



Wilton Park



Image: DFID

Report

## **Beyond aid: innovative governance, financing and partnerships for the post-2015 agenda**

Wednesday 25 – Friday 27 February 2015 | WP1364

In partnership with:



Department  
for International  
Development



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The Sustainable Development Goals (SDGs) will represent an important opportunity to address the underlying causes of poverty and will have substantive implications 'beyond aid', requiring institutional, financial and policy actions by both developed and developing countries in what is an increasingly interdependent world.

The UN Secretary General's Synthesis Report calls for 'norm-based policy coherence at all levels, corresponding reform of global governance mechanisms and a renewed effective global partnership for sustainable development'. This vision of sustainable development calls for a high level of ambition and an inclusive, dynamic and transformational course of action.

This Wilton Park conference gave participants an open forum to explore new ways of working on three discrete areas of the post-2015 agenda:

**Beyond-aid partnerships** – how to cultivate and support multi-stakeholder, action-focused initiatives and partnerships in developing, emerging and advanced economies to implement the post-2015 agenda. This is not simply a matter of better coordination and dialogue; it is about finding new ways of working based on mutual respect, mutual learning and effective cooperation to find solutions that work.

**Beyond-aid financing** – how to maximise the impact of international finance to tackle illicit financial flows, improve capacity for taxation and domestic resource mobilisation, harness trade and deliver innovative financing into a credible international model of financing for development that is fit for purpose in a post-2015 environment.

**Beyond-aid governance** – how to build cooperative international frameworks that are flexible enough to learn from different approaches, robust enough to maintain focus and change behaviours as well as open enough to engage citizens, build accountability and uphold rights.

“Poverty is by no means ended and where external development assistance is still needed, we have to come up with a more sophisticated framework for understanding the development challenge and also addressing it. This year is the perfect opportunity to come up with that framework and build a new global partnership”

“We can't take the impact of the negotiation process for granted this time on SDGs compared to MDGs”

## Key points

**Tell the story better** – develop an MDG to SDG narrative that celebrates success, captures the imagination of political leaders and ordinary citizens, focuses on the end-game and drives positive action and change.

**Demonstrate leadership and ambition** – all governments and organisations should ensure that Ministers, CEOs and other leaders turn up in Addis with a high level of ambition and commitment.

**Empower, listen to and act on the priorities of the poorest countries** - Bridge the gap between negotiations at the UN in NYC and the practical actions desired by developing countries.

**Don't let political point scoring lower ambition around the negotiation table and create a race to the bottom** – imaginative pledges and commitments by both traditional and emerging donors are needed in Addis to open up discussion.

**Don't let the breadth of the agenda lead to institutional power broking or increased bureaucracy and prevent real change** – if you lobbied for a goal or target then lobby just as hard to create the right structures and institutions to successfully deliver it: start a real, action based, dialogue on implementation and institutional reform. If this means leading change within your own organisation, then do it.

**'Means of implementation' is more than just financing** – a credible governance structure underpinned by a clear action plan, is needed for successful implementation. This should embrace and include aid and non-aid financing models, empower south-south cooperation, allow flexible and nimble partnerships to tackle specific issues and engage new and innovative structures such as the BRICS bank and the GPEDC.

**The difficulty of designing more coherent non-aid policies that will benefit developing countries should not be underestimated** and the implementation of those policies will require technical assistance and other support to help countries ensure that their domestic policies and institutions are able to maximise the benefits they reap from more coherent international policies.

**Further focussed discussions could be usefully held** to agree what actions, partnerships and accountability mechanisms would work best to tackle issues such as climate change, health, water, disaster insurance, protection from global shocks and capacity building.

**Maximise the impact of 2015 by linking all key international meetings and being focussed about what they can deliver towards a better future** – the Third International Conference on Financing for Development in Addis in July, the post-2015 Summit and UN General Assembly in September, the 21st Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change and the World Trade Organisation Ministerial Summit in December, should all be clear about how their outcome agreements can contribute to a fairer, cleaner, more equal and developed world.

## Post-2015 context and 'end game': Perspectives for a global partnership

Speakers offered perspectives for a post-2015 landscape from a traditional donor the global South and an emerging economy.

1. **The opportunity:** 2015 offers a unique opportunity to achieve a paradigm shift in how we 'do' development, from a north-south, donor-recipient model to one that looks beyond traditional aid-based relationships and development actors are equal partners acting according to their strengths to put the world onto a fairer, sustainable development pathway.

If we achieve this shift, by 2030 we could make major progress on further reducing

extreme poverty and tackling inequality, while also making real strides on tackling the massive issues of climate change and environmental degradation.

