



**FINANCING FOR
DEVELOPMENT**
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TIME FOR GLOBAL ACTION

Financing sustainable development and developing sustainable finance

A DESA Briefing Note On The Addis Ababa Action Agenda

The Addis Ababa Action Agenda establishes a strong foundation to support implementation of the post-2015 development agenda. It provides

- **A new global framework for financing sustainable development** that aligns all financing flows and policies with economic, social and environmental priorities.
- **A comprehensive set of policy actions** by Member States, with a package of over one hundred concrete measures that draw upon all sources of finance, technology, innovation, trade and data in order to support mobilization of the means for a global transformation to sustainable development and achievement of the Sustainable Development Goals.

The Action Agenda also serves as a guide for actions by the private sector, civil society, and philanthropic organizations. Deliverables announced at the sidelines of the Conference, along with additional initiatives to be launched in the coming months, will further contribute to reaching our global goals. Together, they support a revitalized and strengthened global partnership for sustainable development that can end extreme poverty and deliver sustainable development for all.

A NEW FINANCING FRAMEWORK

The financing needed to achieve the post-2015 development agenda is extremely large, on the order of trillions of dollars annually. But the challenge is not insurmountable. Global public and private savings would be sufficient to address them – but only if financial resources are invested in and aligned with areas of greatest global need.

The Action Agenda presents a policy framework to realign financial flows with public goals. Official development assistance (ODA) remains crucial, particularly for countries most in need, but aid alone will not be sufficient. The Action Agenda addresses all sources of finance: public and private, domestic and international. As in the Monterrey Consensus, it recognizes that finance is not just about financing flows; it also depends on public policies that strengthen the national and international enabling environments. The Agenda reiterates the principle that countries have primary responsibility for their economic and social development, while committing the international community to create an enabling environment and to actively support national efforts to eradicate poverty and develop sustainably.

But the Action Agenda also goes beyond Monterrey to fully take into account the regulatory and other policy requirements for realizing the economic, social and environmental dimensions of sustainable development and the universal nature of the post-2015 development agenda, with an emphasis on poverty eradication and inclusive, equitable and sustainable growth.

To address larger and more diverse financing needs, the Action Agenda offers a nuanced understanding of the benefits and the risks associated with different types of finance. It puts forward specific public policies and regulatory frameworks to encourage private investments that support the SDGs, including more sustainable consumption and production patterns. It stresses the importance of long-term investment, and that all financing must be aligned with sustainable development. It spells out the potential contributions of public finance, highlighting the growing role of national and international development banks. It emphasizes that development and dissemination of technology, as well as capacity building, are key means of implementation for the post-2015 development agenda. And it incorporates each of the means of implementation identified by the Open Working Group on Sustainable Development Goals.

ADDIS ABABA ACTION AGENDA INITIATIVES

As part of the Addis Ababa Action Agenda, governments commit to:

- ***A new social compact to provide social protection and essential public services for all***
Over 2.4 billion people still lack clean water and sanitation, 57 million of the world's children are not enrolled in school, and more than half the world's population lack any social security coverage. As part of the social compact, Governments commit to provide fiscally sustainable and nationally appropriate social protection systems, including social protection floors, and are also encouraged to set nationally appropriate spending targets for quality investments in essential public services for all, including health, education, energy, water and sanitation. To this end, Governments agree to mobilize additional domestic public resources, and commit to strong international support for these efforts.
- ***A global infrastructure forum to bridge the infrastructure gap***
Financing needed for basic infrastructure investment in developing countries is estimated to be between \$1 trillion and \$1.5 trillion annually. To address this financing gap, Member States agree to launch a global infrastructure forum, building on and better coordinating existing infrastructure initiatives. The forum will encourage a wider range of voices to be heard, particularly from developing countries. It will identify and address infrastructure and capacity gaps, with the aim to ensure that no country or sector is left behind and that the commitment to the social and environmental dimensions of sustainable development is respected.
- ***An 'LDC package' to support the poorest countries***
While official development assistance (ODA) has risen, the share allocated to least developed countries (LDCs) has fallen by 16 per cent in recent years. As part of the Action Agenda, developed countries commit to reverse this trend. Developed countries are encouraged to increase to the target for ODA to the world's poorest nations to 0.2 per cent of national income, with the EU promising to do so by 2030. Countries also agree to adopt or strengthen LDC investment promotion regimes, including with

financial and technical support. Governments also aim to operationalize the technology bank for the LDCs by 2017.

