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Enhancing the Development Effectiveness of the Post-2015 Global Partnership for Sustainable Development

1 REFORMING GLOBAL GOVERNANCE FOR DEVELOPMENT

Global governance refers to the institutions and rules created by the international community to manage political, economic and social affairs that are cross-border or global in nature. Deepening economic globalization and the emergence of trans-boundary problems such as climate change provide the rationale for an effective and fair system of global governance. A development-oriented global governance is one that, among other things:

- Ensures that arrangements, rules, and policies governing economic relationships are fair and supportive of sustainable development in poorer countries
- Effectively manages and minimizes the occurrence of spillovers and negative externalities, and delivers global public goods such as economic stability, environmental sustainability, and disease control
- Mobilizes international resources and action in pursuit of common goals such as the eradication of poverty and environmental protection
- Ensures compliance to (or enforcement of) internationally-agreed rules and commitments
- Allows for the meaningful representation and participation of citizens – especially the marginalized – and their organizations in decision-making processes
- Responds to people's development needs with appropriate policies and upholds the rights of all marginalized communities.

The current structure and processes of global governance contains serious flaws. Chief among these is the inequality in the power and capacity between countries to influence and benefit from global governance. Inequality in economic power between countries creates an inherent tendency for global governance to be biased in favor of powerful players, especially in the developed world. The rise of a few developing countries into high-income status, and the growing clout of a few large middle-income countries such as China and India, have not fundamentally altered the dominant influence developed countries in global governance.

Transnational corporations (TNCs) and their business organizations have also come to play a larger role in global governance, reflecting their increasing importance and influence in an increasingly globalized economy. In the case of TNCs and global finance, their growing influence clearly springs from their global reach and economic power. They can influence global governance structures by exerting pressure on the policies and practices of governments in both industrial and developing countries. Their growing importance is also seen in the increasing number of public-private partnerships established to address specific global problems.

These weaknesses in global governance have contributed to the uneven social and economic impact of globalization. It has created of a system of rules governing the global economy that has been prejudicial to the interests of most developing countries, especially the poor within them.

Imbalanced rules and outcomes

Policy space

The present set of global rules limits policy space that countries require to maximize the benefits of their participation in the global economy. A key area is industrial policy. Historically, successful industrializers adopted a variety of policy instruments to foster the development of domestic industries at crucial stages in their development. The State played a central role in mobilizing domestic investment and influencing its allocation, and in restricting or regulating foreign direct investment (FDI). Measures such as minimum local content requirements, technology transfer requirements, reverse engineering, and the indigenous adaptation of imported technology were also used.

World Trade Organization (WTO) rules now make proactive policies for industrial development much more difficult. The WTO's Uruguay Round Agreements (URAs) have prohibited the use of a wide range of industrial policy tools, such as export subsidies, local content requirements, and trade balancing requirements for foreign investment. Furthermore, some elements of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) have made reverse engineering and imitation less feasible and raised the cost to developing countries of acquiring technology. Further restrictions have followed with the proliferation of regional trade agreements (RTAs) and international investment agreements (IIAs), many of which contain rules and regulations that go beyond the URAs.

Donor-imposed policy conditions also restrict developing country policy space. In the 1980s, structural adjustment lending by international financial institutions (IFIs) forced many developing countries to implement a wide range of restrictive free-market reforms, including cutting social spending, deregulating domestic markets, and liberalizing foreign trade and investment. Present-day IFI conditions focus on macroeconomic policy objectives, such as achieving fiscal balance and low inflation. Although less wide-ranging, such conditions still restrict equitable growth and development.

Trade rules

The global trade regime under the WTO has proved to be more biased against developing countries than the GATT regime it replaced. Under the GATT system, the principle of special and differential treatment (SDT) allowed developing countries the flexibility to use trade protections, opt out of agreements, and benefit from preferential market access with less than full reciprocity. In contrast, the WTO URAs subject developing countries' trade policies to the same disciplines as developed countries, with few exceptions for low-income countries. In the single undertaking model, all countries regardless of level of development are required to sign on and abide by all rules agreed in any trade round. SDT was weakened to mean time-limited exceptions and longer transition periods to full compliance. The WTO also subjects developing countries to disciplines in newer areas such as intellectual property, investment measures, and services. In exchange for these remarkable concessions, developing countries were offered better Northern market access for Southern textile and agricultural exports. Developing countries were promised large welfare gains in the order of hundreds of billions of dollars per year.

But the promise of welfare gains and market access were vastly oversold: the benefits turned out to be smaller and accrue mostly to rich and a few big exporting developing countries. At the same time, the improvements in market access conditions to Southern exports of interest have been modest at best. Agricultural and labor-intensive exports continue to face high average tariffs, tariff peaks and tariff escalation in Northern markets. For these small gains, developing countries have signed away their right to use trade protections and other public measures to pursue domestic objectives such as industrialization or food security.

Moreover, developing countries submitted to trade rules that often reflect rich country priorities and interests. For instance, the URAs subject developing countries to deeper tariff cuts than developed countries, and allowed subsidies for agriculture but not for industrial products. Massive "Green Box" agricultural subsidies in rich countries continue to grow and put downward pressure on world commodity prices, hurting farm incomes in poor countries. Moreover, developing countries have been saddled with the costs of adjustment (assisting the "losers" of liberalization) as well as the costs complying with new trade disciplines (such as in intellectual property and food safety standards), with little assistance from developed countries.

Bilateral and regional trade agreements (with reciprocal commitments) are often worse than the WTO. Many of these impose even tighter prerequisites on developing countries, in return for preferential access export markets and FDI of the larger partner economy.