2. **The challenge:** we all want to live in that better world – but how achievable is it? Have we truly considered what changes will be required for our institutions to effectively operate and deliver these outcomes? What is needed to move past labels and identities like ‘north’, ‘south’, ‘MIC’, ‘donor’, ‘BRICS’ and have a real dialogue about what successful collective action will look and feel like? What is really needed to secure a more democratic, fairer and more diversified international order? How should the DAC operate in this world? Will the DAC still be relevant? What about other institutions of global governance? What would be priorities for UN reform? What is the role of ODA and how can we move beyond aid.

### From MDGs to SDGs

3. The world is a very different place to the one in which the MDGs were negotiated. Advances in technology have broken down borders to make the world appear more connected, with discussions around human rights and environmental concerns taking place in an open global online community, abuses more easily exposed and best practice more easily shared and celebrated. However, significant challenges remain – poverty persists, inequality is growing and there is still a lack of adequate protection against global shocks (consider the Asian crisis of 1997 with the global recession of 2008).
4. Successful development brings its own challenges: as countries develop and reduce extreme poverty the gap between rich and poor often grows. South Africa is home to 50,000 of the African continent’s 70,000 millionaires and yet 1 in 4 people there go to bed hungry. The SDGs will need to support Middle Income Countries to balance their growing international role as development assistance providers with the complex political and fiscal challenges they face at home.
5. The group noted that the SDGs are different from the MDGs in three significant ways.  
Firstly, they are an open process where all UN Member States, as well as civil society and private sector organisations, have the opportunity to say what they should look like. As such the new goals should have greater legitimacy and be ‘owned’ by the whole international community.  
Second, they’re very comprehensive in nature. The negotiations have brought two processes and therefore two communities together – a development community that has been steeped in the Millennium Development Goals and is interested in poverty eradication on the one hand and the Rio community motivated by a more sustainable and healthy planet on the other. The challenge is to service these two agenda and come up with a credible, manageable, set of post 2015 goals.  
Third and relatedly, the goals are intended to be universal. They are very much about shaping the behaviour of all member states, all citizens and all institutions, to build a sustainable future in which nobody is left behind. We will all need to take a responsibility to deliver them and there will be considerable implications for policy that takes us beyond traditional aid policy.

### The SDG proposal

6. The Open Working Group proposal has 17 goals and 169 targets and an as-yet unknown number of indicators. Many discussants worried that we are in danger of creating more bureaucracy and less coherence with an agenda this long and unwieldy. Is there a danger that the international community will agree to a huge agenda that just can’t be implemented and will lead to armies of centralised bureaucrats spending years debating indicators and fighting for resources, while at national level developing countries have to make difficult choices about how to prioritise their resources and large parts of the agenda will be ignored.

“Is it just an illogical mess, but no one wants to be the first to say it? It’s like the ‘Emperor’s new clothes’ but there are so many clothes we can’t even see the Emperor!”

7. On the other hand, many argued that this level of nuancing and detail was required in order to cater for all needs and that a longer list of goals was an acceptable consequence of a more inclusive process. After all, if you added up all the various objectives and targets of the multilateral agencies, NGOs etc. that exist now you would probably end up with many more than 17/169 and a much less coherent structure. Others pointed out that nuancing is critical if the underlying causes of poverty and issues of inequality are to be addressed.
8. All discussants agreed that work was needed to turn the Open Working Group proposal into something that captures the imagination of political leaders and ordinary citizens, in effect, to 'tell the story better'.
9. 3 elements were suggested as being vital to ensuring the success of the SDG process:
  1. A big idea or vision that inspires and rejuvenates action
  2. A credible plan for implementation that is endowed and realistic
  3. Political will and leadership.
10. At the moment the development community is working hard on the first two elements, building a sense of momentum and planning around the process, but how connected are national governments and politicians to the process? The group agreed that a test of political will and leadership will be whether Finance and Development Ministers turn up in Addis and the level of ambition they bring to the table.
11. It was agreed that to achieve successful development outcomes the SDGs will need to offer an attractive prospect to countries at all stages of their development, with the flexibility to meet the different needs of low income countries and fragile states and to tackle inequality in middle income countries (where most of the world's poor reside) and developed countries. This presents real challenges to developing an SGD narrative that appeals to all stakeholders and a monitoring framework with sensible indicators that can track progress against hugely varying baselines.
12. Four agendas were seen as potentially framing the SDGs, each with potential and challenges:
  - Universal – sounds 'fair' on the face of it, but what does this actually mean in practice for countries and communities? Everything for everybody? Something for some? Nothing for no-one? The notion of being able to fix universal indicators is untenable – for example: the \$1.25 a day per capita income level will probably not buy a bus ride in Bangladesh by 2030 (the target date for SGD goals, targets and indicators to be reached).
  - Transformative – opportunity to better tackle the causes of poverty and inequality and develop more robust global goods by encouraging structural changes in economies and seeking to address issues of health and social protection (which were not in the MDGs), as well as the environment and unsustainable technologies.
  - Inclusive – SDGs should 'leave no one behind' and should empower citizens and civil society to demand and monitor change, but this will require complex disaggregation of the SDGs and a sophisticated monitoring framework. How can we harness expertise, technology and open data to achieve meaningful measurement of marginalised groups.
  - Integrated – incorporating economic, social and environmental factors. But many systemic issues are being negotiated in other platforms (e.g. the WTO is out of the scope of the SDGs and the UN) – and many developing countries feel unable to influence these discussions. The impact of the SDGs is limited by constraints out of development community control – how can we maximise the development impact of trade, if the WTO doesn't have development on its agenda?

