2017 ECOSOC Forum on Financing for Development follow-up
Outcome document – Zero Draft – 27th April

1. We, ministers and high representatives, gathered in New York at UN Headquarters from 22 to 25 May 2017 for the second ECOSOC Forum on Financing for Development follow-up, reaffirm our strong commitment to the full and timely implementation of the Addis Ababa Action Agenda of the Third International Conference on Financing for Development, which builds on the Monterrey Consensus and Doha Declaration. We recognize 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, supports and complements it and helps to contextualize its means of implementation targets with concrete policies and actions.

2. We note the significant impacts of the challenging global environment in 2016 on national efforts to implement the Addis Ababa Action Agenda. Challenges include not only economic factors, such as difficult macroeconomic conditions, a large drop in commodity prices, decelerating trade growth and volatile capital flows, but also natural disasters, environmental, humanitarian and security crises. In order to change the trajectory of the global economy and support countries toward achieving the Sustainable Development Goals (SDGs), we commit to strengthening international cooperation that supports policies to increase public and private investment in sustainable development and generates employment, while protecting the vulnerable against crises and shocks. The implementation of the Addis Ababa Action Agenda, which provides a broad framework for such cooperation, and the delivery of the means of implementation of the SDGs, are now more important than ever. We welcome the first substantive report of the Inter-agency Task Force (IATF) on Financing for Development and are encouraged by progress in all seven action areas of the Addis Abba Action Agenda while acknowledging that implementation gaps remain

3. We remain committed to 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), as well as the specific challenges faced by middle-income countries.

4. We reaffirm that investing in sustainable and resilient infrastructure, including renewable energy sources, is a pre-requisite for achieving many of the SDGs. As investment growth has slowed over recent years**,** we recognize that additional public and private investment and financing will be required to meet the large investment needs associated with the SDGs, particularly in infrastructure and especially in the LDCs. We encourage national, regional and multilateral development banks to expand their activities to channel long-term development finance to infrastructure in developing countries. We welcome the holding of the second Global Infrastructure Forum on 22 April 2017 and take note of its outcome. We recognize the potential of modalities such as blended finance and public-private partnerships (PPPs) in this respect and emphasize that their deployment must be assessed on a case-by-case basis, with risks and returns shared fairly, as called for in the Addis Ababa Action Agenda. We stress the critical importance of industrial development for developing countries, as a critical source of economic growth, economic diversification, and value

addition. We will increase our efforts to invest in promoting inclusive and sustainable industrial development to effectively address major challenges, such as growth and jobs, resources and energy efficiency, pollution and climate change, knowledge-sharing, innovation and social inclusion.

5. We recognize that increased long-term investments need to be complemented by measures to directly ameliorate the living conditions of the poor and vulnerable, such as social protection floors. We note that building synergies between the social protection and tax systems can strengthen the social contract between citizen and the State, as expansion of the tax base coincides with provision of benefits. We emphasize the importance of reviewing the design and financing options through national social dialogues to ensure that social protection floors are well designed, efficiently operated and sustainable in the long term. We ask the IATF, in consultation with the Social Protection Interagency Board (SPIAC-B), to prepare an inventory of international financial instruments and funding modalities, including existing quick-disbursing international facilities and the requirements for accessing them, to be discussed in the 2018 session of the ECOSOC Forum on Financing for Development follow-up. We will consider greater support for capacity-building to help countries design and implement effective social protection floors. We will expand peer learning and experience-sharing among countries and regions in finding the right financing mix that matches our respective needs, capacities and national circumstances.

6. We reaffirm the importance of meeting existing commitments under international conventions, including on climate change and related global challenges. We call for further climate action and support, taking into account the specific needs and special circumstances of developing countries, LDCs and those particularly vulnerable to the adverse impacts of climate change. We call for an increase in the volume, flow and access to finance for climate projects, alongside improved capacity and technology, including from developed to developing countries.

7. We welcome efforts to design and implement gender-responsive budgeting at the national level and its contribution to transparency and equal participation in revenue and expenditure decisions. We will continue to pursue policies and actions that seek to advance the goal of gender equality and women's empowerment, as we address the long-term investment challenges and the vulnerabilities facing our people. We encourage institutions, both domestic and international, including development banks that influence infrastructure investment choices, to consider the impact of their investments on gender equality.

8. We recognize that domestic resources are first and foremost generated by economic growth, supported by an enabling environment at all levels. We note that tax administration and public financial management capacities have dramatically improved in many countries, and that there is strengthened awareness of the link between taxation, expenditure, accountability and the legitimacy of the State. We will pursue whole-of-government approaches that emphasize the development of medium-term revenue strategies and stronger enforcement. We encourage strengthened efforts to promote the transition from informal to formal employment as a means to generate domestic resources, promote decent work for all and create a virtuous cycle of sustainable and productive growth. We will also make greater use

of tools to assess tax policy and administration capacity in our efforts to develop appropriate strategies to strengthen our tax systems. We encourage national governments to develop an integrated national financial framework that takes into consideration all financing sources. We recognize the importance of better disaggregation of budget data at the national and subnational levels, including by sex, to improve tracking of spending related to the SDGs and efforts to improve transparency, with increased capacity building for countries that need assistance. We welcome the important contribution that peer learning and regional cooperation continues to make in building capacity in tax matters.