Foreign investment and global value chains

Privatization, deregulation and liberalization have created more opportunities for transnational firms to pursue their corporate objectives. The rise of FDI and industrial restructuring centered on subcontracting and global value chains (GVCs) have rapidly expanded the presence and influence of TNCs in developing countries. TNC-coordinated GVCs account for some 80% of global trade. The economic contribution of GVCs can be significant. GVCs have a direct economic impact on value added, jobs and income, building productive capacity, technology capacity, and industrial upgrading.

But the benefits from TNC-led GVCs are not automatic and can involve important risks for developing countries. Trade and investment rules limit the ability of host countries to capture the benefits from FDI and GVC participation. For instance, the structure of Northern tariffs (low protections against low value-added products, high protections against high-value added products) discourages high value-added exports from developing countries. Meanwhile, the WTO TRIMs and other international investment agreements (IIAs) prohibit the use of investment measures such as local-content and technology transfer requirements that improve linkages to the domestic economy.

Market power enjoyed by TNCs has resulted in monopsony situations in global supply chains: buyers – large international firms– are able to dictate the prices they pay to many small, competing suppliers in developing countries. Buyer-driven GVCs usually aim to minimize sourcing costs, and suppliers reduce costs often by violating labor laws and standards (e.g. low wages, illegal overtime work, child and forced labor, hazardous working conditions) as well as violating environmental regulations. These perverse cost-cutting practices are a particularly big problem in developing countries, which typically have weaker social and environmental regulatory capacities and standards, in part due to pressures to "race to the bottom". Incentive competition between developing countries to attract FDI induces these countries to go too far in lowering regulation, corporate taxes, environmental protection and labor standards. These concessions are often unnecessary and reduce the overall benefits received from FDI and GVC integration.

Considering their growing influence, there is a glaring absence of a multilateral and development-oriented framework for governing FDI and TNCs. The international initiative to adopt international regulations for TNCs within the UN has been famously abandoned due to opposition from developed countries. The present framework for FDI regulates this domain in a piecemeal and fragmented way through Bilateral Investment Treaties (BITs), regional trade agreements (RTAs), and other WTO agreements (such as SCM and TRIMs). These international agreements are based on granting more rights and privileges to firms to operate rather than enabling host countries to maximize development gains from FDI. They also constrict the space for host countries to employ development-oriented investment measures.

Finance and debt

The global financial market is heavily dominated by financial interests in developed countries. The sustained process of financial sector deregulation and capital market liberalization promoted by international financial institutions (IFIs) in the past decades reflect the increasing empowerment of developed country financial interests, which have been these policies' main beneficiaries.

In developing countries, the liberalization of domestic financial and capital markets was undertaken initially under structural adjustment programs and then later as part of their commitments under international trade agreements. It was believed that liberalizing the financial sector and capital flows will increase access to savings and therefore increase domestic investment in capital-scarce developing countries. However, financial liberalization did not revive investment rates especially in Africa and Latin America. Often, opening up capital markets led to short-term inflows to non-productive sectors, while limiting the policy space to contain sudden capital outflows. Greater global capital mobility has been accompanied by more frequent financial crises and recessions in developing countries as well as greater exposure to business cycles from major economies. Indeed, financial deregulation especially in Northern financial centers and capital account liberalization nearly everywhere are at the root of the Great Recession of 2008-09 and the resulting global contagion. Furthermore, financial deregulation also fed capital flow volatility and speculation in commodity markets. The latter played important roles in causing the fuel and food price crises of the 2000s, which increased hunger and poverty especially in net food- and fuel-importing developing countries.

Sovereign debt crises have been a major source of the difficulties faced by developing countries, yet no multilateral mechanism for debt renegotiation exists. The current system for sovereign debt renegotiation is a patchwork of informal, voluntary, or one-off initiatives that are generally biased against debtors. With respect to the Paris Club and official debt relief initiatives (the Highly Indebted Poor Country Initiative and the Multilateral Debt Relief Initiative), official lenders are both party and judge in negotiations. In these forums, creditors have the privilege to decide eligibility and the terms of relief, and also have leverage to interfere with domestic policies of the debtor country. Other problems include the length of the process, insufficient amount of relief, and limited participation of other creditor classes. The use of collective action clauses in sovereign bonds help address the problem of hold-out bondholders but does not provide an effective means for resolving conflicts among different classes of claimants. The option to unilaterally renegotiate sovereign debt is there (which Argentina and Ecuador have used), but this option is often confrontational and can impair a country's financial external relations and access to credit markets.

Finally, macroeconomic surveillance by the International Monetary Fund (IMF) is focused on developing countries but pays insufficient attention to developed countries. The global financial crisis has exposed the lack of attention to financial and macroeconomic policies of the major developed countries – especially the reserve currency-issuing countries – and the external risks that they pose. Furthermore, with respect to macroeconomic rebalancing, the IMF places the burden of adjustment entirely to deficit countries rather than being shared with surplus countries, as evident in pro-cyclical IMF assistance. Distrustful towards IMF assistance, many developing countries have turned to reserve accumulation as self-insurance against adverse macroeconomic shocks, which in turn suppresses world demand and contributes to global imbalances.

Global institutions

Economic inequalities are reflected in the democratic deficit in global governance. In the IMF and the World Bank, developed countries dominate as voting power corresponds to financial contributions. Even in the WTO where there is formal equality in decision-making, unequal bargaining power and negotiating capacities means poor and small countries such as the Least Developed Countries (LDCs) are sidelined. These inequalities are compounded by the many important decisions on global governance which are taken outside the multilateral system. Limited membership groups of rich nations such as the Group of 20 (G20) have taken important decisions on economic and financial issues with a global impact.

