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Coherence, coordination and cooperation in the context of financing for sustainable development and the post-2015 development agenda

Note by the Secretary-General*

Summary

The present note provides background information and suggested points for reflection in order to inform discussion on the following selected themes:

(a) World economic situation and prospects;

(b) Current challenges and emerging opportunities for the mobilization of financial resources and their effective use for sustainable development on the road to Addis Ababa;

(c) Renewed global partnership for development in the context of the post-2015 development agenda;

(d) Follow-up and the way forward: enhancing the role of the Economic and Social Council.

* The present note was prepared in consultation with the staff of the major institutional stakeholders involved in the financing for development process. Responsibility for its content, however, is solely that of the United Nations Secretariat.

I. World economic situation and prospects

A. Prospects for global macroeconomic trends

1. The world economy started 2015 on a weak note, with 2014 experiencing subdued growth. According to *World Economic Situation and Prospects 2015*, growth of world gross product is estimated at 2.6 per cent in 2014, marginally better than the growth of 2.5 per cent registered in 2013. The global economy is expected to strengthen in the next two years, with growth of world gross product projected to grow by 3.1 per cent in 2015. Most economies have seen a shift in gross domestic product (GDP) growth to a noticeably lower path compared with pre-crisis levels. In addition to the remaining hurdles of prolonged post-crisis adjustments, the global recovery has also been hampered by new challenges, including a number of unexpected shocks, such as heightened geopolitical conflicts in different parts of the world.

2. Although some improvements are forecast for 2015, significant downside risks persist in the developed economies. While the United States of America is expected to continue strong growth, weaknesses and uncertainties remain in Europe, particularly in the euro area, with some countries close to or already in recession and deflation. The economy of Japan stagnated in 2014 and is expected to recover only moderately in 2015.

3. Growth rates in developing countries and economies in transition have diverged. A number of large emerging economies have seen their growth decelerate sharply, particularly in Latin America and the Commonwealth of Independent States, as they are encountering various challenges, including structural imbalances, infrastructural bottlenecks, weakening commodity prices, increased financial risks and ineffective macroeconomic management, as well as geopolitical and political tensions. On the other hand, Asia is expected to continue robust growth and Africa is expected to maintain its growth momentum.

4. The employment situation remains a major weakness in the macroeconomic picture, as GDP growth has continued to be subdued and below potential in many parts of the world. In the developed economies, unemployment figures remain elevated in several countries, especially in the euro area, while wage levels have also been affected by the financial crisis. In developing economies, unemployment rates have remained relatively stable since 2013, despite slower employment growth, while informality and vulnerable employment are still highly prevalent. However, high unemployment levels persist in various countries, especially in Northern Africa and Western Asia, and in some of the economies in transition in South-Eastern Europe. Elevated youth unemployment is a key policy challenge worldwide, posing risks not only for the global growth recovery in the short-term run, but also for the potential growth in the long run.

5. Although the aggregate global inflation rate remains tame, inflation is notably elevated in about a dozen developing countries and economies in transition, while a growing number of developed economies in Europe are facing the risk of deflation. For the outlook period, global average inflation is projected to stay close to the level observed in the past two years, which was about 3 per cent. While aggregate average inflation for developed economies is expected to increase slightly, both developing economies and the economies in transition will register a decline in their aggregate inflation rates.

B. International trade and finance

6. International prices of primary commodities have been on a downward trend in the past two years and no measurable upturn is projected for 2015. International oil prices have declined sharply since mid-2014 and are projected to stay low in 2015, as the growth of demand for oil is expected to remain weaker than the increase in the supply of oil. As a result, a number of oil-exporting countries are under tremendous pressure to meet their budget commitments and the balance of payment. Non-oil commodity prices have also experienced a decreasing trend, although they remain high relative to the long-term trend of the past decades.

7. International trade growth has been sluggish in the past few years, owing mainly to the slow and uneven recovery in major developed countries and moderated growth in developing countries. However, some changes in the relationship between trade growth and world output growth may be structural. World trade is estimated to have expanded by 3.4 per cent in 2014, still well below pre-crisis trends. In the forecast period, trade growth is expected to pick up moderately along with an improvement in global output, with the volume of world imports of goods and services projected to grow by 4.7 per cent in 2015. This projection is subject to various risks, however, including the possible disruptive effects on trade flows of any increase in geopolitical tensions in some subregions. The trade dynamism of the two decades preceding the global financial crisis may not return soon.

