in turn support greater political traction for implementation of the Addis Agenda and the MoI of the 2030 Agenda at national and global levels.

¹⁰ United Nations (2015). Taking Stock of the Global Partnership for Development. 2015 MDG Gap Task Force Report. New York.

¹¹ Miller-Dawkins, May (2014). Global Goals and International Agreements. Lessons for the Design of the SDGs. ODI Working Paper 402.