21 January 2015

Preparatory Process for the 3rd International Conference on Financing for Development

Elements

I. *OVERVIEW*

In September 2015, the international community will adopt the post-2015 development agenda, including the Sustainable Development Goals (SDGs). This universal agenda will aspire to transformative change to eradicate poverty and hunger and achieve economic growth and transformation, while protecting the environment, ensuring peace and realizing human rights. Its success will hinge on reaching an ambitious agreement on policies, financing, technology transfer, capacity building and systemic issues at the Third International Conference on Financing for Development (FfD) in Addis Ababa from 13-16 July 2015.

The financing needs for sustainable development are enormous. Estimates vary due to the complexities of quantifying needs, but consistently point to a significant financing shortfall.[1] But they can be met. Indeed, global public and private savings would be sufficient to meet the needs. Yet it is clear that current financing and investment patterns will not deliver sustainable development. The solution lies in an integrated policy framework that changes existing patterns, to mobilize and effectively use all sources of finance – public and private, domestic and international. Only an effort shared by all, at national, regional and international levels, will suffice to meet the SDGs and deliver sustainable development.

The post-2015 development agenda will be implemented primarily at the national and subnational level. Successful implementation will require an enabling domestic environment, including good governance, sound economic policies, solid democratic institutions responsive to the needs of the people, improved infrastructure, rule of law and national policy strategies that take account of the inter-relations between the economic, social and environmental dimensions of sustainable development and that are adequately financed. To this end, the Secretary-General encouraged countries to adopt national sustainable development financing strategies which would be integral parts of their national sustainable development strategies (NSDS).[2]

While countries are responsible for their own development, implementation of the post-2015 agenda will require partnerships between a broad range of relevant stakeholders, leveraging their resources and unique skills and advantages. Countries efforts' will need to be supported by coherent and mutually supporting world trade, monetary and financial systems, better processes to globally develop and share appropriate technologies, capacity building, a balanced approach to sovereign debt distress and strengthened global economic governance. We need a renewed and strengthened global partnership for sustainable development, which provides a global framework within which countries can situate national financing strategies.

The effort to forge a stronger global partnership should build on the full compact of policy commitments expressed in the Monterrey Consensus and the Doha Declaration, which remain relevant in their entirety. It should build on the outcome documents of the UN Conference on Sustainable Development (Rio+20) and other major United Nations conferences, and on the priorities expressed by the General Assembly when it called for the third International Conference on Financing for Development (resolution 68/204), and should take into account the report of the Open

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[1] See for example: Report of the Intergovernmental Committee of Experts on Sustainable Development Financing, A/69/315; UNCTAD, World Investment Report 2014

[2] Synthesis Report of the Secretary-General on the post-2015 agenda, A/69/700

Working Group on Sustainable Development Goals, the report of the Intergovernmental Committee of Experts on Sustainable Development Financing, and the synthesis report of the Secretary-General.

From the early years of the new Millennium to today, development financing from several sources has increased substantially. Countries have made great strides in mobilizing resources domestically: tax collection has risen and domestic private investment has increased in a number of developing countries. Official development assistance (ODA) is at a record high in absolute terms. New actors have entered the stage, with more countries providing concessional assistance and private and philanthropic cross-border financial flows to developing countries growing significantly. However, public non-concessional flows have not kept pace. We have also witnessed progress in international trade, sovereign debt, and the international monetary and financial system.

While these advances have facilitated great progress in reducing global poverty and in the collective effort to achieve the Millennium Development Goals, the policy actions are not complete. There is much unfinished business from the Monterrey and Doha agenda. Large financing gaps remain, particularly in the poorest and most vulnerable countries. Commitments on delivering ODA remain unfulfilled, including promises made to the least developed countries (LDCs). Nor have the commitments related to gender equality been realized. Additional international public and private financing flows are needed in LDCs, SIDS and conflict-affected countries. Some cross-border capital flows are also short-term oriented and highly volatile.

At the same time, new challenges have arisen. Inequalities within many countries have been increasing. Global growth has moderated, and is projected to remain subdued. The global financial crisis exposed risks and underlying vulnerabilities in the international financial system. Indeed, volatility is the new normal in our highly interconnected world. Shocks – whether financial, economic, natural disasters, conflicts, or disease outbreaks – cost billions of dollars to address and threaten to undo all we have achieved on development. Environmental challenges, such as climate change, biodiversity loss and natural disasters, have become especially salient and unsustainable patterns of production and consumption jeopardize sustainable development. Key concerns of sustainable development are inadequately addressed and grossly underfunded, such as constructing and maintaining essential infrastructure, effectively supporting small and medium enterprises (SMEs), ensuring food security as well as basic social needs, and fostering economically, socially and environmentally appropriate innovation, including clean technologies.

The global environment is arguably more difficult than it was in the years after 2000, but capital is more plentiful and cheaper. Implementing a broader, ambitious, universal and truly transformative post-2015 agenda is thus challenging, but it is necessary and feasible. The Addis Ababa outcome document can give concrete shape to the set of economic and financial policy actions at domestic, regional and international levels to realize a renewed and strengthened global partnership for sustainable development.

The elements presented below aim to provide food for thought in formulating that outcome. They are based on Monterrey and Doha, and build on them to capture a broad post-2015 agenda. Specific SDGs will require different combinations of public and private financing and non-financial means of implementation. Nonetheless, each of the elements – financing sources, technology, capacity building, the national and international enabling environments and systemic issues – generally support actions on the full range of SDGs. For example, meeting the vast financing needs for green infrastructure will require a set of complementary actions, including mobilizing both public and private financing, capacity building for project preparations, improvements in the policy, regulatory and institutional environments, and innovation and technology transfer. Together, the elements should form a holistic package that can deliver the post-2015 development agenda.

In considering this document, reflection is encouraged on the following questions:

- *Do the elements presented cover the most critical dimensions of the agenda?*
- *Are the key challenges covered in each of the building blocks?*
- *What are concrete policy proposals that can be most transformative to address these challenges? (To aid in this endeavour, a list of selected ideas presented during the preparatory process is included in an annex.*)
- *How can the elements presented be made most relevant to and synergistic with the post-2015 agenda and implementation of the SDGs?*
- *What should be the key deliverables in Addis Ababa?*

II. THE BUILDING BLOCKS

A. Domestic public finance[3]

Domestic resource mobilization – public and private – is at the crux of financing for sustainable development. It is vital to achieving all the SDGs. In particular, public resource mobilization is essential for providing goods and services delivered by the government,[4] including education, health, and food security, as well as investment in infrastructure. Public resource mobilization also reinforces a country's ownership of public policy and strengthens accountability. Budgeting and tax policies provide important opportunities for reducing inequalities, including gender inequalities, aligning domestic policies and incentives with sustainable development, and managing macroeconomic stability. Ultimately, domestic resource mobilization is enhanced by sustained and equitable economic growth; thus macroeconomic management plays a crucial role.