8. Net private capital inflows to emerging economies have seen a moderate downturn in the past two years, triggered by the deterioration in growth prospects and geopolitical tensions. External borrowing costs continue to be relatively low for most emerging economies, but the risks for abrupt adjustments and increased volatility driven by changes in investor sentiment remain high. The outlook for capital inflows to emerging economies and developing countries remains moderately positive. Overall, net capital inflows are projected to moderate slightly in 2015. However, abrupt changes in investor sentiment about geopolitical tensions, the monetary policy shift in the United States and a further divergence of the monetary policy stances of the major central banks might significantly affect portfolio flows. The divergence of monetary policy stances has already contributed to a significant strengthening of the dollar since the second half of 2014 and heightened volatility in the exchange rates of some currencies.

C. Risks and uncertainties

9. The global economic outlook is subject to a number of risks and uncertainties. These include a deviation of monetary policy from the policy path built into the current baseline projection. A delay or acceleration in the normalization of policy interest rates in the United States could have wider implications. In the case of a slower rise in interest rates, systemic instability risks may arise from excessive asset price levels. By contrast, a quicker tightening in monetary policy would drive up credit spreads, accompanied by an increase in volatility and significant repercussions for global financial markets, including spillover effects, especially for emerging economies.

10. A further risk is the fragile economic situation in the euro area. While a number of new monetary policy measures have led to a significant improvement with respect to the sovereign debt crisis, the economic recovery remains weak. The underlying growth momentum in the region has decelerated. The current tensions in Ukraine and resulting sanctions have had a serious negative impact on activity and confidence. The weak state of the recovery is characterized by continued low levels of private investment, extremely high unemployment in many countries, which becomes more entrenched as the ranks of the long-term unemployed increase, and dangerously low inflation, which carries the risk of turning into deflation. Meanwhile, the economic situation and the debt burden in Greece remain grave, posing another risk for the region.

11. Many large emerging economies continue to face a challenging macroeconomic environment, as weaknesses in their domestic economies interact with external financial vulnerabilities. At present, the main risk for many emerging economies arises from the potential for negative feedback loops among weak activity in the real sector, reversals of capital inflows and a tightening of domestic financial conditions amid an expected rise in the interest rates in the United States. Although the baseline forecast projects a moderate growth recovery in 2015 for almost all emerging economies, including Brazil, India, Indonesia, Mexico, the Russian Federation, South Africa and Turkey, and only a slight moderation in China, there are significant risks of a further slowdown or a prolonged period of weak growth. A broad-based downturn in emerging economies would not only weigh on growth in smaller developing countries and economies in transition, but could also derail the fragile recovery in developed countries.

12. Geopolitical tensions remain a major downside risk for the economic outlook. In addition to the severe humanitarian toll, the crises in Iraq, Libya, the Syrian Arab Republic and Ukraine have already had pronounced economic impacts at the national and subregional levels, although the global economic effect has so far been relatively limited. The world economy nevertheless remains at risk of a more pronounced slowdown that could be caused by subregional economic weakness owing to conflict and sanctions.

D. Policy challenges

13. Monetary policy will depend on a number of factors, in particular domestic macroeconomic and financial stability risks. Policymakers face the challenge of determining the optimal magnitude and timing of interest rate changes while dealing with a difficult trade-off: delaying policy tightening can create additional asset mispricing and financial stability risks, while an unnecessarily quick tightening could weaken the still unfledged recovery. At the same time, interest rates will also be a major determinant not just of the macroeconomic performance, but also of the extent of financial stability risks and global spillovers.

14. In the area of fiscal policy, developed countries face the challenge of striking a balance between fiscal support for aggregate demand in the short run and ensuring fiscal sustainability in the long run. Both developed and developing countries face the challenge of meeting the increasing demand for public finance for infrastructure, particularly sustainable infrastructure, and services. Despite comparatively low public debt levels, developing countries need to manage their external debt

exposure, since refinancing external debt may prove to be costly in case of a change in investors' appetite for emerging markets, a weakening of the domestic exchange rate or higher interest rates.