➤ ***A Technology Facilitation Mechanism to advance to the SDGs***

The Action Agenda recognizes that the technology divide across a wide range of economic sectors makes it difficult for developing countries to achieve sustainable development. To help facilitate development, transfer and dissemination of technologies relevant for achieving the SDGs on mutually agreed terms, Member States agree to establish a Technology Facilitation Mechanism, consisting of a United Nations Interagency Task Team, an annual collaborative Multi-stakeholder Forum on Science, Technology and Innovation for the SDGs, and an on-line platform.

➤ ***Enhanced international tax cooperation to assist in raising resources domestically***

Additional tax revenues are required to deliver the new social compact and finance sustainable development. Both improved domestic tax administration and strengthened international tax cooperation are essential to ensure that adequate finance is available. To aid in these efforts, countries agree to strengthen capacity building, including through ODA. They also agree to support and strengthen existing international initiatives for tax cooperation, with a focus on increased participation of developing countries. In this regard, Member States agree to strengthen the United Nations Committee of Experts on International Cooperation in Tax Matters.

➤ ***Mainstreaming women's empowerment into financing for development***

While much has been achieved over the past decade in terms of gender equality, such as in primary school enrollment and access to healthcare for women and girls, more remains to be done. There are significant differences in pay for equal work, women remain underrepresented in government, and violence against women remains unacceptably common. The Action Agenda integrates gender consideration across all of its chapters. It emphasizes that women's empowerment can make a significant contribution to economic development for all. To this end, it commits countries to undertake legislation and administrative reforms to give women equal rights, and promotes gender-responsive budgeting and tracking among other measures.

SUMMARY OF THE ADDIS ABABA ACTION AGENDA¹

The Action Agenda highlights a set of broad initiatives whose policy content is elaborated in more detail in the ensuing chapters. It also presents a set of cross-cutting issues, including the aforementioned social compact and infrastructure forum. Additional cross-cutting issues include scaling up efforts to end hunger and malnutrition, promoting inclusive and sustainable industrialization, full and productive employment and decent work for all, and peaceful and inclusive societies, and protecting our ecosystem. The Action Agenda undertakes to draw upon a broad range of financing and technological modalities and combinations of modalities, as well as to utilize promising new areas of international cooperation to promote the delivery of the SDGs and the post-2015 development agenda.

¹ See annex below for detailed list of agreements.

➤ Domestic public resources

Significant additional domestic public resources, supplemented by international assistance, will be critical to realizing sustainable development and achieving the SDGs. The Action Agenda welcomes efforts by countries to set nationally defined domestic targets and timelines for enhancing domestic revenue, and agrees to support developing countries in need in reaching these targets. Countries commit to improve the fairness, transparency, efficiency and effectiveness of their tax systems, including by broadening the tax base and strengthening tax administration. Countries also agree to strengthen international cooperation to build capacity in developing countries, including through enhanced ODA.

The Action Agenda commits countries to redouble efforts to substantially reduce illicit financial flows (IFFs) by 2030, with a view to eliminating them over time, including by combatting tax evasion and corruption through strengthened national regulation and increased international cooperation. In this effort, the agenda invites appropriate international institutions to publish estimates of IFF volume and composition, and also encourages the international community to develop good practices on asset return. Countries agree to strengthen international cooperation in tax matters, including through concrete transparency and reporting mechanisms. The Agenda further calls on companies to pay taxes to the governments of countries where economic activity occurs and value is created. As discussed above, to ensure more inclusive cooperation and dialogue among national tax authorities, countries decide to strengthen the United Nations Committee of Experts on International Cooperation in Tax Matters.

Countries also commit to efficient and effective spending aligned with sustainable development, including through rationalizing and phasing out inefficient fossil fuel subsidies. Particular attention is paid to the potential of development banks to finance long-term investments, especially in credit market segments in which commercial banks are not fully engaged or large financing gaps exist.

➤ Domestic and international private business and finance

The Action Agenda invites businesses to apply their creativity and innovation toward solving sustainable development challenges and to engage as partners in the development process. Countries agree to strengthen their enabling environments for encouraging private investment. They also agree to promote sustainable corporate practices, including on integrating environmental, social, and governance factors into company reporting. To this end, the Agenda calls for a harmonization of the various initiatives on responsible financing standards. At the same time, the agenda emphasizes the importance of a strong regulatory and policy framework to better align private investment with public goals.