9. We emphasize the need for strengthening international cooperation in tax matters. We note that the United Nations Committee of Experts on International Cooperation in Tax Matters is an important mechanism for the development of international tax norms with special emphasis on guidance by and for developing countries. 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 supporting the increased participation of developing country experts at subcommittee meetings. We also call for greater international cooperation to combat illicit financial flows to foster sustainable development. We encourage countries to work on strengthening of existing institutions and enforcement of law in both source and destination countries. We recognize that data and estimation can be helpful in designing policies and interventions to tackle this issue. We encourage States to speed up international cooperation on the return of stolen assets to the maximum extent allowable by law and, recognizing that asset return is unconditional, make efforts to ensure that returned assets are not stolen again. We encourage donor countries to increase external support to build capacity in the area of tax matters, as called for in the Addis Ababa Action Agenda. We welcome the establishment of the joint IMF/OECD/UN/WBG inter-agency Platform for Collaboration on Tax and look forward to the first global conference of the Platform on “Taxation and the SDGs”, to be held at United Nations Headquarters on 14-16 February 2018, within existing resources.

10. We recognize that private business activity, investment and innovation are major drivers of productivity, inclusive economic growth and job creation. We welcome the progress made in strengthening the enabling environment for private sector business and investment but recognize that more can be done to create competitive business and investment climates in support of sustainable development. We also welcome the progress on financial inclusion across all income groups and all regions in recent years. We note that two billion people, primarily in rural areas in developing countries, still do not have access to formal financial services and remain concerned about the gender gap in financial inclusion. We call on more countries to adopt national financial inclusion strategies and to share experiences in this respect. Working with private actors and development banks, we recommit to promoting appropriate, affordable and stable access to credit to micro, small and medium-sized enterprises, as well as adequate skills development training for all, particularly for youth and entrepreneurs.

11. We acknowledge increasing efforts of policymakers and stakeholders to develop financial markets that are inclusive, long-term oriented and supportive of sustainable development. We will support efforts by the private sector to better align their internal incentives with long-

term investment and with sustainable development indicators, including through UN system initiatives. We will consider the introduction of appropriate policy incentives to ensure that market prices better reflect the full economic cost of environmental and social externalities. We note that FDI flows to developing countries have registered lower levels in recent years. We commit to do more to increase the volume and quality – in particular its alignment with the SDGs and long-term nature – of FDI, especially to LDCs, SIDS, LLDCs and African countries, including through strengthening investment promotion regimes, strategies and agencies.

12. We welcome the increase of Official Development Assistance (ODA) in real terms in 2016. We recognize that the urgent needs associated with a number of large-scale humanitarian crises command increasing share of development finance. We will strive to ensure that allocating more development finance to emergency responses will not divert resources from long-term investments in sustainable development. We note that in 2016, bilateral net ODA to LDCs fell in real terms, after increases in 2015. We call on donors to realize their projected additional increases in ODA to developing countries, especially LDCs, in the coming years, so as to meet the commitments in the Addis Ababa Action Agenda to reverse the decline in ODA to LDCs.

13. We recognize that, as more developing countries pass per capita income thresholds, additional efforts will need to be made to broaden eligibility criteria for concessional financing that more accurately reflect continued vulnerabilities. We welcome the progress made in enhancing the quality and effectiveness of international development cooperation, and in aligning it with sustainable development. We encourage countries to give careful consideration to the principles of development effectiveness, in particular strong country ownership, aligning programmes and projects with country priorities, and transparency. We reaffirm that ODA can also be used to unlock additional finance through blended or pooled financing and risk mitigation, notably for infrastructure and other investments that support private sector development**.** We welcome the increased 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, not a substitute, to North-South cooperation.

14. We reaffirm that international trade is an engine for inclusive economic growth and poverty reduction and can contribute to the promotion of sustainable development. We note that trade growth has slowed significantly over the last year. We will work to strengthen the contribution of trade to our economies. We will work with international institutions to address any distributional effects of international trade and trade agreements to ensure that the benefits of trade are spread more widely and equitably and that world trade growth is consistent with the SDGs. We call on countries to improve market access conditions for the exports of LDCs, LLDCs, SIDS and African countries by reducing trade costs facing them and simplifying and harmonizing preferential rules of origin. We note that many small and medium enterprises (SMEs) are not benefiting sufficiently from the international trading system. We will promote policies to ensure that SMEs have access to adequate and affordable trade finance at all levels.

15. We welcome the entry into force of the WTO Trade Facilitation Agreement and call for its full and timely implementation. We welcome increasing Aid-for-Trade aimed at value addition and economic diversification. We look forward to the eleventh WTO ministerial conference, to be held in Buenos Aires, Argentina, in December 2017and its outcome. The conference will provide an important opportunity to take action on issues that are linked with the implementation of the SDGs. We look forward to the outcome of the United Nations Conference to Support the Implementation of Sustainable Development Goal 14: Conserve and sustainably use the oceans, seas and marine resources for sustainable development , to be held on 5-9 June 2017 in New York.