In all international institutions, the poor and marginalized groups are voiceless and not meaningfully represented in decision-making. Despite the nominal support for the participation of civil society organizations (CSOs), engagement with CSOs in multilateral processes is limited and ad hoc at best. CSOs are frequently excluded from multilateral processes, especially in the IFIs and the WTO. In forums where CSOs are permitted to participate, they are usually restricted to observer status, limiting their opportunities to meaningfully contribute. Southern CSOs are especially disadvantaged from engaging in meetings and forums due to limitations in capacity and resources.

Meanwhile, corporations have carried their lobbying into UN summits and forums where they vastly outnumber civil society and exert much greater influence. In many forums, the private sector is awarded a privileged advisory role within international institutions or make up part of the national delegations. Corporations, through their strong presence, are having a marked influence in the outcome of UN processes. Corporations are writing multilateral texts, negotiating on behalf of states, and financing development plans that serve their interests first and foremost.

Conclusion

Current global governance is biased in favor of wealthy countries and their transnational firms. Reforming global governance is key to achieving a genuine global partnership for sustainable development. Global governance must be inspired by respect for human rights, equity, justice and sustainability. Key reforms should include:

- Providing more space for developing countries to practice trade and industrial policies to foster sustainable and equitable industrialization.
- Eliminating developed country trade barriers against exports that are of interest to developing countries, mainly agricultural products and low-technology manufactures.
- Strengthening the principle of special and differential treatment in trade rules, including by allowing for less than full reciprocity in trade deals, and granting developing countries the flexibility to opt out of proposed issues or new disciplines within the WTO.
- Adopting a multilateral investment framework specifying the rights and responsibilities of foreign investors and host countries.
- Adopting a binding international code of conduct for transnational firms.
- Providing space for developing countries to use capital controls in order to prevent damaging capital flows.
- Creating an independent and fair multilateral sovereign debt workout mechanism.
- Improving international financial regulations.
- Increasing the voice and power of developing countries in global institutions.
- Giving representatives of citizens and marginalized groups equitable and meaningful representation and voice in international institutions.
- Improving transparency and accountability of global institutions, including through the conduct of independent ex ante assessments and ex post evaluations of the impacts of their policies.

2 FINANCING THE POST-2015 DEVELOPMENT AGENDA

Financing needs

Sustainable development finance is needed for three areas, namely (1) eradicating hunger and poverty and achieving other social development goals such as access to education, health, energy and gender equality; (2) investments for national sustainable development such as infrastructure, sustainable energy, climate resilience and rural development; and (3) delivering global public goods such as environmental sustainability and combatting climate change (Intergovernment Committee of Experts on Sustainable Development Financing, 2014).

The scale of financing required for sustainable development is enormous, but within reach. Estimated financing requirements across all critical sectors are large. Table 1 below compiles indicative financing gaps by sector from Greenhill and Ali (2013). While we do not endorse the figures cited therein, we take them as indicative of the scale of financing needed in order to achieve agreed international development goals. It is clear that financing devoted to sustainable development needs to increase significantly. Although the price tag is large, it is also very much within reach. The cost represents only a small fraction of world Gross Domestic Product. Moreover, inaction poses costs that are far larger, in terms of wasted human potential, violated basic rights, social instability and an irreparably damaged environment.

Roles of public and private finance

Both public and private sources need to be tapped to meet the large financing requirements for achieving

Table 1: Indicative Financing Gaps by Sector

Sector	Annual additional financing requirement (2010-2025 or 2030)
Education	$38 billion
Universal health coverage	$37 billion
Water and sanitation	$26.8 billion
Sustainable energy (Energy access)	$34 billion
Sustainable energy (Renewable energy)	$400-$900 billion
Food security	$50.2 billion
Total (excluding renewables)	$186 billion
Total (including renewables)	$586-$1,086 billion

Source: Ali and Greenhill (2013)

internationally agreed sustainable development goals. Each source will be appropriate to meet different needs. In particular, private flows should not be viewed as a substitute for public financing. In many key areas of sustainable development where private financing is insufficient or not fit for purpose, public financing will play a key role. In areas where private financing possesses comparative advantage over public financing, private sources need to be embedded in a human rights oriented policy and regulatory framework.

Public finance is motivated by the promotion of social rather than private welfare. Public finance, domestic and international, plays two core functions: first, achieving equity by fulfilling basic rights and social needs, and second, providing public goods.

Public finance's role in achieving equity stems from the failure of markets to deliver equitable outcomes. At the country level, progressive taxation and publicly-funded services and programs such as education, health, housing and social safety nets ensure the fulfillment of basic social rights and contribute to greater equity in social outcomes and income distribution. At the global level, this function is performed by official development assistance (ODA), whose primary objective is the promotion of economic development and welfare in developing countries. ODA can be targeted to countries where domestic revenues are low and private investments are weak. Despite the contribution of the private sector including philanthropic organizations, the private sector will remain the main provider of financing in this area.

Meanwhile, public finance's role in providing public goods stems from the failure of markets to provide them at the socially desirable level. In general, the private sector will underprovide goods that generate social benefits larger than what are privately appropriable, such as public goods, which are non-excludable and non-rival by definition. Public goods include basic infrastructure, the eradication of diseases, and the protection of the global commons such as oceans and the atmosphere.

We define private sources of finance as those not raised and controlled by the public sector and which seek commercial returns. Private sources include institutional investors (e.g. pension funds, endowment funds, and sovereign wealth funds), banks, and direct investors such as TNCs, domestics small and medium scale enterprises, and commercial farmers. Non-public sources that are non-commercial in nature are philanthropies and household consumption.