“SDGs are about more than aid – they're about Aid++. Finance, partnerships and governance all interrelate”

## Shifting the debate beyond ODA

13. Of the 193 UN Member States, only around 30 countries are still low income countries. These are the economies that will continue to be heavily dependent on ODA to implement the agenda. Conversely there are only around 30 donor countries that have made international commitments to provide more aid. For the remaining 130 or so emerging middle income countries that have achieved higher levels of prosperity, discussions about aid are becoming something of a side show to the real issues that constrain their pursuit of sustainable development. The bottom line is that many countries are looking for the FFD conference to unlock finance from other sources to implement the SDGs and it shouldn't be a discussion just about aid.
14. DAC donors provide \$313 billion a year, but the full estimated sum required to implement the SDGs is \$1.9 trillion. Even by looking 'beyond aid', this is an astronomically high figure and the current financing mechanisms focusing on sustainable development fall well short of this.
15. Other financing mechanisms now dwarf ODA in terms of volume (indeed a large part of the success of the MDGs was financed through domestic resources rather than aid) but a lot of newly fast growing economies – for example India, Indonesia and the Philippines - are offering surprisingly favourable tax regimes to their richer populations, despite continuing to have large numbers of poor people alongside a booming middle class that could afford some redistributive taxation.
16. Despite this, much of the SDG debate still focusses on ODA. Despite an overall increase in aid in recent years, traditional donors' poor performance against the 0.7% aid commitment is resulting in a lack of trust and perceived inequality that is hampering discussion around positive collective action. Recognising this, the UK (which is contributing 0.7% of national income to development) has been encouraging donors to robustly and publicly recommit to the 0.7% target and reverse the decline of ODA to the poorest countries. Without this recommitment there is a danger that the Financing for Development conference in Addis Ababa won't move 'beyond aid' in a meaningful and positive way.

## Global governance fit for a changed world

17. The group highlighted that 'means of implementation' is more than just financing for development - governance, or rather the lack of a credible governance structure, was identified as a major obstacle to implementation. With no suitable overarching global governance body currently in place equipped to deal with the diversity and greater inclusion required for the SDGs in comparison to the MDGs, concerns were expressed around whether SDG outcomes could be achieved.
18. Having accountability and some kind of governance at a national level is manageable, with each country adopting targets and reporting mechanisms that are appropriate for their context and priorities. However, it still leaves the question as to who will manage global monitoring with an authority that is respected by all.
19. There was much discussion around the role and effectiveness of the UN, in particular the fact that what was being decided and discussed in New York bore little relevance to what was actually required and understood at a national level or 'on the ground'. Discussions by African Finance Ministers within the African Union have clearly identified priorities for the coming decades, but often these do not carry through to missions in New York. In particular, the G77 was criticised for failing to advocate the needs of low income countries and blocking attempts to have reasonable discussions about key beyond aid issues such as DRM, the role of south-south cooperation, transparency and mutual accountability. Likewise, the G7 was criticised for failing to deliver a credible track record of leadership and delivery to match their rhetoric on issues like tax and trade.
20. Clear and accountable coordination and implementation is also a challenge. With some

35 multilateral development agencies, each having their own sets of priorities based around the previous MDG structure and many having been born in a post-World War II Bretton Woods structure, it was suggested that these and the wider global architecture were out of date and no longer fit for purpose. The significant problem with this is that with less than a year to go before the world wakes up on January 1<sup>st</sup> 2016 with their new SDGs in place, there is no time to reform the UN or re-orientate the most powerful and influential multilateral agencies, even if there is (as some doubted) the political will to do so.

