

Executive summary

The Sustainable Development Goals and 2030 Agenda have redefined global ambitions: creating a better world for all is a collective responsibility. As time passes, this agenda becomes ever more urgent – challenges such as extreme poverty and climate change can only be solved by a global, collective response.

The Addis Ababa Action Agenda (AAAA) provides the framework to finance these collective ambitions. It calls on a diverse array of actors - governments, businesses, foundations and individuals - to mobilise more financial resources, in a more co-ordinated manner, and in the pursuit of economic growth that enhances human well-being and preserves the environment, particularly in developing countries.

Yet three years after the AAAA was signed in 2015, the promised surge in finance available for those countries to achieve the SDGs has not materialised. Government revenues – the main pillar of financing for development at USD 4.3 trillion - remain on average in low-income countries below the 15% of GDP threshold often considered necessary for effective state functioning.

Worryingly, the overall supply of external resources to developing countries has declined. Private investment in particular has shown a sharp decrease, with FDI dropping by 30% over 2016-17 to USD 750 billion, and project finance decreasing by an alarming 30% in the first trimester of 2018 alone. Other major financial flows are stable, but remain small in comparison: remittances by migrants reached a record high of USD 466 billion in 2017; official development assistance is steady despite fiscal pressures in provider countries at USD 146.6 billion in 2017; and philanthropy contributes an average of USD 7.9 billion a year over 2013-2015. As for innovative finance, this still accounts for a minor share of official providers' efforts although it is growing.

Declining financing for sustainable development is not only a risk for developing countries: it is a global threat, as failure to achieve sustainable and peaceful prosperity globally will have consequences for all.

Therefore, this first edition of the Global Outlook on Financing for Sustainable Development calls for urgent and bold action to implement the AAAA and fulfil the promise of Agenda 2030 at home and abroad. Seeking to mobilise a greater quantity of financial resources for developing countries will not be enough; the quality, or sustainable development footprint, of all finance must be enhanced.

The Global Outlook identifies three areas for reform. First, on measurement: we need better indicators and tools to assess the volume of financial flows, but also their alignment with the SDGs. Measurement must expand beyond aid to all flows from all actors, and to tracking flows towards specific SDGs and development objectives. For example, a dollar invested in polluting activities cannot be counted the same way as a dollar invested in clean energy. A culture of evaluation and impact needs to be developed to understand the actual footprint of resources as well as the trade-offs and synergies. The report thus calls for a new transparency initiative as a first step to address these gaps.

Second, policy reforms are needed to shift the trillions, i.e. create incentives for a greater share of the total available finance to be invested in sustainable development. This includes supporting the capacity of developing countries to make the most of financing options; guiding providers of finance towards high standards, and preventing harmful practices such as tax evasion and avoidance; and encouraging greater policy coherence for sustainable development in the home countries of providers – for example, through tax regimes and investment frameworks, and efforts to reduce the cost of remittance transfers.

Third, we need to improve the co-ordination of various actors in their operations, so as to better connect supply and demand for financing for sustainable development. In particular, country development strategies need to be better linked with available financing. Several diagnostic tools and guidelines are already available to help design such strategies and identify matching resources, but co-ordination in countries remains low. The *Global Outlook* urges donors to provide more coherent support to countries as they develop the Integrated National Financing Frameworks called for in the AAAA.

The ambitious change agenda set out in this inaugural edition of the *Global Outlook* aims to support the UN-led efforts to implement Agenda 2030 and the AAAA. The report puts the onus on OECD providers of development co-operation to use all available levers to support the visions and choices of partner countries for their sustainable development. It recommends concrete actions, identifies areas for further policy dialogue, and points to knowledge gaps which the next editions will aim to fill.



From:
**Global Outlook on Financing for Sustainable
Development 2019**
Time to Face the Challenge

Access the complete publication at:
<https://doi.org/10.1787/9789264307995-en>

Please cite this chapter as:

OECD (2019), "Executive summary", in *Global Outlook on Financing for Sustainable Development 2019: Time to Face the Challenge*, OECD Publishing, Paris.

DOI: <https://doi.org/10.1787/9789264307995-4-en>

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