Current levels of private investment in developing countries vary across key Sustainable Development Goals (SDG) sectors, namely, economic infrastructure (power, telecommunications, transport, water and sanitation), agriculture and food, biodiversity, education, health, and climate change action.

Private sector investment in developing country infrastructure, excluding water and sanitation, is already quite high at 30% to 80% (UNCTAD, 2014). Much of large future private investments in sustainable development will likely be channeled to infrastructure, particularly in the power, renewable energy, and transport sectors. The High Level Task Force on the Global Food Crisis (2010) notes that the domestic private sector, including small-holder farmers, is and will likely remain the main source of finance for agricultural development, although public investments will have to increase. Private finance will also play an important role in financial inclusion, or in expanding access to financial services by small- and medium-sized enterprises (SMEs) and small farmers.

Meanwhile, public investments will be much more important in other sectors in which it is either difficult to design sufficiently attractive risk-return models for the private sector (e.g. climate change adaptation), or which are more in the realm of public sector responsibilities and are highly sensitive to private sector involvement from an equity and rights-based perspective (e.g. education, healthcare, water and sanitation) (UNCTAD, 2014).

Limits of private finance

Governments and policy makers seeking to expand the contribution of large private investors towards achieving sustainable development must recognize its limitations. The first is that the allocation of private finance tends to "follow the market". That is, it tends to concentrate in higher-income- or fast-growing economies with a large consumer base. For instance, while developing countries as a group received 54% of all FDI inflows in 2013, Africa only received 4%, South Asia 2%, and the Least Developed Counties, Landlocked Developing Countries, and Small Island Developing States together only 4% (UNCTAD, 2014). The poorest countries have low levels of domestic private investment as well.

Second, the imperatives of cost recovery and profitability that the private sector faces often come into conflict with human rights and sustainable development. For instance, greater access and affordability of public services such as water, energy, healthcare, and education are necessary for the realization of human rights. However, private providers of education or health services can impose user fees which limit access by the poor. Private suppliers of water or electricity can also exploit their market power by unfairly raising prices or limit coverage to economically attractive areas such as cities or suburbs while ignoring the needs of rural areas. These risks are most acute in countries with weak regulatory capacities and where private interests exert strong influence in government.

Third, as mentioned above, the private sector will under-invest in areas where social returns are high but not privately appropriable, i.e. public goods or sectors with high positive externalities. Examples include national-level public goods such as basic infrastructure, and global public goods such as climate change mitigation and the protection of the global commons (e.g. biodiversity, forests and oceans). Large private investors tend to favor investment opportunities that are financially attractive in the short run rather than those that promise larger development impacts in the long run.

Finally, private finance tends to be more pro-cyclical than public finance. Though ODA flows are more volatile than domestic tax revenues, globally they have proved less volatile than external private finance. Overall, however, global public finance is more likely to remain stable than external private finance in case of external shocks or a global systemic crisis.

For these reasons, private finance cannot substitute for public finance. Public sources of finance for sustainable development remain vital and central. In sectors where private finance plays a larger role, public sector interventions are necessary to ensure equity, human rights, social justice and coherence with other sustainable development objectives.

Domestic public resources

Tax collection

In a majority of developing countries, government spending exceeds private domestic investment and represents the largest domestic resource (Griffiths, et al, 2014).

However, public spending in developing countries remains low compared to developed countries. In 2012, general government total expenditure as a percentage of GDP was 33% in Latin America and the Caribbean, 31% in Middle East and Northern Africa, 26% in emerging and developing Asia, and 26% in Sub-Saharan Africa, compared to 42% in advanced economies and 51% in the Euro area (IMF, 2014). Meanwhile, average annual government spending in PPP terms is $1,360 per person across developing countries, compared with $15,025 across DAC countries. One billion live in countries where spending per person is less than $500 per year (Development Initiatives, 2013a).

Low tax revenues limit developing countries from increasing public spending. The tax-to-GDP ratio in low income countries range between 10% and 20%; in OECD countries, the range is 30% to 40% (Mascagni et al, 2014). Such low revenues constrict the space for poor countries to increase spending on social services and public infrastructure.

Several factors contribute to low tax revenues in developing countries.

- Lower-income countries tend to have a narrow tax base, reflecting the small share of the formal sector and a large share of the informal and agricultural sectors – sectors that are hard to tax – in employment and business activity.

- Private practices such as non-compliance, evasion and avoidance by professionals, high-income individuals, and foreign corporations further erode the tax base. Developing countries lose billions of dollars per year to illicit financial flows.

- Globalization puts a downward pressure on domestic revenues through trade liberalization and tax competition. Trade liberalization has reduced trade tax revenues. Tax incentives such as corporate income tax holidays, reducing corporate tax rates, and tax exemptions ostensibly to attract foreign investment also translate to forgone revenues and are regressive transfers to the wealthy.

Subsidy reform

Subsidies which are costly to taxpayers while also being inequitable and environmentally harmful need to be reformed. Fossil-fuel consumption subsidies are a chief example. According to the IMF (2013), global pre-tax energy subsidies amounted to $480 billion (or 2% of total government revenues), more than 80% of which were spent in developing countries. In Sub-Saharan Africa, energy subsides amounted to 1.5% of regional GDP and 5.5% of total government revenues.

Although fossil-fuel subsidies are commonly justified as assistance for the poor to gain or maintain access to essential energy services, much of the benefits of lower prices are captured by upper-income groups. The International Energy Agency (2011) estimates that in 2010, only 8% of fossil-fuel consumption subsidies reached the poorest income group (the bottom 20%). Similarly, the IMF notes that the richest 20% of households in low- and middle-income countries capture six times more in total fuel product subsidies than the poorest 20% of households (IMF, 2013). Thus, subsidizing fossil fuel consumption is not only inefficient as a means to assist the poor but reinforces consumption inequality as well.