Acknowledging the importance of financial inclusion, countries agree to consider including financial inclusion as a policy objective in financial regulation. The Agenda also includes a package of policy measures aimed at strengthening access to finance for micro, small and medium-sized enterprises MSMEs, including through the use of development banks and innovative instruments. The Agenda acknowledges the importance of robust risk-based regulatory frameworks for all financial intermediation, but underscores that some risk-mitigating measures could potentially have unintended consequences, such as making it more difficult for MSMEs to access financial services. Countries agree to work to ensure that policy and regulatory environments support financial market stability and promote financial

inclusion in a balanced manner. Developing countries further agree to develop or strengthen long-term bond markets as a source of development finance, along with capital market regulations designed to reduce excess volatility and to promote long-term investment aligned with sustainable development.

The Action Agenda also sets a target to reduce the average costs of transmitting remittances across borders to below 3 per cent by 2030. Countries further agree to ensure that no remittance corridor requires charges higher than 5 per cent, mindful of the need to maintain adequate service coverage, especially for those most in need.

➤ International development cooperation

The ambitious post-2015 development agenda will put significant demands on public budgets and capacities, which requires scaled up and more effective international support, including both concessional and non-concessional financing. In this regard, developed countries recommit to their ODA targets, including 0.7 per cent of gross national income (GNI) provided as ODA and 0.15 to 0.2 per cent to LDCs. As discussed under the Addis Ababa Action Agenda Initiatives, countries are called on to raise their ODA to LDCs.

The Action Agenda calls on providers of ODA and South-South cooperation to further increase the effectiveness of their cooperation, and to increase knowledge sharing of their respective efforts. The text speaks to the need to take into account the three dimensions of sustainable development in all flows, and to increase efforts to enhance the resilience of countries to respond to shocks and natural disasters.

The Action Agenda further calls on multilateral development banks to adapt to and be fully responsive to the sustainable development agenda. It stresses that development banks should make optimal use of their resources and balance sheets and encourages them to examine their own role, scale and functioning to improve their contribution to the sustainable development agenda. It further calls on development banks to develop graduation policies that are sequenced, phased and gradual, and to help ensure that countries have access to sufficient affordable finance after graduation. The Agenda also acknowledges the role played by multistakeholder partnerships in financing certain sectors.

➤ International trade as an engine for development

The chapter on international trade as an engine for development welcomes the progress made recently in multilateral trade negotiations, in particular the Bali package of the World Trade Organization (WTO). It calls on WTO members to redouble their efforts to promptly conclude the negotiations on the Doha Development Agenda. It emphasizes the importance of policy coherence and regional integration, and in this context commits countries to craft appropriate safeguards in trade and investment agreements so as not to constrain domestic policies and regulation in the public interest. It commits to explore ways to expand trade financing, which can alleviate a constraint on capturing trade-expansion opportunities. It invites the General Council of WTO to consider how it can contribute to sustainable development.

The Agenda gives special attention to WTO policies to encourage trade expansion by LDCs and other developing countries, welcoming in particular the new WTO process to monitor

and analyze implementation of its policy on “special and differential treatment” of developing countries. It reaffirms the right of WTO members to take advantage of the flexibilities to protect public health that are available in the agreement on protecting intellectual property rights and encourages WTO members to accept the agreement to improve access to affordable medicines by the end of 2015. Governments also endorse “aid for trade” and will strive to allocate an increasing proportion of it to LDCs. Governments further resolved to enhance support for various efforts to address illegal wildlife trade, illegal fishing, logging and mining, which are a challenge for many countries.

> Debt sustainability

The Action Agenda notes the progress that has been made in the areas of debt and debt sustainability since Monterrey, but also expresses concern over the debt sustainability challenges that some countries face. It acknowledges that debt restructurings enhance the ability of debt-constrained countries to achieve sustainable development. As in Monterrey, the Action Agenda recognizes that both debtors and creditors share responsibility for debt crises, and it commits to work towards a global consensus on guidelines for debtor and creditor responsibilities. It invites relevant institutions to consider creating a central data registry, including information on debt restructurings, which would enhance public availability of debt data.

The Agenda recognizes the need to impede the activities of uncooperative minority bondholders of crisis-country bonds (so-called vulture funds), and encourages countries to adopt legislative efforts in this regard. Countries also commit to strengthen international support for advisory legal services for developing countries. The Action Agenda calls on the international community to offer support to countries whose debt sustainability is threatened by shocks and natural disasters. It encourages consideration of further debt relief steps and the study of new risk-reducing financial instruments that could be of assistance for developing countries experiencing debt distress.