Public resource mobilization has grown dramatically since the adoption of the Monterrey Consensus, with developing countries achieving revenue increases of 2-3% of gross domestic product (GDP) on average, and some countries achieving increases of up to 5%. Yet resources still remain insufficient to meet sustainable development needs, and there are large gaps in countries' capacity to raise public revenues. Administrative capacities remain weak in many countries, particularly LDCs and conflict-affected countries and sub-national authorities. Despite evidence that ODA directed at capacity development in the revenue and customs sectors in developing countries is effective, it has attracted a minimal share of ODA, at less than 0.07 per cent of the total in 2012.

Available evidence suggests that combatting tax avoidance and evasion can result in significant gains in revenue mobilization in developing countries.[5] However, there are limits on what individual governments can accomplish on their own in the globalized economy. Important efforts have been made in the area of international tax cooperation, including though the Organization for Economic Cooperation and Development (OECD) and G20 Base Erosion and Profit Shifting Initiative, as well as the United Nations Committee of Experts on tax matters. Nonetheless, cross-border illicit financial flows (IFFs)[6] remain particularly problematic. Countries that are dependent on revenue

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[3] For a fuller analysis, see background notes prepared by the Secretariat on domestic public finance (http://www.un.org/esa/ffd/wp-content/uploads/2014/11/11-November_-Domestic-public-finance.pdf); international tax cooperation (http://www.un.org/esa/ffd/wp-content/uploads/2014/12/9Dec14-Programme-itc.pdf) and the UNTT paper on public resources for development (https://sustainabledevelopment.un.org/content/documents/2101Chapter%202-variety%20of%20public%20sources%20for%20development%20finance.pdf)

[4] In particular, public spending is necessary for delivering public services, since returns are often not sufficient to incentivize profit-oriented enterprises, and benefits of reducing inequalities are not reflected in market prices.

[5] See for example IMF, "Spillovers in international corporate taxation", IMF Policy Paper, 9 May 2014, http://www.imf.org/external/np/pp/eng/2014/050914.pdf; *World Economic Situation and Prospects 2015*, p. 83, E.15.II.C.2; *Trade and Development Report 2014*, UNCTAD/TDR/2014.

[6] There is no agreed definition of IFFs, but it is generally used to convey cross border transfers from three different sources: proceeds of commercial tax evasion, revenues from criminal activities, and public corruption.

related to commodity exports are also exposed to commodity price volatility.[7] Addressing harmful tax competition between countries, and the resulting "race to the bottom", could also help raise needed resources. Furthermore, tax treaties between countries, such as double taxation agreements, could be negotiated with sustainable development objectives in mind.

Effective use of resources must go hand in hand with their mobilization. Fiscal policies need to be consistent with macroeconomic stability, equitable growth, social transformation and sustainability. Good governance is essential to achieving sustainable development and reducing fragility and conflict. It includes democratic institutions, combatting corruption, as well as transparency, participation, fair competition in procurement, and a strong enabling environment. Removing harmful subsidies and pricing carbon (e.g. through carbon taxes) can play important roles in raising resources and aligning incentives with sustainable development. There is also wide scope for improving budgeting, including environmental and gender-responsive budgeting, as well as medium term expenditure programs to support NSDSs.

Major challenges include:
- *Domestic public revenues are insufficient in many countries to finance sustainable development, partly due to low capacity in tax administration.*
- *Some tax and expenditure policies have negative consequences for inequality.*
- *The public share of earnings from resource extraction in resource-rich countries is often inadequate, inequitable and volatile.*
- *Sub-national entities, such as cities, often do not have sufficient resources or capacity for investment in infrastructure and other areas.*
- *Tax avoidance and evasion, including IFFs, lead to large losses of domestic resources.*
- *Harmful tax competition among countries generates a "race to the bottom" that undermines countries' tax bases.*
- *Revenue/expenditure decisions are often not in line with sustainable development criteria.*
- *Budget processes often lack transparency and participation, and are generally not environmental or gender-responsive.*
- *Efforts to tackle corruption are insufficient and not well-coordinated across countries.*
- *The recent strengthening of international tax cooperation is not fully inclusive and does not prioritise sustainable development.*

B. Domestic and international private finance[8]

As recognized in the Monterrey Consensus, private finance is an important driver of domestic growth and job creation. Private financing is primarily profit-oriented and particularly well suited for productive investments. To meet sustainable development needs, it will be necessary to draw on private financing for infrastructure and innovation, including sustainable energy, often in partnership with the official sector.[9] Protecting our ecosystems and addressing climate change and biodiversity loss will also rely on changes in household and private enterprise behaviour, as well as investing in sustainable capital formation.

[7] See Stijn Classens, "Reasons for limited sovereign risk management and how to improve it," in Barry Herman, José Antonio Ocampo and Shari Spiegel, eds., *Overcoming Developing Country Debt Crises* (Oxford, 2010), pp. 70-90.
[8] For a fuller analysis, see background notes prepared by the Secretariat (http://www.un.org/esa/ffd/wp-content/uploads/2014/11/13-November_PrivateFinance.pdf) and the UNTT paper (https://sustainabledevelopment.un.org/content/documents/2106UNTT%20Chapter%20III.pdf)
[9] The private sector will invest in attaining public goals when expected returns adjusted for risks are competitive with other investment opportunities.

Foreign direct investment (FDI) and domestic private sector activity in developing countries have increased substantially since Monterrey. Though more needs to be done, many countries have strengthened the domestic business environment, including legal and regulatory reform, transparency, and the ease of doing business. Overseas remittances from migrant workers have also increased substantially. In addition, philanthropic finance from private individuals, foundations and other organizations to developing countries has become significant. There is also a renewed focus on corporate responsibility, partly driven by increased awareness of climate and sustainability risks to long-term profitability, though it is still far from a universally accepted practice.

Nonetheless, 2.5 billion people, disproportionately women and the poor, lack access to any formal financial services, and the transfer of remittances remains costly. Financial markets in many developing countries remain underdeveloped. At the same time, the 2008 financial crisis underscored the risks associated with excessive financial sector leverage, and thus the importance of a robust regulatory environment and quality of investment. In this regard, there has been a dearth of long-term investment, particularly in sectors crucial for sustainable development, such as infrastructure, innovation, agriculture and SMEs. Indeed, commercial bank lending collapsed during the crisis, and while institutional investors (e.g. pension funds, insurance companies and sovereign wealth funds) hold $164 trillion in assets under management,[10] their investment in infrastructure and other areas has been limited.

There are both supply side and demand side impediments to such investment. On the supply side, insufficient investment is partly due to an inadequate pipeline of investable projects and an inadequately enabling environment in some countries. On the demand side, private sector incentive structures and new regulations like Basel III designed to reduce risk-taking by banks often encourage short-term investment horizons, which are inappropriate for many long-term projects, as in the area of infrastructure.

There is thus a central role for the public sector. This can include dedicated policies that use a range of tools to change investment behaviour, including mechanisms to price carbon, incentives, guarantees, regulations, and mandatory reporting. It can also include pooling funds and sharing risks in both traditional and innovative ways. In this regard, it is important to learn from the successes and failures of the past, and in particular, avoid maintaining risk in the public sector while guaranteeing high returns to the private partner. There have also been calls to revisit safeguards from multilateral development banks (MDBs) and other institutions to ensure that investment is aligned with sustainable development without being unduly burdensome.