Apart from being inequitable and inefficient, fossil-fuel consumption subsidies divert public resources from social services, social protections and public infrastructure investments that are more effective tools for poverty alleviation and development. Moreover, these subsidies cost the environment by discouraging energy conservation and encouraging greater energy consumption while reducing incentives to invest in energy efficiency and renewable energy sources. Insofar as the subsidies go to large businesses, they create energy-intensive industries that are not competitive without subsidization.

Meanwhile, time-bound subsidies for activities that have public good characteristics or positive externalities can be a powerful enabler for a transition to a more sustainable economy. Green subsidies such as price support measures, tax incentives, direct grants and loan support can help promote investment in sustainable development and mobilize private finance.

Illicit financial flows

Illicit financial flows refer to "unrecorded private financial outflows involving capital that is illegally earned, transferred, or utilized, generally used by residents to accumulate foreign assets in contravention of applicable capital controls and regulatory frameworks" (Ker & LeBlanc, 2013). Illicit money includes transfers related to illicit activities (such as government corruption, theft, smuggling, drug trafficking, or terrorism), capital flight, and trade mispricing. Money-laundering, tax evasion, tax avoidance, and dodging capital controls are some main motivations for illicit flows.

Illicit financial flows represent a massive drain on the domestic resources of developing countries. Ker and LeBlanc (2013) estimate cumulative illicit financial outflows from developing countries from 2002 to 2011 amounted to $5.9 trillion. Trade mis-invoicing comprises about 80% of these illicit flows. In Africa, illicit outflows over 2002-2011 amounted on average to 5.7% of the region's GDP – the highest among all developing regions, suggesting that illicit outflows have a disproportionate impact on the continent. Cumulative illicit flows from Africa over 2000-2009 are more than twice the official development assistance it received over the same period (African Development Bank & Global Financial Integrity, 2013).

Illicit financial outflows from developing countries ultimately end up in banks in developed countries and other tax havens like Luxembourg, the Cayman Islands or Singapore. Beyond draining capital from developing countries, illicit financial flows also facilitate transnational crime, foster corruption, undermine governance, and decrease tax revenues. Halting the loss of money due to these flows is critical to mobilizing domestic resources for development.

External public resources

Official development assistance

Official development assistance (ODA) plays a distinct role in that it is an explicit instrument of international cooperation to alleviate poverty and promote development in developing countries. Unlike remittances, FDI, and other commercial flows which tend to concentrate to larger, better-off or more economically dynamic developing countries, ODA tends to have a distribution that favors the poorer developing countries.

Official aid is the largest international resource for many countries. In 2011, ODA was the largest resource inflow in 43 developing countries, in which about 221 million people live on less than $1.25 a day (Development Initiatives, 2013a). Most of these countries are in Sub-Saharan Africa. ODA is also the largest flow for several Pacific island and Asian developing countries.

ODA is also a large international resource for countries with low government spending. ODA accounts for 40% of external flows to countries where expenditure is between $200 and $500 (PPP), per person, and over 60% of external resource flows to countries where annual government expenditure is less than $200 (PPP) per person (Development Initiatives, 2013b). ODA inflows are larger than any other external inflow for close to 75% of countries where government spending is less than $500 per person.

Aid from the OECD's Development Assistance Committee (DAC) countries continues to fall short international targets. Total net ODA from DAC countries in 2013 ($134.8 billion) amounted to 0.3% of their combined Gross National Income (GNI), far short of the 0.7% target. ODA to Least Developed Countries (LDCs) in 2012 ($40.5 billion) amounted to 0.09% of DAC GNI, also below the target range of 0.15%-0.20% (UN MDG Gap Task Force, 2014).

Development assistance from Southern countries such as China, India, Brazil, and Gulf State countries represents a growing source of external public development financing for developing countries. Assistance from China, Brazil, India, Venezuela, Saudi Arabia, Kuwait, and the United Arab Emirates is estimated to amount to somewhere between 5% -11% of gross ODA in 2009 (Walz & Ramachandran, 2011). Expanding South-South cooperation complements traditional development cooperation, but nonetheless should not be seen as a substitute for traditional aid flows.

Innovative sources of development finance

The need to mobilize additional and more predictable international public financing to support the large financing needs of sustainable development motivates the search for innovative development finance (IDF). Innovative development finance refers to public, cross-border – and ideally additional, stable, and predictable – resource flows to developing countries that incorporate innovative features with respect to the type of resources or the way they are collected or governed (United Nations, 2012). Innovative development financing mechanisms can be categorized intro three groups: those that generate new sources or revenues; those that intermediate existing resources such as ODA; and those that disburse traditionally raised funds like ODA in innovative ways (UNTT Working Group on Sustainable Development Financing, 2013)

Existing innovative development finance mechanisms have generated little new and additional resources. Most of them are designed to merely to intermediate or disburse traditional and existing sources and not generate new revenues. These include the International Finance Facility for Immunization (IFFIm), the GAVI Alliance, and the Global Fund. The international solidarity airline levy, implemented by nine countries, is thus far the largest innovative revenue-generating mechanism. As of December 2012, the solidarity levy has raised around $1.2 billion for UNITAID (UNITAID, 2013). Overall, existing mechanisms have so far raised, intermediated or distributed only $5 billion for health and $2.6 billion for climate and other environmental programs – much of which donors count as ODA

(UNTT Working Group on Sustainable Development Financing, 2013).