21. The G20 was suggested as a fair and more balanced international grouping to politically lead the agenda (to replace the polarization between the exclusive and distrusted G7 and the unrepresentative and politicking G77). The G20 has a focus on economic growth and stability and, with the Development Working Group already working to a 'beyond aid' agenda, could play a greater role in agenda-setting and consensus building. There was interest in this idea, alongside recognition that the G20 is still not considered representational enough and a worry that 'as the new boys get admitted to the club they'll behave just as badly as the old ones'. A 'G193' is needed, with roles, ambition and responsibilities articulated in a positive narrative of collective action.

"The North needs to respect the growing diversity of the development model – the South needs to be a partner on easier terms"

#### **In an unequal world, what does 'equal partners' really mean in practice?**

22. While the concept of a new global partnership that moves beyond the old 'North/South' dichotomy is welcomed in theory, discussions acknowledged that there is significant uncertainty and distrust around how 'equal partnerships' should or could operate in practice. There is a huge difference in wealth and development even between the wide variety of middle income countries, never mind between northern developed countries, low income countries and fragile states. Even if the SDGs achieve everything they aim for, by 2030 low income countries will still be nowhere near as developed as the traditional north.
23. As countries get richer and begin to offer aid and technical assistance to poorer countries, they face the same political challenges as traditional donors – how to justify external aid to their citizens when significant poverty challenges remain at home. They are also cautious to ensure that their increased development activity does not let richer countries 'off the hook' – and that ODA commitments are still taken seriously and met by traditional donors.
24. While countries like China, India and South Africa cannot commit to a target like 0.7% (arguing that they need their aid resources to tackle domestic development challenges), they do take their role as emerging providers seriously. Common but Differentiated Responsibility (CBDR) is the solution they seek, with some going so far as to suggest it should be the driving principle for a new Global Partnership, with South-South Cooperation promoted as an explicit resource which compliments but does not replace North-South cooperation. Developed countries are sceptical because the principle puts a greater burden – and challenging targets - on them, while BRICS and other Middle Income Countries still lag behind in efforts to be transparent and open about their development assistance, or agree to any targets or commitments.
25. Many discussants wished that the debate would move beyond the highly politicized *principle* of CBDR and towards open practical discussions about specifically what 'responsibility' nations would commit to in key areas.
26. It was suggested that the reluctance of the global south to frame its contribution to development in terms of commitments and targets is a missed opportunity to position themselves in a leading political and negotiation position. BRICS and other MICs contribute a great deal to international development outcomes – through different forms of development assistance such as loans, south-south cooperation, knowledge sharing and south-south trade agreements - but this contribution is not properly quantified and recognised.

27. In many ways MICs are the embodiment of successful development - countries that are on the way to building the social, political and economic institutions that will lift their country out of poverty for good. They demonstrate, to varying degrees, how improvements and progress can be delivered. Southern providers are already beginning to work together to better monitor and assess and share learning from their south-south cooperation activities. By framing this contribution in terms of ambition and commitments that *they* design and bring to Addis, the South could gain the moral high ground at the negotiating table and force others to raise their game.

### **Building fairer, more balanced, institutions**

28. There is a greater desire on the part of many countries and stakeholders to work better together and yet these long-standing vested interests in cumbersome institutions and continuing imbalances of power act as real and perceived barriers to meaningful change.

29. It is therefore hardly surprising that emerging economies, as they lift themselves out of a status of dependency, start to question and challenge the status quo. We have a more assertive 'South' and confident Africa, as well as China, India, Brazil and the MINT countries (Mexico, Indonesia, Nigeria and Turkey) creating more wealth and middle classes keen to consume, demand decent health care, education and hold their governments to account.

30. China's rise to global prominence in the last 15 years has had a huge impact, challenging the hegemony of the traditional donor and financing mechanisms of Europe and the US, through positive competition offered by new institutions and practices. Without China's success against MDG1, global performance would be nowhere near as strong. China and the other BRICS are committed to delivering development financing and technical assistance on a genuine basis of equal partnership with their less developed southern nations.

31. Participants described how the BRICS felt compelled to create their own development bank in light of their lack of voice in the World Bank and other IFIs and the reluctance of those IFIs to change or reform and the BRICS's genuine belief that injecting competition into international development finance institutions would be healthy.