Major challenges include:

- *Insufficient access to affordable financial services, particularly for women and the poor.*
- *Insufficient access to finance for micro, small, and medium enterprises (MSMEs).*
- *Underdeveloped financial markets, including local currency bond markets to facilitate long-term investment in sustainable development in many developing countries.*
- *The transfer costs of remittances remain high and market conditions are not transparent.*
- *Private investment is often not in line with sustainable development criteria, and often bypasses countries most in need, and has no accountability.*
- *Many institutional investors, even those with long-term liabilities, maintain a short-term bias.*
- *Global investment in infrastructure, innovation and clean technology falls far short of what is needed to meet the post-2015 development agenda.*

[10] CityUK, UK Fund Management, 2014. Conventional funds (pension, mutual, and insurance funds) totaled $97 trillion, alternative funds $14 trillion (e.g., hedge funds) and private wealth funds $53 trillion in 2013. http://www.thecityuk.com/research/our-work/reports-list/uk-fund-management-2014/

- *Blended finance and public private partnerships offer potential in many areas, but there are challenges in fair and effective implementation, and countries often lack capacity.*

C. International public finance[11]

International public finance will play an important role in the post-2015 development agenda. It will remain essential for ending poverty, ensuring healthy lives, advancing education, and the inclusion of women and marginalized groups. ODA will remain a key means of implementation for the SDGs. It will remain necessary to address the needs of the poorest and most vulnerable in developing countries, particularly in those countries that have limited capacity to raise public resources domestically, such as LDCs, SIDS and other vulnerable countries, including countries emerging from conflict. It is also critical that countries have continued access to international public finance throughout their development, including after graduation to middle income status. Using ODA more 'smartly' can facilitate the mobilization of additional financial resources. International public finance will also be necessary for addressing additional global goals and leveraging private financing flows.

Net ODA has increased significantly since the Millennium Summit and Monterrey, but many donors still fall significantly short of their commitments. In addition, it is concerning that the share of ODA allocated to LDCs has recently fallen. As concerns about environmental degradation and climate change have grown, an increasing share of ODA has been targeted at environmental sustainability and climate change mitigation and adaptation and these flows are oriented more towards middle-income countries than other ODA flows. These and other international challenges that extend beyond the traditional remit of ODA, such as research on communicable diseases, science, innovation and new technologies, will also require stepped-up resources to achieve the SDGs.

Other forms of international bilateral and multilateral public finance play important roles in financing development. They include traditional non-concessional loans, which can play an important role in middle-income countries in particular. Other forms of official cooperation include innovative financing mechanisms, and South-South and triangular cooperation. There is unrealized potential in these sources that could be tapped to increase the pool of international public finance for sustainable development.

In addition, multi-stakeholder partnerships have increasingly become a modality to support the implementation of specific development-related goals (e.g. on health) drawing on complementary interests and roles of public, philanthropic and private actors.

Major challenges include:

- *ODA remains below commitments.*
- *The share of ODA to LDCs, SIDS and other vulnerable countries – countries most in need of concessional financing - has been decreasing.*
- *The synergies between ODA and climate finance can be further enhanced.*
- *Additionality of ODA and climate finance.*
- *Monitoring of other official flows is weaker than monitoring of ODA.*
- *Progress has been achieved in increasing development effectiveness, but further efforts are needed.*
- *The potential for results-based ODA or other official flows merits further investigation.*

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[11] For a fuller analysis, see background note prepared by the Secretariat on international public finance (http://www.un.org/esa/ffd/wp-content/uploads/2014/11/12-November_Intl-Public-Finance.pdf), partnerships (http://www.un.org/esa/ffd/wp-content/uploads/2015/01/12Dec14_Partnerships.pdf) and the UNTT paper https://sustainabledevelopment.un.org/content/documents/2101Chapter%202-variety%20of%20public%20sources%20for%20development%20finance.pdf

- *The potential to make ODA 'smarter' to facilitate additional investments from multiple sources, including private finance is not sufficiently realized.*
- *Increasing availability of both concessional and non-concessional international public finance, including for lower middle income countries.*
- *Enabling MDBs to increase lending, including by better leveraging their balance sheets in support of sustainable development in a prudent manner.*
- *Innovative financing mechanisms have potential to provide additional and predictable resources for sustainable development, but have only been implemented on a small scale.*
- *Partnerships have proven a successful tool of development cooperation in some areas, but there are concerns about increased fragmentation of aid.*
- *Further strengthening South-South cooperation and triangular cooperation in support of sustainable development, as complements to North-South cooperation.*

D. Trade[12]

International trade has proven to be an engine for development and a source of resources for both private consumption and investment (via export earnings) and public expenditure (via increased tax revenue). Trade is particularly important in agriculture and the global food system. It can promote decent work and combat inequality. The patterns of international trade will, however, need to change to adapt to sustainable patterns of consumption and production and ensure sustainable development.

The share of developing countries' exports in the value of total world exports has dramatically increased; however, progress has been uneven, with LDCs, landlocked and small island developing states especially disadvantaged. The structure of trade in goods and services has also changed with the advent of global value chains (GVCs). GVC participation that promotes sustainable development requires a domestic policy environment that effectively enables private investment, with appropriate infrastructure for trade and an adequately trained workforce. It also requires a national policy framework that enables domestic firms and workers to capture equitable shares of the gains from trade, while ensuring environmentally sound and socially beneficial production.

The World Trade Organization (WTO) is the primary intergovernmental forum for negotiating multilateral trade rules. It was agreed that the needs and interests of developing countries would be at the heart of the Doha Development Agenda of multilateral trade negotiations at the WTO. However, multilateral negotiations were stymied for many years, and progress on issues of special concern to developing countries, such as agricultural export subsidies and export measures in developed countries, had been insufficient. The unblocking of the implementation of the December 2013 Bali Package, which includes an agreement on trade facilitation that can unlock new opportunities for trade, sends an encouraging signal.

At the same time, there has been a proliferation of bilateral, regional and interregional trade and investment agreements. Concerns on social impacts (including gender) and financial stability and environmental sustainability have not been taken fully into account in some of those agreements, raising questions about their compatibility with sustainable development objectives. While trade and investment practices are increasingly integrated, the policy environment remains highly fragmented.