There is a great need to put in motion innovative sources or revenue-generating mechanisms. There are two main categories under sources of financing: public sector revenues and utilization of global resources.

New public revenues can be raised from imposing international taxes. There are numerous proposals for taxes that change incentives as well as raise significant revenues. They include financial and currency transaction taxes, a billionaire's tax, or a carbon tax. A small tax of 0.005% on all trading in the four major currencies (the US dollar, Euro, Yen and Pound Sterling) could yield an estimated $40 billion per year, while also dis-incentivizing high frequency trading in currency markets. Meanwhile, a tax of $25 per ton of carbon dioxide emitted by developed countries can generate $250 billion annually, while discouraging carbon emissions as well (United Nations, 2012).

The special drawing rights (SDRs) issued by the IMF are a global resource that can be turned into a source for sustainable development. New SDRs could be issued annually and allocated in favor of developing countries. By increasing developing countries' share of SDRs to two-thirds from their current quota-based allocation, a global issuance of SDR 150 billion – SDR 250 billion per year for three years could generate about $160 billion – $270 billion a year (United Nations, 2012). The availability of additional SDRs could obviate the need for developing countries to accumulate foreign exchange reserves as self-insurance against external market shocks, and thereby free up resources for domestic spending.

Human rights and development effectiveness

Just as important as mobilizing financing in sufficient quantity is the question of the quality of financing, and in particular, its impacts on human rights and sustainable development. The impact of financing depends on how the funds are spent, including on the nature of the projects or interventions they support. For instance under renewable energy promotion initiation, often, mega dams with negative impact on human rights and environmental impacts are considered and included as renewable energy with huge financings mostly by private parties. Therefore, the financing process requires due attention as well.

With respect to official development cooperation, official consensus has formed around reform principles of country ownership of development priorities, inclusiveness, transparency, and accountability as key to increasing the effectiveness of aid. Civil society stakeholders insist on a deeper reform agenda that seeks to inject greater democracy, equality, and human rights adherence in aid processes and relationships, with the aim of empowering recipient countries and publics to influence development outcomes and claim them as rights.

Meanwhile, with respect to private investment, a growing number of investors have signed up to voluntary principles intended to encourage socially and environmentally responsible investments. Some examples of these principles are the UN Principles for Responsible Investment, the Equator Principles, and the OECD Declaration on International Investment and Multinational Enterprises. Private businesses sign on to these principles for reasons that range from improving long-term investment prospects to enhancing business reputation. These investment principles do not overcome the basic tension between profitability and both sustainability and equity and too weak to hold private investors to account. The main impact of investment principles on sustainable development so far is mitigation of the worst effects of investments rather than a shift in the underlying basis of decision-making (Just Economics, 2011).

Conclusion

In light of the large financing needs and the unique role and purposes of public finance, securing sufficient public sources of finance, both domestic and public, will be critical for achieving sustainable development.

- The international community should take a balanced approach towards mobilizing public and private sources for sustainable development, giving due priority to public financing on account of its greater potency for tackling inequality, serving the poorest and most vulnerable, and protecting the public interest.

- Developing countries should aim to raise their tax-to-GDP ratios by improving tax effort, eliminating unnecessary tax incentives for corporations and top-income earners, and making taxation more progressive.

- Developing countries should eliminate inequitable energy and other subsidies, while minimizing possible adverse impacts to the poor. Focus public resources instead on investments that target lower-income and vulnerable groups better, such as basic infrastructure (water, sanitation, and power), education, and primary and preventive health care.

- Developed and developing countries should strengthen international cooperation to address illicit financial flows, including through measures such as country-by-country reporting, information exchange, cooperative enforcement, and capacity development on international taxation issues.

- DAC donor countries should revitalize their commitment and efforts towards meeting their 0.7% of GNI official development assistance target.

- Northern and Southern donor institutions should improve the quality and impact of their assistance by carrying through with development effectiveness reforms anchored on democratic country ownership and committing to a human rights based approach in development cooperation.

- The link between increased private investment and development is not automatic. To maximize the development impact of private direct investment, domestic and foreign, developing countries should foster a pro-development – rather than simply pro-investment – policy environment premised on the respect for laws, regulations, and standards on human rights, labor relations, environmental protection, and domestic taxation.

- The international community should agree on and operationalize innovative mechanisms for generating additional and predictable international public revenues for sustainable development, including climate finance. These revenue-generating mechanisms must be equitable and consistent with the international principle of common but differentiated responsibilities.

- The international community should commit to channel public and private financing to projects, programs, and other interventions that respect, protect, and fulfill human rights and help address the structural causes of poverty, inequality, and environmental decline.

- Private financing need be subjected to accountability and regulatory frameworks.

3 MULTI-STAKEHOLDER PARTNERSHIPS FOR DEVELOPMENT

Since the late 1990s, the UN has encouraged global public-private or multi-stakeholder partnerships (henceforth, "partnerships") as vehicles to draw private sector participation into the global development effort. In particular, these partnerships are held up as a mechanism to solicit private sector contributions towards achieving global development goals, such as the MDGs, in cooperation with national and international public institutions. Some examples of multi-stakeholder partnerships that UN entities participate in include the GAVI Alliance, the Global Fund, Every Woman Every Child, and the Global Education First initiative, to name a just few. Partnerships focus multi-stakeholder action around specific sectors such as health, education and gender, or on specific campaigns within them (e.g. immunization).