> Addressing systemic issues

The Addis Ababa Action Agenda reiterates Monterrey’s emphasis on the importance of continuing to improve global economic governance and to strengthen the United Nations’ leadership role in promoting development. Monterrey also emphasized the importance of coherence and consistency of the international financial, monetary and trading systems in support of development. The Addis Ababa Action Agenda reflects the broadening of the post-2015 development agenda to encompass policy coherence among the economic, social and environmental dimensions of sustainable development. It also takes account of international migration, affirming the rights of migrant workers.

As in Monterrey, the Action Agenda emphasizes the importance of international financial stability and international cooperation to counter excessive volatility. This reflects concern about systemic risks from regulatory gaps and misaligned incentives in the financial sector. Governments thus promise to adopt measures to make food commodity markets function properly. They also resolve to reduce mechanistic reliance on credit rating agency assessments, including in prudential banking regulations, and to adopt measures to improve the quality of ratings. They further recognize the need for strengthening the permanent international financial safety net, with a strong International Monetary Fund (IMF) and

strengthened dialogue and cooperation with regional financial initiatives. Member States look forward to undertaking the special drawing rights (SDRs) review this year. In all, the Agenda calls on the IMF to provide adequate levels of financial support to developing countries pursuing sustainable development.

In addition, the Agenda calls for further increases in voice and representation of developing countries in global norm-setting and decision making bodies, including the IMF and the World Bank and financial norm setting bodies. Moreover, as shareholders in the main international financial institutions, Member States commit to select their leaders through open and transparent, gender-balanced and merit-based processes and to make their staff more diverse. The Agenda also stresses the importance of ensuring that international agreements, rules and standards are consistent with each other and with progress towards the SDGs, and encourages development finance institutions to align their business practices with the post-2015 development agenda.

➤ **Science, technology, innovation and capacity building**

In a major expansion and advance of the Monterrey agenda, the Addis Ababa Action Agenda introduces a section on science, technology and innovation (STI) as well as capacity building. The Agenda stresses the importance of public policies and finance to spur innovation, and calls on countries to consider setting up diversified innovation funds. The Action Agenda establishes a Technology Facilitation Mechanism, consisting of three components: i) a United Nations Interagency Task Team on Science, Technology and Innovation for the SDGs which will work with members of civil society, private sector and the scientific community to promote coordination, coherence and cooperation of technology initiatives; ii) an annual collaborative Multi-stakeholder Forum on Science, Technology and Innovation for the SDGs; and iii) and an on-line platform to disseminate information on STI initiatives, mechanisms and programmes. Taking into account the recommendations by the Secretary-General's High-level Panel on the proposed Technology Bank for the LDCs, governments will seek to operationalize it by 2017.

➤ **Data, monitoring and follow-up**

The final section of the 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 Ababa Action Agenda and the post-2015 development agenda, and prioritizes capacity building in this area. It also calls on the United Nations system, in consultation with the IFIs to develop transparent measurements of progress on sustainable development that go beyond per capita income.

To ensure adequate follow-up, the Action Agenda establishes an annual Financing for Development Forum of up to five days. Its intergovernmentally agreed conclusions and recommendations will be fed into the follow-up and review of the post-2015 development agenda. The deliberations of ECOSOC's Development Cooperation Forum will also be taken into account. In addition, to other measures, an inter-agency Task Force will report annually on progress in implementing the Financing for Development outcomes and the means of implementation of the post-2015 development agenda. Together these efforts aim to ensure that no country is left behind.

ANNEX: Selected list of deliverables of the Action Agenda by chapter

A. Domestic public resources:

- encourages countries to set nationally defined domestic targets and timelines for enhancing revenue
- commits international support – both ODA and capacity building – to complement these efforts
- strengthens international cooperation in tax matters, including by supporting ongoing efforts in the IMF, OECD and World Bank and strengthening the United Nations Committee of Experts on International Cooperation in Tax Matters
- steps up the fight against illicit financial flows: countries agreeing to substantially reduce illicit financial flows by 2030 with the aim to eliminate them including through anti-abuse clauses in tax treaties, a commitment to strengthen accounting, better disclosure and information sharing, and more efforts to ensure tax is paid where economic activity occurs
- speeds up the return of stolen assets through development of a set of global best practices
- countries commit to transparent and gender responsive budgeting and transparent public procurement frameworks
- countries commit to rationalize fossil fuel subsidies, with a view to phase out harmful subsidies, while minimizing the negative impacts on the poor
- recognizes the potential of national development banks to finance long-term investments necessary for achieving sustainable development