32. Accordingly the BRICS Bank was created to deliver flexible, innovative, development financing based on sound banking principles and to bring a different approach into the IFI market. The bank will deliver economic growth and infrastructure focussed development finance and has a democratic and flexible governance structure which is orientated towards the needs and capacity of its clients. It is hoped that offering development finance through a different model the BRICS bank will stimulate inclusive competition and drive traditional IFIs to reform and improve. The intention is not to challenge IFIs but to create helpful competition that would raise everyone's game.

"Growth is not a proxy for poverty reduction"

### **Policy Coherence for Development at National Level – Case Studies**

Understanding the impact of non-aid policies on the developing world

33. The Netherlands government structure has sought to institutionalise policy coherence for development through the creation of a Minister responsible for Foreign Trade and Development Cooperation. This joint brief places development issues alongside trade and at the heart of government. This enables development officials to influence wider policies with an impact on developing countries and work across government to develop 'win-win' policies.

34. Having said that, the trade-offs between non-aid policies and their development impact is very difficult to quantify. In an attempt to better understand the impact of Dutch non-aid policies on the developing world, the Ministry of Foreign Affairs conducted pilot studies in Ghana and Bangladesh.



35. These pilots found that:
- a) Aid, trade and migration policies appeared to have the most impact, while the effects of a tax treaty to prevent double taxation and tax evasion appeared only marginally positive.
  - b) However the assessment of the impact of developed country policies is highly complex, raising many methodological questions and involving the construction of complex result chains that contain inherent uncertainty about the precise role of those policies in development outcomes;
  - c) It is therefore very difficult to establish plausible linkages or causality between policy coherence efforts and outputs and development outcomes in developing countries.
36. The policy and capacity environment in developing countries is highly influential in determining the readiness of that country to reap any benefits from attempts to make non-aid policies more coherent.
37. This means that PCD must start from a partner country's point of view. First, this allows policy makers in developed countries to test their assumptions on PCD against the views of those at the receiving end. Secondly, actors in the partner country, be it in government, civil society or donor embassies, are in a better position to assess the local implications of (new) EU/Dutch policies and the interaction with domestic policies than policy makers in Europe or elsewhere from a distance.
38. PCD impact is therefore highly context-and-country-specific. There is no – and can be no - one-size-fits-all recipe to promoting PCD since policies adopted by developing countries' governments themselves are likely to have a dominant influence on the impact that developed country policies may have within those countries and over time.
39. This presents a challenge for Addis. While it is widely accepted and welcome that PCD should be a principle and key mechanism to implement the SDG agenda, advocating PCD in general, abstract terms does not begin to address the complex and difficult policy challenges and dilemmas of PCD in practice. PCD is also seen as the responsibility of OECD countries, which means that developing nations may not be ready to ensure that their own policies and capacity are able to maximise the benefits they reap from more coherent international policies.

#### **Scrutiny and Empowerment: the role of Parliaments**

40. The International Development Committee of the UK Parliament recently conducted an inquiry into the Future of UK Development Cooperation: Beyond Aid. The inquiry found that:
- Having a free-standing and Cabinet-level Department for International Development ensured that international development priorities are at the heart of government and is an approach that works well for the UK.
  - Aid is and will remain essential but as the focus of development financing moves beyond aid, policy coherence for development must be at the heart of the approach. This means working across Government departments and with global partners in the multilateral system, to maximise the impact on development of all policies and actions.
  - Overcoming shared global problems and delivering global public goods will need global institutions which are reformed, fit for purpose and that meet the needs of emerging powers as much as developed countries.
  - Donor agencies will require a flexible and highly skilled and influential workforce to lobby for international reforms and to manage trade-offs between domestic and international priorities, as well as trade-offs between spending on poverty reduction and on global public goods,
41. This need for greater coherence also has implications beyond government, to

“If governance matters, parliaments need to be involved”

parliaments, local governments, civil society and the private sector.

42. Parliaments are vital to effective governance and implementation, by making governments accountable to citizens and scrutinizing budgets and policy impact. International development cooperation, through small projects and technical assistance, could do a lot more to support parliamentarians to undertake this role more effectively, by targeting support for parliaments in line with development activity. For example, if implementing health reform in Sierra Leone, support the Health Committee of the Parliament of Sierra Leone to support and scrutinise those reforms domestically.
43. Participants agreed that further discussions focussed on developing country priorities for more coherent non-aid policies, alongside ways in which technical assistance and other support could help those countries maximise the domestic impact of more coherent policies (such as by supporting policy reform and parliamentary scrutiny at national level) could be helpful.