There is no official definition of partnerships, but an accepted definition of the concept can be gathered from various UN documents (e.g. UN General Assembly, 2003; UN General Assembly, 2011; United Nations, 2013; ILO, Governing Body, 2008). Partnerships are voluntary and collaborative relationships among various actors in both public (State) and private (non-State) sectors, in which all participants agree to work together to achieve a common goal or undertake specific tasks. Participants in these partnerships include governments, intergovernmental organizations, civil society organizations, and the private sector—defined to include for-profit businesses, business associations, and philanthropic organizations. Partnerships aim to deliver global public goods. Partnerships involving the UN are expected to contribute to the implementation of internationally-agreed development goals and commitments such as Agenda 21, the Millennium Development Goals and the Rio+20 Summit commitments. These partnerships, it is pointed out, do not substitute for action by and cooperation between governments.

We distinguish the partnerships in our analysis from public-private partnerships (PPPs), which are contractual arrangements between the public sector and a private sector partner for the delivery of a public service within a country. We also distinguish partnerships from the global partnership for development, which pertains to the North-South compact to foster enabling conditions for Southern development.

Partnerships may serve various purposes, including advancing a cause, to implement normative standards or codes of conduct, or to share and coordinate resources and expertise. Partnerships also vary in terms of institutionalization. They may consist of a specific single activity, or may evolve into a set of actions or even an enduring alliance, building consensus and ownership with each collaborating organization and its stakeholders. While they vary considerably, such partnerships are typically established as structured co-operative efforts with a sharing of responsibilities, expertise, resources and other benefits (ILO, Governing Body, 2008).

It is difficult to determine the population of multi-stakeholder partnerships given the broad definition offered above. According to Kaul (2006), there were some 400 partnerships in 2005, from about 50 in the 1980s. As of February 2010, there were 348 “Type-2” partnerships that had registered with the Commission on Sustainable Development, 198 of which were still active ahead of the Rio+20 Summit in 2012. The importance of voluntary initiatives was re-affirmed at the Rio+20 Summit, where initially over 700 voluntary commitments were announced, estimated at over $530 billion in advancing the implementation of sustainable development (United Nations, 2013). It is expected that the launch of a new set of sustainable development goals in 2015 will lead to additional voluntary commitments by partnerships after 2015.

Table 1 below presents a functional classification of multi-stakeholder partnerships following Beisheim (2012).

Table 1: Types of multi-stakeholder partnerships

Type	Description	Example
Knowledge partnership	Knowledge partnerships pool expertise and formulate proposals on the best way to implement international development objectives. They function as learning platforms, and their main role is to disseminate knowledge.	Global Compact
Standard-setting partnerships	Standard setting partnerships draw up voluntary standards in areas not yet subject to binding goals or regulations.	Global Reporting Initiative
Service partnerships	Service partnerships focus on initiating and realizing projects designed to achieve development goals. Some service partnerships are primarily concerned with project financing supported by public and private resources	GAVI Alliance

Source: Beisheim (2012)

Partnerships between UN organizations and for-profit businesses form a subset of the population of multi-stakeholder partnerships. These UN-business partnerships are perhaps the most politically contentious. The rise to UN-business partnerships is to be understood in the context of key developments in the international political economy:

- The erosion of states capacities such as regulation, resource allocation and resource mobilization due to free-market reforms reducing the size and role of the state in the economy, and their accession to trade/investment agreements that limit policy space.
- The increase in number, size, and influence of transnational corporations (TNCs), which owe their economic power through foreign direct investment and global value chains.
- The weakening of the potency and authority of the UN as the institution of global governance by powerful states, including through the underprovision of financial resources.
- The paralysis of democratic multilateralism, as evidenced by stalemates in international negotiations and failure to translate international commitments into practice.
- The anemic level of official development assistance and the decline of ODA in proportion to private flows to developing countries.
- In response to mounting concerns on the social, economic and environmental costs of business and TNCs, the emergence of the corporate social responsibility agenda (CSR) and social business models.
- The acceptance of business in general and TNCs in particular as actors that can contribute in development and poverty reduction through voluntary initiatives and partnerships with governments and international institutions.

Partnerships with the private sector and civil society are thus held up as the way to achieve what governments and the UN cannot manage alone. The years following the launch of the UN Global Compact in 2000 saw a rapid rise in the number of public-private partnerships or multi-stakeholder initiatives within and outside the UN system. The driving force behind these initiatives was in part the secretariats of international organizations, especially the UN and the World Bank, in part private financers such as the Bill and Melinda Gates Foundation, and finally also a number of individual companies, NGOs and governments. Partnerships are often created in response to high-visibility and single-issue advocacy campaigns with a strong political appeal in donor countries.

Pros and Cons

A review of the various high level UN reports suggest that multi-stakeholder partnerships are being positioned to take on an integral role in implementing the post-2015 agenda on account of their perceived accomplishments – although there is yet to be a broad-based evaluation of their impacts. However, before promoting them as the principal strategy for implementing the post-2015 development agenda, there needs to be an examination of their efficacy and outcomes.

Exponents of partnerships argue that these new forms of cooperation can overcome important gaps in traditional intergovernmental cooperation, namely, gaps in governance, in participation, and in implementation and financing (Martens, 2007). The governance gap refers to inability of international institutions to effectively address global problems due to diverging national interests. The participation gap refers to the limited opportunities for non-State actors to participate and influence global governance. Finally, the implementation and financing gap refers to failures in fulfill international commitments and financing pledges because of the absence of political will. It is argued that partnerships can help bridge these gaps by drawing the participation, expertise, resources, and action of willing and like-minded non-State actors towards solving pressing problems.