B. Domestic and international private business and finance

- encourages businesses to embrace a core business model that takes account of the environmental, social and governance impacts of their activities, including integrated reporting, and encourages impact investing
- commits countries to develop policies and strengthen regulatory frameworks to better align private sector incentives with public goals
- calls for a harmonization of the various initiatives on responsible financing standards
- encourages private foundations to use their endowments actively through impact investment, to bring these resources into use as sustainable development investments
- calls on countries to mainstream financial inclusion as a policy goal in regulations, balancing access to and stability of financial markets
- commits to enhanced international support and capacity building for local capital market development
- sets a target to reduce the transaction costs of remittances to below 3 per cent and commits countries to ensure that no corridor requires charges higher than 5 per cent by 2030, while ensuring adequate service coverage

C. International development cooperation

- Developed countries recommit to their ODA targets, including 0.7 per cent of ODA/GNI and 0.15 to 0.2 per cent of ODA/GNI for LDCs
- Developed countries also commit to reverse the declining trend of ODA to the LDCs
- encourages countries to set a target of providing at least 0.2 per cent of ODA/GNI to LDCs, with the EU promising to do so by 2030
- calls on both ODA and South-South cooperation providers to further increase effectiveness and to enhance their common understanding and improve knowledge sharing of their respective efforts
- decides to hold open, inclusive and transparent discussions on the proposed measure of 'total official support for sustainable development'
- calls on all international public finance flows to take into account the three dimensions of sustainable development, and to increase efforts to enhance the resilience of countries to respond to shocks and natural disasters
- calls on the multilateral development banks (MDBs) to examine their role, scale and functioning to enable them to adapt to and be fully responsive to the sustainable development agenda
- calls on the MDBs to develop graduation policies that sequenced, phased and gradual to ensure continued access to concessional finance
- welcomes new development banks and their contributions to development, and calls on them to establish or maintain social and environmental safeguards systems
- recognizes the important contributions of multi-stakeholder partnerships and encourages them to support country-driven priorities and strategies

D. International trade as an engine for development

- emphasizes the importance of policy coherence, and commits countries to craft trade and investment agreements with appropriate safeguards so as not to constrain domestic policies and regulation in the public interest
- Commits to increase the proportion of aid for trade to LDCs, and to provide technical assistance to LLDCs to support their participation in trade negotiations

E. Debt and debt sustainability

- encourages legislative efforts to impede the activities of uncooperative minority bondholders
- calls on the international community to offer support to countries whose debt sustainability is threatened by shocks and natural disasters
- encourages consideration of further debt relief steps and the study of new financial instruments for developing countries, particularly LDCs, LLDCs and SIDS experiencing debt distress, building on the experiences of debt-to-health and debt-to-nature swaps

F. Addressing systemic issues

- calls for further increases in voice and representation of developing countries in global norm-setting and decision making bodies
- expands focus and advances the policy coherence agenda to include the economic, social and environmental dimensions of sustainable development, as well as international migration, affirming the rights of migrant workers
- agrees to take actions to improve the quality of credit ratings, including by promoting increased competition, as well as measures to avoid conflict of interest and increase transparency.
- commits countries to address the systemic risks associated with shadow banking and “too-big-to-fail” financial institutions
- calls on the IMF to provide adequate levels of financial support to developing countries pursuing sustainable development to assist them in managing any associated pressures on the national balance of payments.
- stresses the need to ensure that international agreements, rules and standards are consistent with each other and with progress towards the SDGs, and encourage development finance institutions to align their business practices with the post-2015 development agenda.

G. Science, technology, innovation and capacity building

- decides to establish a Technology Facilitation Mechanism, consisting of a United Nations Interagency Task Team on Science, Technology and Innovation for the SDGs, an annual collaborative Multi-stakeholder Forum on Science, Technology and Innovation for the SDGs and an on-line platform
- agrees to operationalize, by 2017, the technology bank for the LDCs, taking into account the recommendations by the Secretary-General’s High-level Panel on the proposed bank
- puts capacity building at the core of the agenda, including for domestic resource mobilization, international support to develop local capital markets, public-private partnerships, FDI, and infrastructure

III. Data, monitoring and follow-up

- emphasizes the importance of high quality disaggregated data and prioritizes capacity building in this area
- calls on the UN to develop measurements of progress that go beyond GDP
- sets up a dedicated but integrated follow-up process to Addis, establishing an annual Financing for Development Forum of ECOSOC. Its intergovernmentally agreed conclusions and recommendations will feed into the HLPF
- decides that the High-level Dialogue of the General Assembly on Financing for Development will be held back to back with the HLPF under the auspices of the GA when the HLPF is convened every four years

- encourages 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 Post-2015 Development Agenda