15. Monetary and fiscal policies should be combined with labour market policies to ensure decent jobs for all. Policies should be amenable to the creation of businesses and jobs, for example by streamlining administrative procedures. In many developing countries, in addition to greater economic diversification, continued efforts to expand formal employment and implement social protection programmes would also help in improving labour market conditions and support aggregate demand.

16. In order to mitigate the myriad risks and meet the various challenges, it is imperative to strengthen international policy coordination and cooperation. In particular, macroeconomic policies worldwide should be aligned towards supporting robust and balanced growth, creating productive jobs and maintaining economic and financial stability in the long run, while fostering structural transformation in the weakest economies in particular. Meanwhile, international policy coordination and cooperation are equally important for, inter alia, defusing geopolitical tensions and for containing crises such as the Ebola pandemic. Other areas that make international and multilateral approaches indispensable include strengthening the resilience of the financial sector through further regulatory reforms, deepening cooperation on tax matters, reforming the governance of international financial institutions, identifying gaps in international investment agreements and reforming their system, expediting the World Trade Organization (WTO) Doha Development Round of trade negotiations, achieving concerted actions on combating climate change, delivering on the commitment of official development assistance (ODA) to the least developed countries and formulating and implementing a new post-2015 global development policy agenda, including the sustainable development goals.

E. Suggested questions for discussion

(a) What type of macroeconomic policies worldwide can support a strong, balanced and sustainable recovery and prevent the world economy from falling into a stagnant growth path in the longer run?

(b) What are the root causes of elevated youth unemployment in many countries? What policy measures can be used to reduce youth unemployment, increase formal employment and lower the gender gap in labour markets?

(c) Is moderate trade growth a new normal for the world economy? Can international trade recover the dynamism witnessed in the two decades before the global financial crisis?

(d) Are we facing deflation risks worldwide? Is the strong upturn in primary commodity prices observed in the past two decades over? What are the implications for commodity-producing and exporting countries?

II. Current challenges and emerging opportunities for the mobilization of financial resources and their effective use for sustainable development on the road to Addis Ababa

A. A comprehensive financing framework: the road to Addis Ababa

17. The year 2015 is decisive for the international community because a new development agenda aimed at ending poverty and promoting sustainability on every level — local, national, regional and international — will be adopted. A comprehensive financing framework is essential to the new agenda. It must ensure the availability of the required resources, provide conducive enabling environments domestically and internationally, help to build capacities and set the right incentives to allocate resources to sustainable development. It must do this while capitalizing on synergies across the three dimensions of sustainable development: economic, social and environmental.

18. The new financing framework will be the intergovernmentally negotiated and agreed outcome of the third International Conference on Financing for Development, to be held in Addis Ababa from 13 to 16 July 2015, with participation at the highest political level (see General Assembly resolution 68/279). The Conference will be convened with a view to assessing the progress in the implementation of the Monterrey Consensus (see A/CONF.198/11) and the Doha Declaration (see A/CONF.212/L.1/Rev.1), addressing new and emerging issues in the context of the post-2015 development agenda and strengthening the financing for development follow-up process. (see General Assembly resolution 68/204).The Conference should produce three key outcomes: a cohesive and holistic financing framework for sustainable development; concrete deliverables, particularly in cross-cutting areas such as poverty eradication and social needs, infrastructure, agriculture and food security, and small and medium enterprise financing; and a strong follow-up process.

B. Building on the Monterrey Consensus and the Doha Declaration

19. The 2002 Monterrey Consensus and the 2008 Doha Declaration took holistic approaches, emphasizing that financing for development goes beyond the different flows of finance — public, private, domestic and international — and must include trade, debt, systemic issues and the domestic and international enabling environments. It was also emphasized that each country has primary responsibility for its own development, while national efforts need the support of an international enabling environment. Since Monterrey and Doha, the global financial system has become more complex, yet the national and international mechanisms for managing finance have not kept pace with this complexity or the imperatives of sustainable development.

20. Current financing and investment patterns are not delivering sufficient sustainable development gains. Private international capital flows are often volatile and insufficient in volume and maturity to fund sustainable development. Public financial flows, for example ODA and concessional lending from public institutions, fall short of meeting the quantities required for sustainable development, particularly in countries most in need. Attempts to raise public resources through

taxation are hampered by financial engineering, tax loopholes and trade mispricing. Many countries remain vulnerable to debt crises. The 2008 financial crisis exposed various risks, many of which remain unaddressed by financial regulation. Lastly, the implementation of the relatively modest governance reforms already agreed by the members of international financial institutions remains gridlocked.