16. We note that global gross public and private debt of the non-financial sector reached a record high in 2015. We recognize that changes in the composition of debt – including elevated levels of corporate debt in a number of developing countries – pose additional risks to an already fragile global economy. In addition to a challenging external environment, commodity price shocks and increases in bond issuances in frontier markets have contributed to renewed increases in aggregate debt ratios and risks to debt sustainability in a number of countries, including some LDCs, LLDCs, SIDS and African countries. We recognize that rising levels of domestic debt call for effective public debt sustainability assessments, which require improved comprehensiveness, reliability, and timeliness of domestic and external debt data, as well as data on government assets and contingent liabilities. We encourage consideration of further debt relief steps, where appropriate, and/or other measures for countries affected by severe natural disasters and social or economic shocks, as feasible.

17. We are encouraged to see notable progress in a number of areas in debt management, in particular on sovereign debt management, debt crisis prevention and on market-based solutions for sovereign debt restructuring. We welcome significant progress with regard to private creditors, especially through incorporating enhanced collective action and pari passu clauses in sovereign bond contracts. We will seek to address the concerns that surround the operation of creditors buying distressed debt on secondary markets, and whether their activity may go beyond the desirable function of providing market liquidity. We will consider further actions to deal with hold-out creditors in a debt restructuring. We will continue our work toward a global consensus on guidelines for debtor and creditor responsibilities building on existing initiatives such as the UNCTAD principles on responsible borrowing and lending and relevant work in the G20.

18. We reaffirm that the 2008 world financial and economic crisis underscored the need for sound regulation of financial markets to strengthen financial and economic stability, as well as the imperative of a global financial safety net. We underscore the seriousness of the systemic challenges facing the international community in its efforts to achieve the 2030 Agenda for Sustainable Development. We recognize that international cooperation is essential to address these risks, as it can boost sustained, inclusive and equitable global economic growth for all countries. We will further strengthen the global financial safety net by strengthening coverage, ensuring adequate levels of financing, increasing its flexibility and strengthening its counter-cyclicality. We acknowledge that the world continues to face large and volatile capital flows, which can be dealt with through necessary macroeconomic policy adjustments, supported by macroprudential policies and, where appropriate, capital

flow management measures. We emphasize that greater international macroeconomic coordination, including cooperation between capital flow source and destination countries, can further help reduce the impact of spillovers and financial flow volatility.

19. We note progress on the implementation of regulatory reforms of the international financial system. We underscore the importance of monitoring the impact of financial regulation on incentives for financial inclusion and investment in sustainable development. We call on all regional and global organisations, especially those with norm-setting functions, to align their strategies, policies and practices with the SDGs. We recommit ourselves to increasing the voice of developing countries in international economic-decision making and norm-setting processes, including at the Basel Committee on Banking Supervision and other main international regulatory standard-setting bodies. We welcome the existing regular reviews of governance at the World Bank and IMF. We encourage other relevant international institutions to undertake periodic processes to examine their governance structures with the goal of strengthening the voice of developing countries.

20. We recognize 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 note the important progress that has been made in access to many technologies, particularly in information and communication technology. We recognize that access remains uneven within and between countries, with the greatest growth in technology investment occurring mainly in developed regions and select developing countries. We commit ourselves to reduce and eventually eliminate the substantial divides in access rates to certain technologies, for example the internet, between men and women as well as between urban and rural areas.

21. We will pursue national strategies for science, technology and innovation (STI) that comprise policy, regulatory, and institutional frameworks that strengthen the enabling environment and enhance interactive learning, along with the strategic allocation of resources and adequate infrastructure. We will aim to ensure that government spending on R&D remains stable and long-term oriented. At the same time, we will use a variety of tools to incentivize greater private investment. We welcome the holding of the Multi-stakeholder Forum on Science, Technology and Innovation for the SDGs held on 15-16 May 2017 and the establishment of the Technology Bank for LDCs. We will increase our efforts to establish the financial base for the Technology Bank as soon as possible to ensure that all LDCs can benefit from the new institution.

22. We reaffirm the importance of high quality disaggregated data for policy-making and for monitoring progress of implementation of the Addis Ababa Action Agenda and the 2030 Agenda for Sustainable Development. We welcome the work of the Inter-agency Task Force on Financing for Development and, in particular, the creation of the online annex to its annual report. We will consider strengthening support, including funding, to the Task Force to allow it to intensify its work on closing reporting gaps, as well as to provide additional analytical tools to present available data in more accessible or policy-relevant formats.

23. We invite international, bilateral and other potential donors to consider contributing generously to the Trust Fund 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, in the annual ECOSOC Forum on Financing for Development follow-up.

24. We decide that the third Economic and Social Council Forum on Financing for Development follow-up will convene from …… to ……… 2018, and will include the special high-level meeting with the Bretton Woods institutions, WTO and the United Nations Conference on Trade and Development.