However, partnerships come with risks and problems, which we consider in turn.[1]

1. Neglect of difficult and structural problems.
Partnerships tend to develop selectively and concentrate on problems in which technical solutions lead to relatively quick wins (e.g. vaccination programs). Long-term structural problems such as building up a health system or overcoming gender inequality are only peripherally touched (Martens, 2007). Partnerships also tend to focus attention on short-term quantifiable results. They tend to be vertical structures (focusing on a specific program or issue and implemented in several different countries) without considering the broad-

1 This is based on IBON International (2014) and Martens (2007).

er social context and need for systemic changes (e.g. how the multilateral trade system impacts on access to medicines in developing countries). They channel funds and programs at a global level to the local without considering the inter-dependence of critical issues.

2. Corporate influence over public policy and conflict of interest

Partnerships could allow big corporations and their interest groups to gain influence in setting the discourse and agenda for solving global issues. Moreover, partnership decisions or work approaches could be skewed to favor its corporate members. Partnerships can lead to conflicts of interest, since private companies have commercial goals whereas public institutions such as governments and UN agencies must pursue social and environmental policy goals. For instance, the GAVI Alliance has failed to bring down vaccine prices to affordable levels, partly because of the presence on its board of pharmaceutical companies that are also major vaccine suppliers.

With respect to UN-business partnerships, private influence can damage the credibility and reputation of UN agencies that companies partner with. For example, UNEP and Shell have held long standing partnerships on a wide range of programs. In 2010, UNEP produced a report on the allegations of environmental degradation and extrajudicial killings of environmental activists in Nigeria. UNEP's first draft report relied heavily on data supplied by Shell and attributed 90% of the blame for environmental pollution on local population. Only after significant protests did UNEP release a revised report in 2011, which apportioned blame to Shell for environmental pollution (IBON International, 2014).

3. Corporate greenwashing and blue-washing

Corporations enter into partnerships to, among other things, clean up their reputation and engage in free advertising, without fundamentally altering their priorities and business practices. For example, Coca-Cola partners with UNDP in "Every Drop Matters", a partnership to tackle water supply, sanitation, and water resource management. The partnership was launched in 2006, at a time when Coca-Cola was coming under severe pressure for its exploitation and exhaustion of water resources in India and Latin America (IBON International, 2014).

4. Undermining of country ownership.

Partnerships can undermine country ownership of development policy through resource distortion, funding control, and policy influence. Advocacy partnerships backed by financing can influence priorities of recipient countries. For example in Rwanda, malaria was the biggest cause of mortality in 2006 and received $18 million, however HIV/AIDs received significantly more funding $47 million despite there being a prevalence rate of 3% (Delph, 2008). Partnerships also establish parallel channels which compete with national services in resources and personnel.

5. Fragmentation of effort

The growth in partnerships can lead to isolated and poorly coordinated solutions, hinder comprehensive development strategies and contribute to the institutional weakening of governmental agencies and even the UN and its agencies (Martens, 2007). This also undermines attempts at sector wide reforms. For instance, global partnerships on health care often focus attention on "hot" priority issues – HIV/AIDS, vaccines, malaria, etc., without considering how the sector as a whole can be improved to address all these issues.

6. Dubious additionality

The hope that voluntary partnerships and initiatives could generate significant additional funds from the corporate sector for sustainable development objectives has not been fulfilled (Martens, 2007). For instance, of the resources ($1.02 billion) pledged till 2004 for the "type-2 partnerships" from the World Summit for Sustainable Development in 2002, only 0.9% was from the private sector; about 98% were public funds from governments and intergovernmental organizations, some of which representing financing for projects that had begun prior to 2002 (Hale & Maurezall, 2004).

Conclusion

Sustainable and equitable multi-stakeholder partnerships that include all development actors, in particular affected communities, can play an important role in providing an enabling environment for sustainable development if lessons from existing partnerships are learned, and if they are premised on key principles to ensure their coherence with and support of the right to development.

There continues to be great attraction in partnerships that deliver quick gains in popular sectors such as health and education. Partnerships around less popular issues, such as inequality within and among countries, unsustainable consumption, and the means of, implementation for development, should be encouraged. Also requiring greater encouragement are partnerships that take a systemic and long-term approach to development problems.

It is essential to foster partnerships that are responsive to the sustainable development needs of marginalized communities, affected by the pursuit of pro-corporate and free-market economic policies. In case of indigenous peoples, their rightful involvement in decisions on development process, mega dams, oil exploration, mining, plantations affecting their land with increasing private financing involved is crucial. A financing model defined in their exclusion cannot be forced on them and will lead to further consolidation of inequality, conflict and violations.

A set of common minimum standards should be developed for partnerships, including UN-business partnerships, to adhere to. These should include standards in:

- *Human rights.* All partnerships must be coherent with international human rights agreements.

- *Equality.* Providers of financial resources should not exert undue influence over partnerships.

- *Inclusivity and participation.* Governance of partnerships should be inclusive and promote the participation of all stakeholders.

- *Democratic country ownership.* Partnerships involving the flow of resources into countries should align with national priorities or strategies, use country processes as much as possible, and avoid conditionality and tying practices.

- *Transparency.* Partnerships should make information on funding, conflicts of interests, and impacts available promptly and regularly.

Partnerships should not be an excuse for the diversion of ODA from traditional forms and channels of North-South development cooperation.

All partnerships, but especially those with local-level interface, should make efforts to engage local stakeholders, especially the marginalized such as women and indigenous people.

While partnerships can encourage greater environmental and social responsibility among for-profits, they do not substitute for embedding businesses in regulatory frameworks. Nationally, governments should claim their policy space to regulate businesses in accordance with human rights and national development objectives. An international code of conduct for transnational firms also remains relevant.

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