21. The ongoing negotiations on the sustainable development goals and the associated financing framework and means of implementation present the international community with an opportunity to devise a new international financial framework that is adequate, effective and predictable for achieving sustainable and inclusive development. A reorientation of investment patterns and better coordination of public and private investments to maximize their developmental impact and make the best use of synergies will be essential to realize the ambitious post-2015 agenda. The roles of financial intermediaries and investors will need to be better considered in the new financing framework, with public policies helping to craft incentives for sustainable investment. Non-financial means of implementation, such as technology, must be incorporated in a way that ensures coherence across the economic, financial, social and environmental policy landscapes. The rise of systemic global risks will need to be dealt with, and the economic, social and ecological dimensions of sustainable development will need to be integrated.

C. Financing needs

22. The financing needs for sustainable development are enormous, but while it is difficult to compile a reliable estimate, there is general agreement on a significant financing shortfall. In its final report (A/69/315), the Intergovernmental Committee of Experts on Sustainable Development Financing presented a range of estimates: the annual cost of achieving the Millennium Development Goals in all countries was estimated to be in the order of magnitude of $100 billion, while global infrastructure investment needs, including water, energy, transport and other sectors, amounted to $5 trillion to $7 trillion, with $1 trillion to $1.5 trillion in developing countries.[1] Small and medium enterprises, which are frequently the most important institutions for job creation, face credit shortages of up to $2.5 trillion in developing countries and about $3.5 trillion globally. The financing needs for the provision of climate-related and other global public good financing are estimated at the magnitude of several trillion dollars per year.

23. Financing needs vary between countries and, for some, are disproportionally large compared with the size of the economy. Least developing countries, small island developing States, landlocked developing countries and countries emerging from conflict face unique challenges that result in specific financing needs. Simultaneously, financing needs in middle-income countries need to be addressed. Although financing needs for sustainable development are vast, the Committee of Experts argued that global public and private savings are sufficient to meet them with changes in allocation. This requires an integrated policy framework that changes existing patterns to enable effective mobilization and use of resources.

[1] The United Nations Conference on Trade and Development (UNCTAD) also provides estimates in respect of various sustainable development goal sectors in the *World Investment Report 2014: Investing in the SDGs: An Action Plan*.

24. The national and subnational levels will be the primary contexts in which the post-2015 development agenda will be implemented. However, in some countries, weak enabling environments — including governance, rule of law, economic policies, institutions, inadequate infrastructure, and national policy strategies — hamper implementation. To that end, in his synthesis report (A/69/700), the Secretary-General encouraged countries to adopt comprehensive national sustainable development financing strategies that would be integral parts of their national sustainable development strategies.

D. Mobilization of domestic public resources

25. The mobilization of both public and private resources at the domestic level is at the core of financing for sustainable development and meeting the sustainable development goals. This mobilization of domestic public resources enables Governments to provide goods and services, including health, education, food security and investments in infrastructure. It further reinforces a country's ownership of public policy and strengthens accountability. Inequalities (including gender), macroeconomic stability and the alignment of domestic policies and incentives with sustainable development can be addressed in part through budgeting and tax policies. Public resources are first and foremost generated through sustainable growth. At the same time, macroeconomic management plays an important role in ensuring sustainable and equitable economic growth.

26. Public resource mobilization has grown dramatically since the adoption of the Monterrey Consensus, with developing countries achieving revenue increases of 2 to 3 per cent of GDP on average and some countries achieving increases of up to 5 per cent. Tax revenues account for about 10 to 14 per cent of GDP in low-income countries, which is about one third less than in middle-income countries and significantly less than in high-income countries, which achieve tax-to-GDP ratios of 20 to 30 per cent.[2] At the country level, factors that may constrain raising revenue include weak tax administrative capacity, the size of the tax base, tax elasticity, the volatility of sectors being taxed and commodity prices.

27. Broadening the tax base has proved to be effective for advancing tax collection in many countries, including the small island developing States and the least developed countries. Recent increases in domestic resource mobilization stem from value-added tax expansion, robust receipts from corporate income taxes plus a moderate increase from personal income taxes; revenues from trade taxes, however, decreased. While some 150 countries now have a value-added tax that on average accounts for 25 per cent of all tax revenue, this has not always made up for the loss in revenue from declining trade taxes associated with tariff reductions.