Major challenges include:

- *LDCs, LLDCs and SIDS and other countries in special situations insufficiently benefit from the international trading system due to capacity constraints, as well as to subsidies of richer countries.*

[12] For a fuller analysis, see the background note prepared by the Secretariat (http://www.un.org/esa/ffd/wp-content/uploads/2015/01/10-Dec-Trade-investment-technology-5-12.pdf)

- *Increased Aid for Trade commitments are needed, notably in countries that have been bypassed.*
- *Sustainable development-oriented multilateral trade rules have not been agreed, and other trade agreements are not aligned with sustainable development.*
- *Regional and interregional agreements have the potential to fragment the policy environment and undermine sustainable development strategies.*
- *Investment agreements and investor-state dispute settlement processes have come into conflict with sustainable development policies and plans.*

E. Technology, innovation and capacity building[13]

In the long term, improvements in living standards depend on the development and diffusion of appropriate technologies. Science, technology and innovation are of pivotal importance in addressing sustainable development challenges in many areas, including sustainable economic growth and industrialization, poverty eradication, gender equality, health, education, food and agriculture, water, energy, and many others. Widespread dissemination of new and existing technologies will be needed if the SDGs are to be met.

Major advances have been achieved in the development and diffusion of technologies. Innovation occurs in developed and developing countries, and often involves incremental improvements and adaptations of existing technologies, underlining the importance of information exchange and coordination among governments, firms, research centres and other actors. At the same time, access to technology remains uneven between and within countries, and gaps in innovative capacity and output persist.

Public support and funding is critical, in particular at early stages of the technology cycle, where investments are inherently too risky for private investment to undertake alone and the potential benefits to society at large are large. Private financing generally becomes available further along the technology cycle, but there are still financing gaps between different stages of the cycle. In all, it is critical that the system as a whole provides long term patient capital for innovation.

In addition, non-financial support for innovation is needed at all levels, such as balanced intellectual property rights regimes. The rule of law, and investments in education, health, information and communication technologies, and infrastructure, will further increase developing countries' demand for and ability to absorb technology.

To deliver on sustainable development, effective institutions and human resources equipped with appropriate skills will be needed. Developing countries will require assistance to develop the capacities of institutions and people to achieve the SDGs. Capacity building thus has an important role to play in building knowledge, facilitating innovation and promoting sustainability at all levels. This includes enhanced technical cooperation and assistance, enhanced scientific cooperation, training, and knowledge sharing, as well as domestic efforts. It will be important to increase the capacities of developing countries to select, absorb, adapt and use imported knowledge and technologies, as well as to develop and improve home-grown knowledge and techniques.

To foster the development, diffusion and adaptation of key technologies for sustainable development, in particular those technologies that will especially benefit the developing world and those that will enable us to protect our planet, action is needed to make national and international policy environments more enabling of technological development, and to strengthen partnerships and collaboration among stakeholders.

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[13] For a fuller analysis, see the background note prepared by the Secretariat (http://www.un.org/esa/ffd/wp-content/uploads/2015/01/10-Dec-Trade-investment-technology-5-12.pdf)

Major challenges include:

- *In many countries the policy framework in not sufficiently conducive to fostering innovation.*
- *Financing for innovation is insufficient, in particular for sustainable technologies.*
- *A technology gap remains in developing countries, particularly in the poorest countries.*
- *Capacities at all levels need to be enhanced to achieve sustainable development.*

F. Sovereign debt[14]

Sustainable debt financing is an important element for mobilizing resources for public and private investment. Sovereign borrowing is closely linked to domestic resource mobilization, impacting food, health, education, energy, infrastructure and other areas of importance for sustainable development.

There has been considerable change in the landscape of sovereign debt since the Monterey Consensus. Implementation of the Heavily Indebted Poor Countries (HIPC) Initiative and the Multilateral Debt Relief Initiative (MDRI), along with strengthened macroeconomic and public resource management, has led to a substantial decline in debt ratios of developing countries. Nonetheless, the risk of debt distress remains elevated in some countries, in particular, some small island developing states, as well as in some developed countries. Recent increases in the issuance of domestic currency debt, along with increased borrowing from emerging official creditors and the private sector, have complicated the landscape for debt sustainability and crisis prevention, as well as resolution.

Debtors and creditors must share the responsibility for preventing and resolving unsustainable debt situations. National strategies to monitor and manage external liabilities, including sound macroeconomic policies and liability management, are a key element in reducing national vulnerabilities. Technical assistance for external debt management can play an important role and should be strengthened. Debt sustainability analyses have been a useful tool for policymakers,[15] though it should be appreciated that the analyses cannot be interpreted in a mechanistic fashion. Future reviews of debt sustainability should also bear in mind the impact of debt on progress towards the achievement of the SDGs. More complete information on sovereign public and publicly guaranteed debt would also be helpful to all stakeholders.

Despite improved efforts at debt sustainability and crisis prevention, sovereign debt distress does occur. The resolution of sovereign debt crises is currently governed by a loose set of mechanisms, ranging from the Paris Club to market-based arrangements. Although sovereign debt restructurings frequently take place, they are often “too little too late”.[16] The international community has called for an examination of enhanced approaches to sovereign debt restructuring, including in the Monterrey Consensus and Doha Declaration. Though positive initiatives have been undertaken to enhance the approaches to restructuring, including improvements in contracts, there is general agreement that further improvements are needed. However, there is not yet a consensus on the best approach for reform.

Major challenges include:

- *Debt crisis prevention efforts need strengthening, including through capacity building and responsible lending and borrowing.*
- *Information on debt stocks and flows, as well as on debt workouts, is insufficient.*

[14] For a fuller analysis, see the background note prepared by the Secretariat (http://www.un.org/esa/ffd/wp-content/uploads/2014/12/9Dec14_debt_programme-and-briefing-note.pdf)
[15] See IMF for more information, http://www.imf.org/external/pubs/ft/dsa/
[16] IMF, “Sovereign Debt Restructuring—Recent Developments and Implications for the Fund’s Legal and Policy Framework”, IMF Policy Paper, 26 April 2014, http://www.imf.org/external/np/pp/eng/2013/042613.pdf.

- *Sovereign debt restructuring is often inefficient and inequitable, potentially with large costs on the populations of debtor countries.*
- *Problems with creditor coordination and hold-out creditors complicate debt restructurings within bond issues as well as across classes of debt.*

G. Systemic issues[17]

Addressing systemic issues is a core part of both the Monterrey Consensus and Doha Declaration. The 2008 world financial and economic crisis triggered the adoption of some important regulatory reforms and the creation of new emergency financing facilities. Nonetheless, a number of structural flaws, regulatory gaps, and misaligned incentives continue to pose risks to financial stability, including shadow banking, banks that are 'too big to fail' and volatile international capital flows. Climate change, disasters and other environmental challenges pose additional systemic risks to sustainable development and poverty eradication.

Since the global financial crisis, the IMF has quadrupled its lending resources and revamped its lending toolkit. However, there is still no global mechanism to swiftly ensure substantial resources in times of liquidity crisis, or to manage excess liquidity and limit spill overs in boom periods. Systemic risks and volatile international capital flows are a contributing factor for the accumulation of public sector savings of many developing countries as international reserves, as a form of 'self-insurance'. Addressing systemic problems would enable developing countries to use excess surpluses above what is needed for precautionary purposes for investment in sustainable development.