## **Financing Instruments and Mechanisms**

### **Innovative Finance (IF)**

44. Even though innovative finance currently accounts for spending which is small in comparison with total ODA, it is very much a live subject area and one that will gain increasing prominence in the search for resourcing 'beyond aid'. Done well IF can deliver more sustainable results and is a win-win mechanism that serves the interests of both developing and developed countries. Many ideas have been discussed for many years, so there is an urgent need to understand why the use of IF remains slow.
45. Effective Innovative Finance needs to be transparent, accountable, predictable and efficient (which would require not least sufficient local capacity, particularly if Innovative Finance were to further fragment the channels of delivery). Innovative Finance should be carefully evaluated with the 'Leading Group' seeing itself also as a 'Learning Group'. Innovations could be classified as between Sources of finance; Management and Governance; and Application/Delivery.
46. Sources:
  - a) Incentivising commercial flows, especially for economically viable investments. The commercial flows in question could increasingly come from the local private sector as well as from international investors. Donor agencies needed to understand better how the private sector functions and should avoid interventions that undercut markets. This has implications for the choice of instruments.
  - b) Promoting insurance mechanisms
  - c) Tapping the diaspora through diaspora bonds
  - d) Tapping the large Foreign Exchange and Sovereign Wealth Funds, which were looking for returns above the very low levels available on typical money-market instruments, but at levels well below the private bond market. (Chinese co-financing of IADB, AFDB and IFC was a good example of this in practice.)
  - e) Hypothecated taxes. Although Ministries of Finance were normally set against hypothecation, there were examples at national level, such as the AIDS levy in Zimbabwe. There was scope, at least in theory, to trial very low-rate taxes on very large volume transactions, as with the FTT proposal, or a tax on currency transactions, e-commerce or internet access. However, the reasons for the lack of progress to date on such proposals (including both perceived competitive disadvantage and the issue of hypothecation) needed to be taken seriously. Equally, there were good grounds for more taxation of national or global 'bads', such as carbon emissions or tobacco

consumption.

- f) A significant opportunity now existed, as a result of the sharp decline in fossil fuel prices, to cut fossil fuel subsidies and reallocate these funds to more productive use. The sums of money involved were potentially very large.
- g) Encouraging parts of government concerned with international issues (eg security, environment, health) to do more to improve conditions abroad with a view to safeguarding national interests.
- h) A crowd-funding approach to mobilising private funding for popular objectives.
- i) Encouraging greater contributions by High Net Worth Individuals (in all countries).
- j) Neither group had discussed Social Impact Bonds or development Impact Bonds. SDR issues had been mentioned only in passing.

#### 47. Management and Governance:

- a) More effective partnerships with the private sector (this did not imply Public Private Partnerships in the usual sense of contracting the private sector to deliver public services, the experience of which was considered not particularly encouraging.)
- b) Greater South-South cooperation, as manifest in the recent establishment of the New Development Bank, Asian International Infrastructure Bank etc.
- c) Anticipatory funding of foreseeable humanitarian situations, which was likely to be much more effective than reacting after the event (eg in relation to the impact of drought on agriculture).

#### 48. Application/Delivery

- a) The present concentration of Innovative Finance on climate change and on health was noted. Interest was shown in attempting similar progress in other sectors, such as education – for example, funding of programmes designed to encourage girls to stay in secondary education.
- b) Results-based aid, where there was now a greater body of experience to evaluate.
- c) Social protection.
- d) Better integration of a possibly growing number of ‘vertical’ funds.
- e) More use of remittances for community development, while respecting their private-private nature (experiments in taxation were not considered to have been a model to follow, but incentive systems [Mexico] might be worth more attention).

### **Tax**

49. With many countries having achieved MDG targets through domestic resources and countries such as China and India fuelling their own economic growth, tax revenue has to be seen as a major financing instrument for sustainable development. Some suggested a target of 20 per cent of a country's GDP as sufficient to fund achievement of the SDGs, which is achievable for many HICs and MICs but problematic for LICs.

50. Generating domestic revenue has several obstacles in developing countries – the informal economy makes it difficult to track income, plus actually building an effective tax revenue system is beyond the capacity for many. If coupled with an inherent mistrust of the state structure and governance there is a general reluctance on the part of a population to commit their hard earned income to the stewardship of the state. If they cannot see tangible improvements in health provision, education and social

protection, there is no incentive for them to bring themselves out of the informal economy.