28. The capacity of tax collection and enforcement remains weak in many countries owing to under-resourcing, misallocation and lack of mid-level skills. Despite evidence that ODA directed at capacity development in the revenue and customs sectors in developing countries is effective, it has attracted a minimal share of ODA, at less than 1 per cent of the total. In addition, corporate tax revenue is under pressure from global tax competition. Combating tax avoidance and evasion can result in significant gains in revenue mobilization in developing countries.

[2] World Bank Group, *Financing for Development Post-2015* (Washington, D.C., 2013).

29. There are limits, however, to the revenue that can be raised from improved efforts by individual countries. Given the globalization of finance and trade, international tax cooperation must play a key role. Progress has been achieved in the area of international tax cooperation, including through the Committee of Experts on International Cooperation in Tax Matters and the base erosion and profit-shifting initiative of the Organization for Economic Cooperation and Development (OECD) and the Group of Twenty. While the amount of money lost to "illicit financial flows" is subject to much debate,[3] all available evidence suggests that it is significant and poses a systemic problem that interferes with the mobilization of resources needed for investment in sustainable development.

E. Mobilization of international public resources

30. International public finance, both concessional and non-concessional, will continue to be an essential financing source in efforts to end poverty, ensure healthy lives, advance education, achieve gender equality, protect the environment and combat climate change. ODA will remain particularly relevant for countries with limited ability to raise domestic public resources, such as the least developed countries, small island developing States, countries emerging from conflict and other vulnerable countries. However, even after graduation to middle-income status, countries will need access to international public finance.

31. Since the adoption of the Millennium Development Goals and the Monterrey Consensus, net ODA has increased significantly, from $84 billion in 2000 to $134.8 billion in 2013. Although ODA fell in 2011 and 2012 in real terms, it rebounded in 2013, rising by 6.1 per cent in real terms, to reach a record $134.8 billion.[4] Yet, many donors have not met their commitments. The Istanbul Programme of Action calls for donors to devote 0.2 per cent of their gross national income (GNI) to ODA for least developed countries. Instead, the share of ODA that was allocated to this group has fallen. While ODA to the least developed countries was predominantly allocated to social sectors rather than to economic sectors vital for structural transformation, this fall in ODA to the least developed countries is imperilling Millennium Development Goal-related achievements.

32. As concerns about environmental degradation and climate change have grown, aid targeting environmental sustainability has seen an increase. Bilateral ODA commitments targeting improvement in the global and local environment as a principal or significant objective reached $31 billion annually on average between 2010 and 2012, representing 24 per cent of total bilateral ODA.[5] At the same time, a preliminary assessment of "fast-start finance" — new and additional resources pledged in 2009 by developed countries for climate change mitigation and adaptation during the fifteenth session of the Conference of the Parties to the United Nations Framework Convention on Climate Change — found that 80 per cent of

[3] There is no agreed definition of the concept of illicit financial flows, but it is generally used to convey three different flows: the proceeds of commercial tax evasion, revenues from criminal activities, and public corruption.

[4] Organization for Economic Cooperation and Development (OECD) international development statistics, available from http://stats.oecd.org/qwids.

[5] Jan Corfee-Morlot and Stephanie Ockenden, "Finding synergies for environment and development finance" in *OECD Development Cooperation Report 2014: Mobilizing Resources for Sustainable Development*.

these flows were also counted as ODA and were paid out with similar modalities, largely through bilateral channels. Much of this money has gone to mitigation and, as a result, fast-start finance has benefited middle-income countries disproportionally.[6]

33. In addition to increasing the volume of aid flows, many countries have committed themselves to increasing the effectiveness of aid. Since the Monterrey Consensus, the Global Partnership for Effective Development Cooperation and the Development Cooperation Forum of the Economic and Social Council have contributed to these efforts. In areas such as untied aid, reporting ODA in national budgets and the use of country systems in the management of aid-funded programmes and projects, moderate progress was achieved.[7] At the same time, donors continue to attach too many conditions to ODA and maintain complex internal procedures, while fragmentation of donor activities poses coordination challenges. (see E/2014/77). In December 2014, OECD members came to an agreement to establish a grant equivalent calculation for concessional loans and progressed further on modernizing its rules for the measurement of ODA.