Developing countries have yet to fully achieve greater voice and participation in the international financial institutions (IFIs) and in financial standard and norm-setting bodies. Significant changes in governance of the international financial system took place following the 2008 financial crisis, including the incorporation of a number of developing countries into international policy-making bodies. However, governance reforms at the IFIs, begun in the Monterrey context, have been slow and disappointing, despite the initiatives taken in the institutions themselves. Furthermore, despite some progress, representation in international financial regulatory bodies, such as the Financial Stability Board, remains limited.

A lack of coherence between different parts of the international system constrains attempts to achieve international goals. The creation of new international financial institutions makes efforts at coherence more complex. A more coordinated and transformational approach is needed to avoid duplication. The United Nations provides a global forum for promoting coherence across the decentralized system of economic and financial governance, as well as with environmental and social rules and norms and efforts at peace and security.

The global partnership for sustainable development can ensure coherence of economic and financial policies, as well as coherence of these policies with agreements and policies on climate change, ocean protection, and terrestrial ecosystem protection. The Addis Ababa Conference provides the international community with the opportunity to arrive at a stronger and more inclusive international financial framework that is adequate and effective for achieving the SDGs.

Major challenges include:

- *Excessive global liquidity can increase systemic risk, with spill overs on other countries.*
- *Permanent international and regional financial safety nets maintained during "normal" times can be insufficient in size and scope to stabilize global financial markets during systemic crises.*

[17] For a fuller analysis, see background notes prepared by the Secretariat on the international financial system (http://www.un.org/esa/ffd/wp-content/uploads/2015/01/9-December-International-financial-system.pdf) and global economic governance (http://www.un.org/esa/ffd/wp-content/uploads/2015/01/11Dec14_governance.pdf)

- *Financial markets and private capital flows remain volatile, exposing countries to risks of financial crisis.*
- *The banking and shadow-banking systems pose systemic risks to the real economy.*
- *International rules and standards are not always in line with sustainable development objectives.*
- *Developing countries are inadequately represented in international economic decision-making and norm-setting and needs to reflect changing dynamics in the world*

III. Monitoring, data and follow-up[18]

The Addis outcome document will embody a joint political commitment. It will rely on the political will of Governments both directly and through the international institutions they control to deliver on the commitments, aided by the joint monitoring of their implementation.

Effective monitoring of results depends on appropriate quantitative and qualitative data and statistics, and their comprehensive analysis. Despite an exponential increase in the volume and types of data collected, statistics on financial flows and investment are largely based on decentralized providers, are often incomplete, and in some cases are not publicly available. Updating and extending relevant statistical methodologies, and building partnerships with private data providers, is a continuing imperative of the international community. Annual assessment reports have served as a useful instrument.

The follow-up process can include strengthening the role of regional and national bodies. However, a complication arises when a commitment is made by a non-state entity. Only the committing entity can be held accountable, not the class of organizations. Nevertheless, individual firms or associations can make pledges and be monitored for their implementation.

One question for the FfD process is to agree on a suitable monitoring framework and processes to ensure the right data and analysis is available for mutual accountability purposes. It needs to ensure its relevance to the review process for the post-2015 agenda, and achieve effective linkages to other UN processes and bodies, in particular the High-level Political Forum on Sustainable Development, to the institutional stakeholders and other MDBs and IFIs, the OECD, and the Financial Stability Board (FSB), amongst others, as well as effective engagement with other stakeholders, including civil society and the business sector.

Major challenges include:
- *There are large gaps in data on financing flows.*
- *Accountability relies on effective monitoring of commitments.*
- *Staying engaged is key to ensuring that there is no gap between policy making and commitments on the one hand and implementation and follow-up on the other. To this end, the intergovernmental follow-up process will need to be strengthened.*

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[18] For a fuller analysis, see background notes prepared by the Secretariat on data (http://www.un.org/esa/ffd/wp-content/uploads/2015/01/11Dec14_DataGaps.doc) and the follow-up process (http://www.un.org/esa/ffd/wp-content/uploads/2015/01/12-Dec-Follow-up.pdf)

ANNEX: CHALLENGES AND A LIST OF SELECTED POLICY IDEAS

The following is an indicative list of policy ideas provided for consideration. The list is not exhaustive, but is meant to give a sample of the wide range of policy ideas that have been proposed. It is intended to stimulate more concrete discussions and elicit more specific guidance on the critical components that should comprise the outcome in Addis Ababa. The list has been compiled by the Secretariat based, in the first instance, on the informal substantive FfD sessions held in November and December 2014 as well as on inputs contributed by the institutional stakeholders, civil society and the business sector. The list also draws from the Report of the Open Working Group on Sustainable Development Goals, the Report of the Intergovernmental Committee of Experts on Sustainable Development Financing, the Secretary-General's Synthesis Report.

Suggested policy ideas include:

I. *OVERVIEW*

- Adopt national sustainable development financing strategies to finance NSDS.
- Match the type of financing flow with appropriate needs and uses.
- Ensure significant mobilization of resources from all sources, including through enhanced development cooperation.
- Implement the Istanbul Declaration and Programme of Action, the Samoa Pathway, the Vienna Programme of Action for Landlocked Developing Countries, and the New Partnership for Africa's Development.

II. *THE BUILDING BLOCKS*

A. Domestic public finance

Raising public revenue, including through improved tax administration:

- Set a target for general government tax-to-GDP ratios.[19]
- Strengthen tax administration, including through digitalisation.
- Broaden the tax base, as appropriate.[20]
- Meet robust transparency standards on all revenue raising measures.
- Increase ODA for tax capacity, and strengthening technical assistance.
- Strengthen regional tax administration networks and global knowledge sharing.

Using tax and expenditure policies to address inequalities:

- Analyse and publish the distributional implications of tax policies, and minimise regressive effects, in line with country preferences.

Insuring the public share of economic rents in resource-rich countries is equitable and stable:

- Develop an agreed set of principles for concession and royalty agreements.
- Strengthen government capacities to successfully participate in the extractives sector.
- Set up commodity stabilization funds.
- Provide financial market hedging strategies and counter-cyclical financing.

[19] The current average tax-to-GDP ratio for upper middle-income countries is 18%. See Wilson Prichard, Alex Cobham and Andrew Goodall, "The ICTD Government revenue dataset," International Centre for Tax and Development, Working Paper 19 (September 2014).

[20] Including formalizing the informal sector.

- Encourage countries to implement the Extractive Industries Transparency Initiative (EITI) standard.

Fighting corruption:

- Strengthen implementation and enforcement of the UN Convention against Corruption.
- Accelerate stolen asset recovery.
- Give political support and greater independence to national supreme audit institutions.

Mainstreaming sustainable development criteria in revenues and expenditures:

- Develop medium-term expenditure frameworks for financing NSDSs.
- Adopt national social protection floors[21] according to nationally defined benefit levels.
- Set up a global social protection floor with a minimum spending package for social services, adapted to country income levels, with international support where needed.
- Phase out harmful subsidies, while compensating the poor.
- Put a price on carbon emissions.[22]
- Implement a tax on energy use, particularly when prices fall below a certain threshold.
- Use procurement systems to support effective, equitable and sustainable development and removing obstacles thereto in international agreements.[23]

Making budgets transparent, participatory and gender-responsive:

- Encourage the publishing of budget breakdowns according to expenditure allocated to tackling the SDGs.
- Meet the standards in the revised Fiscal Transparency Code of the International Monetary Fund (IMF).
- Create appropriate mechanisms for public participation in budgeting.
- Encourage countries to join the Open Government Partnership.
- Adopt gender-responsive budgets at all levels.