51. In looking through the 'beyond aid' lens, one of the major contributions ODA has made is to provide aid and technical assistance to build capacity within countries to construct a tax infrastructure that can collect revenue, not just from household income, but also via trade, investment and consumption.
52. Four main areas of concern were identified:
- a) Targeting - Agreeing a universal target for domestic resource mobilisation, for example, 20% of GDP or, preferably, individual and achievable national targets determined through a consultative process and linked to indigenous economic growth.
  - b) Accountability - Targets should be linked to development spending especially for poverty eradication, but this could only be guaranteed if there was sufficient transparency and accountability.
  - c) There is also a need for governments to communicate better the use of tax revenues, providing greater accountability to their populations and thereby providing a greater incentive to pay taxes. There are examples of well-coordinated communications (e.g. 'your taxes built this school') driving up tax compliance among citizens and local businesses. Local and regional governments can play a role in bringing spending and accountability closer to citizens and
  - d) Capacity Building - DRM merits increased ODA for capacity building, for example:
    - 1. longer-term institution building (revenue authorities)
    - 2. Shorter-term technical assistance: tax advisers, treaty formulation (opportunities for South-South cooperation)
  - e) International Tax Issues
    - 1. Reduce discrepancies between the location of economic activity and the profits base
    - 2. Consider global taxation systems (e.g. overflight tariffs)
    - 3. Consider mechanisms to enhance global tax transparency

## **Trade**

53. Trade delivers real growth and contributes to poverty reduction in ways that go beyond the money. It impacts on other areas such as health, gender, labour, energy production, inward investment and taxation/tax incentives to name a few. Providing an enabling environment for local private sector development is also important and links with raising domestic resources, as well as impacting on poverty. It must be remembered that the private sector is not all about transnationals – a mother setting up a local tailoring business in a small village with one sewing machine is also part of the local private sector landscape.
54. Trade has direct links and relevance with the SDGs and coherence, specifically Goals 2 (Agriculture), 8 (Employment), 9 (Industrialisation and Innovation) and 12 (Consumption and Production) but with links to many of the others. There are further discussions required as to how trade can align with the more environmentally oriented Goals, as some of the incentives associated with trade are perceived as being in conflict with environmental sustainability.
55. Investment, migration and better understanding of how poor countries can access global value chains are also key and sometimes overlooked. It is critical that trade must not be lost within the SDGs as it influences many of the other priorities such as

knowledge transfer, agriculture, fisheries and TRIPs.

56. A key aspect of bringing trade further into the SDG discussions would be to strengthen the approach of Financing for Development towards trade and its impact in fostering economic growth. By setting the FFD as a prerequisite for the other high level meetings during 2015 (such as the WTO Ministerial in December), this would then provide an opportunity for the trade discussion to be squarely a trade-for-development discussion. Addis should highlight the significance of trade as a driver of development and start to build momentum and demands for progress at the WTO Ministerial summit later in the year.

“Interdependence creates renewed rationale for cooperation”

### **True global governance: Changing to deliver**

57. Participants heard from OECD, the UN Economic Commission for Africa and the UN Foundation and debated how international organisations should plan and adapt for what comes out of the post-2015 process.
58. While significant development challenges still remain, the MDGs have nevertheless been effective. Ban-Ki Moon has described them as ‘the greatest anti-poverty push in history’. Since the millennium, extreme poverty and child mortality have halved, maternal mortality rates have dropped by 45% and antiretroviral therapy for HIV-infected people has saved 6.6 million lives. We should celebrate this more and use these successes as a springboard to galvanise and focus our ambitions for the future.
59. One of the first actions of international institutions, governments, civil society and other development actors should be to ensure that the SDG outcome is not ‘just another UN resolution’ which will be passed and then everyone will go back to business as usual. There is still time to ensure that the creation of the SDGs articulates a higher level of ambition than this. The MDGs showed that the international community can come together to set an ambitious and positive agenda for change and then work together to deliver that – we now need to build on this, raise the bar even higher and work better together to build the future we want.
60. But as mentioned previously global institutions, structures and alliances are dated and routed in government-centred dialogues:
- The UN is strong, but the need to achieve full consensus can dilute ambition
  - “UN” means a lot of different things: Member States, Missions, Agencies, Programmes etc
  - The G77 block reflects a New-York dynamic with tactics based in UN power broking, rather than reflecting the needs and experiences of developing countries
  - The G20 is growing in credibility and importance, but it can struggle to reach consensus and has limited power to implement
  - The World Bank and IMF have governance structures that cannot easily adapt to evolving world dynamics
  - The OECD houses strong knowledge and experience, but represents a declining proportion of development finance and can perpetuate the North-South dichotomy.
61. The UN is widely agreed to be the best custodian of global public goods, with the ability to declare political intent, drive policy, set norms and influence behaviour towards those norms. The UN Secretary General is seeking views from across the UN on how it can adapt to ensure it is fit to deliver the emerging SDG agenda. However, development is no longer the preserve of the UN – new large non-governmental actors like the Gates Foundation have changed that dynamic forever.
62. The role of regions to drive and track progress in the post-2015 world will be also vital, using national experience to build and share best practice across regions and then

using regional platforms to drive global change. However the rise of regional groupings and non-state actors further complicates decision making, mandate and delivery through an institution that is ultimately member driven.