Ensuring sufficient sub-national finance:

- Increase technical assistance and capacity building for subnational entities, including project development, debt management, and sector finance.
- Ensure appropriate fiscal decentralization.
- Provide suitable regulatory and legal environments at the national level.

Strengthening international tax cooperation to tackle tax avoidance and evasion, including IFFs:

- Agree an official definition of IFFs, and mandating impartial official estimates.
- Enhance financial transparency through country-by-country reporting of corporate tax information and public beneficial ownership registries.
- Enhance multilateral, automatic exchange of tax information.
- Ensure that outcomes of the Base Erosion and Profit Shifting (BEPS) process are useful to developing countries.
- Ensure clear standards on tax avoidance and evasion in partnerships with the private sector.

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[21] Recommendation 202 of the General Conference of the International Labour Organization in 2012.

[22] Acknowledging that the United Nations Framework Convention on Climate Change is the primary intergovernmental forum for negotiating the global response to climate change.

[23] The WTO Government Procurement Agreement allows the use of "environmental characteristics" as evaluation criteria and environmental protection as a technical specification, but not sustainable development characteristics or sustainable development promotion.

- Track 'To whom, from whom' information on cross-border financial flows.
- Reflect SDGs in the setting/update of international tax norms and tax agreements.
- Set up national, cross-departmental coordination task forces on IFFs to build joint capacity.
- Upgrade the UN Tax Committee into a standing intergovernmental committee; *alternatively*, strengthening a participatory broad-based dialogue on international tax cooperation including the UN, G20, IMF, OECD, World Bank and regional forums.

Minimising wasteful tax competition:

- Agree to international (or regional) minimum corporate tax floors and consolidated corporate tax base; *alternatively* voluntary (regional) cooperation between competing countries.
- Ensure tax incentives are in line with sustainable development.
- Ensure full transparency of tax incentives, tax holidays, and other measures.

B. Domestic and international private finance

Achieving financial inclusion:

- Strengthen financial inclusion strategies at the national level.
- Encourage central banks or regulatory authorities to include financial inclusion as a policy objective; broaden financial regulations to cover all financial intermediaries, balancing access to credit with stability.
- Protect consumers, regulate business conduct, and improve financial literacy.
- Use new technologies to promote financial inclusion.
- Promote sharing experiences, through intraregional fora, other regional groups and globally.
- Undertake multi-stakeholder reviews on the availability of financial services for all population groups, particularly women.

Increasing access to finance for micro, small, and medium enterprises (MSMEs):

- Utilize national development banks and/or alternative institutions such as cooperative banks and credit unions to provide credit to MSMEs.
- Enhance institutional and legal infrastructure to support MSME lending, including strengthening the use and quality of credit data.
- Design regulations that take account of their impact on credit for MSMEs.
- Develop innovative debt funding structures as well as promoting securitization, while incorporating safeguards to address risks.
- Encourage public/private initiatives to create development-oriented venture capital funds.

Supporting remittances:

- Increase competition and transparency in sending and receiving countries.
- Make use of new technologies.
- Launch a global non-profit remittance platform.
- Set a target to lower the cost of remittances.

Reducing risks for private investment:

- Improve the “enabling” business environment by strengthening domestic legal systems, and the policy, regulatory and institutional environments.
- Use ODA for capacity building and streamlining business procedures, as appropriate.
- Ensure a conducive policy environment for industrial diversification and value addition to commodities.

Strengthening the sustainable development impact of investment:

- Encourage development-enhancing linkages between multinational enterprises and local production activities.
- Provide incentives and regulations for companies to internalize adverse externalities, and to invest in sustainable development.
- Increase the role of investment promotion agencies in promoting sustainable development and developing pipelines of investible projects.
- Require all companies and asset managers to undertake mandatory environmental, social and governance (ESG) reporting, *or alternatively* governments determining the appropriate balance between voluntary and mandatory reporting.
- Implement the UN's Guiding Principles on Business and Human Rights, core labour standards of the International Labour Organization, and relevant environmental standards, with enforcement and accountability mechanisms; *alternatively* encourage companies to sign on to principles consistent with socially and environmentally responsible investment.
- Unify and strengthen various initiatives on responsible financing, identify gaps, and strengthen the mechanisms and incentives for compliance.

Developing stable long-term local currency bond markets:

- Encourage local currency bond market development.[24]
- Incorporate sustainability criteria and a long-term orientation into domestic bond market regulations.
- Encourage development of domestic institutional investors.
- Strengthen regional, inter-regional and global fora for knowledge sharing, technical assistance, and data collection.[25]

Increasing long-term investment by institutional investors in sustainable development:

- Promote capital markets regulation that integrates sustainable development factors.
- Promote incentives along the investment chain[26] that are fully aligned with long-term performance and sustainability indicators.
- Ensure that brokers, rating agencies, investment consultants include sustainability and long-term investing assessments.
- Include environment, social and governance (ESG) criteria and issues of long-term investing in financial industry qualifying exams and licences.
- Support the new portfolio decarbonisation coalition of investors;[27] encourage investors to make commitments for additional investment in sustainable development.

Enhancing global investment in infrastructure and clean technology:

- Encourage national, regional, and multilateral development banks to develop pooled infrastructure vehicles and platforms.

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[24] This could include measures to use safe securitization, when appropriate.
[25] This should build on current efforts to help foster development of local currency bond markets (e.g. by the G20), but could include strengthening the diagnostic framework to include indicators for long-term investment and sustainability.
[26] This refers to the entire set of private intermediaries that an investment flows through – e.g. pension funds, mutual funds, hedge funds, life insurance, banks etc.
[27] The Portfolio Decarbonization Coalition (PDC) is a multi-stakeholder initiative that aims drive GHG emissions reductions on the ground by mobilizing a critical mass of institutional investors committed to gradually decarbonizing their portfolios. See http://www.unepfi.org/fileadmin/documents/PortfolioDecarbonizationCoalition.pdf

- Encourage national, regional, and multilateral development banks to channel resources of long-term institutional investors for sustainable infrastructure, e.g. through long duration green bonds.
- Strengthen regional and global fora for technical assistance, data collection and sharing lessons across countries, building on current initiatives.[28]
- Build capacity for project preparation and negotiations.
- Establish public country-based databases containing viable infrastructure projects.
- Partner with private sector groups to support the growth of new asset classes in infrastructure and sustainable investment.
- Revisit safeguards and other measures to ensure infrastructure projects take account of their sustainable development and human rights impact, while not being overly burdensome.