63. Another welcome development is the growing confidence, experience and voice of the global south, with regions sharing learning and working together to tackle regional challenges. However the voice of the global south is not being heard enough in New York – this will need to be rectified as discussions continue, with developing countries' capacity to engage nurtured and their voice strengthened through innovative negotiation structures such as the SDG troika system.
64. The international response to Ebola was a stark example of how cumbersome international institutions can be slow to react and difficult to mobilise. In contrast, NGOs proved themselves to be ahead of the curve in identifying the problem and nimble and adaptable in coordinating a response. Post-2015 implementation will need to be through institutions and partnerships that properly engage and learn from civil society and the private sector approaches.
65. New institutions like the BRICS Bank and the GPEDC are examples of new alliances and partnerships that are trying to reflect current global dynamics and give more choice and a stronger voice to developing countries. They offer healthy competition and alternative approaches that are more democratic and flexible than traditional structures. They are new and experimental in many ways, so can feel unruly and difficult to navigate, but they are probably more reflective of the reality of what post-2015 'means of implementation' will look like in practice – a complex mix of institutions, alliances and partnerships formed around issues and action.

## Conclusion

66. The SDGs are very different from the MDGs; they are universal, cover a broad set of issues wider than human development and will be implemented in an increasingly complex world. They are very much about shaping the behaviour of all member states, all citizens and all institutions, to build a sustainable future in which nobody is left behind. We will all need to take a responsibility to deliver them and there will be considerable implications for implementation that takes us beyond traditional aid policy, structures and governance.
67. The SDGs will need a narrative that is attractive to countries at all stages of their development, with the flexibility to meet the different needs of low income countries and fragile states *and* to tackle inequality in middle income countries and developed countries. So we need to **tell the story better** - develop an MDG to SDG narrative that celebrates success, captures the imagination of political leaders and ordinary citizens, focuses on the end-game, creates ownership and drives positive action and change. This narrative can help governments and organisations to **ensure that Ministers, CEOs and other leaders turn up in Addis demonstrating a high level of ambition and commitment.**
68. The SDGs will also need to **empower and act on the priorities of the poorest countries.** The gap between negotiations at the UN in NYC and the practical actions desired by developing countries needs to be bridged. **The difficulty of designing more coherent non-aid policies that will benefit developing countries should not be underestimated** and the implementation of those policies will require technical assistance and other support to help countries ensure that their own policies and institutions are able to maximise the benefits they reap from more coherent international policies. **Further focussed discussions could be usefully held to agree what actions, partnerships and accountability mechanisms would work best to tackle issues such as climate change, health, water, disaster insurance, protection from global shocks and capacity building.**
69. Post-2015 implementation will have to adapt to using different structures to address

different implementation needs: there was a general consensus that formal UN negotiations will continue for treaties and legally binding agreements and the UN will monitor progress and maintain political focus and will at a global level; while more informal, flexible and adaptable structures (which might be state based, such as the G20, or might be regional, sectoral, or multistakeholder) will tackle practical issues and actual implementation. **‘Means of implementation’ is more than just financing - a credible governance structure underpinned by a clear action plan is needed for successful implementation.** This should embrace and include aid and non-aid financing models, empower south-south cooperation, allow flexible and nimble partnerships to tackle specific issues and engage new structures such as the BRICS bank and the GPEDC. As part of this there will need to be practical discussions about how nations can best work together to tackle challenges - what ‘responsibility’ nations, developed, emerging and developing, will commit to in key areas. Imaginative actions and commitments are needed.

70. Many global challenges and the underlying causes of poverty and inequality are beyond the scope of the development community. **2015 offers a unique opportunity for the international development, climate and trade communities to discuss the actions they each can take to put the world onto a fairer, sustainable development pathway.** The Third International Conference on Financing for Development in Addis in July, the post-2015 Summit and UN General Assembly in September, the 21st Session of the Conference of the Parties to the United Nations Framework Convention on Climate Change and the World Trade Organisation Ministerial Summit in December, should all be clear about how their outcome agreements can contribute to a fairer, cleaner, more equal, sustainable and developed world.

#### **Wilton Park | June 2015**

Thanks to Frances Hill, Thomas Hoare and Jennifer Smith for their contributions in the preparation of this report.

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