Harnessing the potential of public private partnerships (PPPs) while addressing risks:

- Develop and adopting principles and standardized documentation for PPPs, which include transparency, accountability, equity, fairness, sustainability.
- Develop a set of standards for when use of PPPs is strategic and appropriate.
- Support capacity-building in feasibility studies, negotiation and management.
- Develop standardized blended finance toolkits in local languages and related support workshops for both government officials and the private sector.

C. International public finance

Meeting ODA commitments:

- All developed countries meet the 0.7 target.
- Set concrete and binding timetables to meet commitments.

Increasing the share of ODA to LDCs and other vulnerable countries, and to the most vulnerable households:

- Allocate a specific share of ODA to LDCs and other vulnerable countries, either individually or collectively.
- Reaffirm existing targets for LDCs with binding timetables.
- Establish a fund from ODA grants to help finance social protection floors in the poorest countries.
- Focus ODA on poverty eradication and on the poorest and most vulnerable countries and households.

Enhancing synergies between ODA and climate finance while ensuring that ODA is not diverted from the poorest households and countries:

- Ensure additionality by increasing both climate finance and ODA net of climate finance.
- Set up an expert technical group to develop and present to Member States options for a coherent framework that accounts for climate finance and ODA in a transparent manner.
- Ensure increased coherence and strengthened linkages of ODA to the three pillars of sustainable development.

Improve the monitoring of other official flows:

- Hold open and transparent discussions in the United Nations of the proposed modernization of the ODA definition and the proposed indicator of “total official support for sustainable development (TOSD)”.

[28] This could build on current initiatives (e.g. the G20 Global Infrastructure Initiatives).

- Ask the United Nations, in cooperation with relevant stakeholders, to monitor and report on statistical indicators of financial and technical cooperation for sustainable development by all official providers and, separately, for development assistance from foundation and other non-governmental providers.
- Promote the use of international public finance to leverage other sources of financing, including public, private, and innovative sources of financing.

Increasing the effectiveness of aid and development cooperation:

- Enhance efforts to improve the quality of ODA and increase the effectiveness of development cooperation.
- Work toward a single development effectiveness forum under United Nations auspices.

Enhancing access to concessional and non-concessional international public finance:

- Establish an independent ad hoc advisory body to review the role, scale and functioning of multilateral and regional development banks in support of sustainable development, including mechanisms to accelerate resource transfers in the near and medium term.
- Consider offering different degrees of concessionality, possibly determined by the recipient countries' level of development and the type of programme being funded.
- Focus grant assistance on low-income and other "IDA-eligible" countries;[29] "non-IDA-eligible" middle income countries remain eligible to receive grants in special situations or to address special priority challenges, such as the financing of regional and global public goods.
- Review graduation criteria and the limits on access to finance for lower-middle-income countries.
- Strengthen the World Bank's Multilateral Investment Guarantee Agency (MIGA) to enhance its risk mitigation mechanisms for sustainable development investments.

Implementing innovative financing mechanisms[30] on a larger scale:

- Encourage countries, development institutions, and civil society organizations to join the Leading Group on Innovative Financing for Development.
- Encourage countries to implement the International Solidarity Levy on Air Tickets; explore options for a financial transaction tax in additional countries; for a carbon tax; for taxing fuels used in international aviation and maritime activities; for implementing additional tobacco taxes.
- Encourage developed countries to raise resources from innovative mechanisms for sustainable development, including for regional and international public goods, e.g. infectious disease control, agriculture research, and climate change mitigation.

Strengthening South-South cooperation and triangular cooperation:

- Southern providers increase their contribution to international public financing of development, guided by principles of South-South cooperation.
- Southern providers strengthen the systematic collection of data and evidence on South-South cooperation.
- The international community strengthen the United Nation system's support to South-South and triangular cooperation.

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[29] Based on the classification scheme of the World Bank.

[30] There is no one set definition of innovative development finance. The World Economic and Social Survey 2012 considers as innovative development finance mechanisms that have the following characteristics: (i) official sector involvement; (ii) international cooperation and cross-border resource flows to developing countries; (iii) an element of innovation in the nature of resourcefs, their collection or governance structures

Using partnerships in development cooperation while addressing concerns over increased fragmentation:

- Encourage the formulation of initiatives for creating partnerships for implementing the SDGs at all levels when appropriate.
- Establish principles for setting up global partnerships, to help determine what role they should play, for which sectors and challenges partnerships would be the most appropriate form of international cooperation (e.g. for education, agricultural and nutrition, etc.)
- Establish a global fund for health that brings together existing health funds.
- Adopt principles for partnerships, including transparency; accountability of all actors; adherence to development effectiveness principles; fair sharing of risks and benefits; alignment with NSDSs.
- As a condition to obtain and maintain UN participation or endorsement, conduct independent periodic evaluations of adherence to agreed principles.

D. Trade

Agreeing sustainable-development-oriented multilateral trade rules:

- Complete the Doha Round of multilateral trade negotiations.[31]
- Include sustainable development in trade rules where appropriate.
- Implement the principle of special and differential treatment for developing countries.
- Ensure that trade-facilitating transport infrastructure is designed to give access to public services as well access to markets.
- Increase trade finance, including by re-evaluating financial regulation.

Helping LDCs and other countries in special situations benefit further from international trade:

- Correct distortions in world agricultural markets, especially from export subsidies.
- Remove/reduce fisheries subsidies.
- Implement duty-free, quota-free access for all LDCs to all high- and upper-middle-income country markets.
- Agree to rules for public stockholding for food security.

Aid for Trade commitments have not been met and are not sufficient, while past disbursements were unevenly distributed. Suggested proposals include:

- Increase commitments from new donors; existing donors to meet past commitments.[32]
- Make Aid for Trade additional, predictable and equitably distributed.
- Increase the share of Aid for Trade to LDCs.
- Increase the grant component of Aid for Trade.
- Align Aid for Trade with regional integration, and national strategies.
- Ensure to address capacity constraints, such as overcoming non-tariff measures.

Trade agreements are not aligned with the SDGs. Suggested proposals include:

- Commit to human rights impact assessment of all trade and investment agreements.
- Support partnerships to monitor the social and environmental implications of trade.[33]

[31] Agreement on a WTO work programme to complete the Doha round is targeted for July 2015.
[32] It will take place from 30 June 2015 – 2 July 2015
[33] For example the Accord on Fire and Building Safety in Bangladesh

- Strengthen public interest exemptions under the WTO Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPs) for health and technologies for climate change mitigation and adaptation.
- Encourage the use of treaties on access to published works for people with disabilities.

Aligning regional and interregional agreements with sustainable development strategies:

- Align regional agreements, including regional industrial policies.
- Collect best practices of making agreements compatible with meeting the SDGs.

Aligning investment agreements with sustainable development policies and plans:

- Elaborate binding environmental, social and human rights standards.
- Amend treaties to address shortfalls of arbitration for investor-state dispute settlement.
- Safeguard the right to regulate on health, environment, safety, financial stability, etc.
- Undertake a comprehensive international review of existing investment agreements.
- Guarantee transparency in arbitration and publication of arbitral awards.

E. Technology, innovation and capacity building

Fostering innovation and capacity:

- Adopt coherent national science, technology and innovation strategies as part of NSDSs.
- Increase investments in science, technology, engineering and mathematics (STEM) education, ensuring equal access to women and girls and encouraging their participation.
- Enhance the use of enabling technologies, in particular ICT, to promote women's empowerment.
- Increase international cooperation and collaboration on innovation, science and research, including by building on existing initiatives.

Providing sufficient financing for innovation, in particular for sustainable technologies:

- Set up innovation funds to support innovative enterprises in the early stages of the technology cycle. These should take a portfolio approach to diversify risks and capture the upside of successful enterprises.
- Scale up ODA for science and innovation to support research and development technology diffusion, as well as national innovation funds and innovation centres.

Addressing technology gaps in developing countries, particularly in the poorest countries:

- Set up a facilitation mechanism to promote the development, transfer and dissemination of clean and environmentally sound technologies to developing countries on concessional and preferential terms, to support achievement of the SDGs.
- Establish an online platform to map existing technology facilitation initiatives, enhance international cooperation and promote networking and information sharing, knowledge transfer and technical assistance.
- Set up, expeditiously, the Technology Bank for the LDCs.
- Ensure intellectual property regimes and the application of TRIPS flexibilities are fully consistent with sustainable development.
- Encourage United Nations specialized agencies, funds and programmes with technology-intensive mandates to further promote the development and diffusion of relevant technologies through their respective work programmes.

F. Sovereign debt

Strengthening debt crisis prevention:

- Strengthen national debt management strategies.

- Incorporate financing the SDGs into debt sustainability frameworks and assessments; better use of debt sustainability assessments for setting the type of development assistance.
- Adhere to UNCTAD Principles on Responsible Sovereign Lending and Borrowing.[34]

Improving information on debt stocks and flows:

- Create databases on debt and debt holders, and on debt restructuring agreements; enhancing comparability and consistency of data from debtor and creditor records.
- Publish all available information on public and publicly guaranteed debt.
- Initiate country-owned national debt audits in creditor and debtor countries.

Improving the framework for sovereign debt restructuring:

- Continue existing discussions on a multilateral framework for sovereign debt restructuring.
- Implement a mediation service.
- Create a sovereign debt forum to facilitate creditors- debtors-stakeholder engagement.
- Convene a UN-and-IMF-supported intergovernmental committee to develop proposals for that may win widespread support.
- Improve standardized contractual terms in sovereign bond contracts.
- Encourage the creation of creditor committees.
- Strengthen domestic legal systems and frameworks for sovereign debt restructuring.

G. Systemic issues

Strengthening the use of SDRs:

- Implement SDRs as the main international reserve asset.
- Systemically issue SDRs, with a development dimension in the allocation.[35]

Increasing the size and scope of permanent international and regional financial safety nets:

- Substantially increase the volume of quota-based resources available to the IMF.
- Strengthen and extend the network of regional and cross regional financial safety nets, potentially with the IMF the apex.

Reducing volatility of financial markets and private capital flows:

- Enhance global macroeconomic stability including through policy coordination and policy coherence.
- Remove obstacles to capital account management and regulations, including in trade and investment agreements.
- Limit capital account spill overs from source countries with international coordination.
- Adopt measures to ensure the proper functioning of food commodity markets and their derivatives, and facilitating timely access to market information.

Reducing systemic risks of banking and shadow-banking systems:

- Enhance regulation and supervision of under-regulated financial markets and institutions, such as shadow banking and 'too-big-too-fail' institutions.
- Expand the frequency and availability of the Financial Sector Assessment Programme for all countries.
- More quickly limit financial regulatory reliance on credit rating agency assessments; fostering increased competition in the credit rating sector.[36]

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[34] See http://unctadxiii.org/en/SessionDocument/gdsddf2012misc1_en.pdf
[35] Currently, SDR allocations are according to quotas in IMF.

Aligning international rules and standards with sustainable development objectives:

- ➢ Carry out coherence checks of international rules on the achievement of the SDGs.[37]
- ➢ Assess national financial regulations' impacts on mobilizing development finance.
- ➢ Align the business practices of development finance institutions, including IFIs with sustainable development objectives.
- ➢ Use a broader metric of well-being than GDP as a sustainable development indicator.
- ➢ Implementing a system of environmental-economic accounting (SEEA).
- ➢ Promote sustainable patterns of production and consumption, including through the 10 year framework of programmes on sustainable production and consumption.
- ➢ Respect each country's policy space and leadership to establish and implement policies for poverty eradication and sustainable development.

Enhancing developing countries representation in global economic governance:

- ➢ Further enhancing the voice and vote of developing countries in the IFIs.
- ➢ Enhance developing country participation in Financial Stability Board decision making.
- ➢ Introduce open, transparent, gender-balanced, merit-based selection of senior leaders of all international institutions.

III. MONITORING, DATA AND FOLLOW-UP

Addressing data gaps:

- ➢ Enhance capacity building and financial support to developing countries to significantly increase the availability of high-quality, timely and reliable data.
- ➢ Invite international statistical services and forums, led by the UN Statistical Commission, to regularly assess and report on the adequacy of international statistics related to FfD.
- ➢ Create a central tracking mechanism for data on all cross-border financing flows that brings together existing databases.
- ➢ Support the strengthening of national capacities to monitor and publish the domestic flow of funds, including sources, uses, and impact on sustainable development.
- ➢ Improve the availability of disaggregated financing data along sector, geographic, investor type, gender, ethnicity, age, ability, and other dimensions, where appropriate.

Monitoring commitments effectively:

- ➢ Convert the inter-agency MDG Gap Task Force report into an annual report on progress towards implementing FfD/SDG 17 at the global level.
- ➢ Adopt indicative financing needs for the SDGs.
- ➢ Monitor national progress towards FfD/SDG 17 commitments, and reporting globally.
- ➢ Institutionalize participatory peer reviews on implementation of FfD, including sectoral areas of commitments.
- ➢ Track progress in aligning international trade rules, financial rules and other policies with the SDGs.
- ➢ Call on G20 to annually assess and report on its members' implementation of FfD commitments.

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[36] Through alternatives to the issuer pays model and/or public or non-profit agencies, where appropriate.

[37] For example trade, intellectual property rights, banking and insurance regulation, and accounting standards. Every major rule-setting mechanism and institution could produce an annual report on whether its rules are consistent with ESG targets and achieving the SDGs.

- Call on business-oriented groups, such as the World Economic Forum and Global Compact, to annually report on their members' implementation of FfD commitments.

Strengthening the intergovernmental follow-up process:

- Set up a dedicated intergovernmental or expert body, inclusive of institutional stakeholders, to monitor FfD commitments at the global level.
- Strengthen the regional components of the follow-up process, through Regional Commissions, development banks and other relevant stakeholders.
- Ensure complementarity and integration of the FfD follow-up mechanisms with other related processes, in particular the High-level Political Forum on Sustainable Development and the Development Cooperation Forum, within a coherent and streamlined system.