34. Bilateral and multilateral loans play an important role, particularly in middle-income countries. As countries grow and thus exit from grant finance, concessional and non-concessional loans are frequently used to fill gaps between financing needs and the lagging domestic public resource mobilization. Innovative sources of finance, for example, financial and currency transaction taxes or carbon taxes, have shown their potential but have been implemented only on a small scale.

35. South-South and triangular cooperation have continued to rise in scale and importance: South-South concessional loans, grants and technical cooperation reached between $16.1 billion and $19 billion in 2011 (ibid.). In July 2014, Brazil, the Russian Federation, India, China and South Africa formally launched a development bank, dubbed the New Development Bank, to support infrastructure and sustainable development projects in Brazil, the Russian Federation, India, China and South Africa and other developing countries. Similarly, the formation of a new Asian Infrastructure Investment Bank was agreed in October 2014 by 21 Member States.

F. Mobilization of domestic and international private resources

36. Private investment is an important driver of economic growth and job creation. It is largely oriented towards profitable activities and well-suited for productive investments. The mobilization of stable and long-term domestic and international private resources will be essential to ensure much-needed investments in sustainable industrialization, innovation and such critical infrastructure as transport, energy and information and communications technology.

37. A strong upward trend was measured in international private capital flows to developing countries over the past decade, with net private capital flows to developing countries increasing more than threefold, from $155.7 billion in 2005 to

[6] Overseas Development Institute and others, *Mobilizing International Climate Finance: Lessons Learned from the Fast-Start Finance Period* (2013).

[7] OECD, United Nations Development Programme (UNDP), *Making Development Co-operation More Effective: 2014 Progress Report*.

$327.7 billion in 2013.[8] Many international private flows, however, are highly procyclical, and portfolio flows, in particular, have experienced great volatility. In 2014, aggregate net capital inflows to developing countries were projected to be $73.7 billion, but this masks large differences between various countries and regions. Private capital flows were not necessarily invested in countries most in need and in sectors necessary for sustainable development.

38. Foreign direct investment (FDI) to developing and transition economies rose from $373 billion in 2005 to $750 billion in 2014[9] and has also shown greater stability than portfolio flows. Outward FDI from developing countries and economies in transition has also increased sharply, reaching $553 billion, or 39 per cent of total outward FDI, in 2013.[10] However, the quality of these investments matters. Greenfield FDI to developing countries, the form of FDI that is likely to have a larger impact on growth than mergers and acquisitions, has fallen by more than 50 per cent since the peak year of 2008, signalling a potential reduction of the impact of FDI on the real economy or sustainable development.

39. In many developing countries, domestic financial markets remain underdeveloped, constraining the availability of finance. Credit is predominantly short-term, as alternative vehicles such as angel investors and venture capital funds are largely absent. While international institutional investors hold trillions of dollars in assets, their investment in infrastructure and other areas has been limited. In combination with the shortage of commercial lending for trade and other activities, this also imposed difficulties for small and medium enterprises, which cannot fulfil their role of being the main drivers of innovation, employment, trade and growth.

40. The public sector provides the policy framework within which the private sector operates. Indeed, it is the lynchpin of a financing strategy. Policies, regulations and incentives can shift investment towards sustainable development, including policies such as putting a price on carbon emissions, guarantees and mandatory reporting. Innovative approaches to pooling of funds and risk-sharing that are designed to prevent patterns in which the public sector keeps the risk while the private sector collects guaranteed high returns should be developed.

41. Philanthropic finance provided by private individuals, foundations and other organizations has become more significant. Substantial increases were also recorded in overseas remittances from migrant workers. However, 2.5 billion people, especially women and the poor, remain without access to any formal financial services.

G. International trade and debt sustainability

42. Trade can serve as an engine for sustainable development and provide resources for investment through private export earnings and increased tax revenue. The share of developing countries in the value of total world exports has dramatically increased since the Monterrey Consensus, but progress is distributed

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[8] Calculations by the Department of Economic and Social Affairs of the United Nations Secretariat based on the International Monetary Fund (IMF) World Economic Outlook database (October 2014) and Balance of Payments Statistics.

[9] UNCTAD, *Global Investment Trends Monitor*, No. 18 (Geneva, 29 January 2015).

[10] UNCTAD, *World Investment Report 2014: Investing in the SDGs: An Action Plan* (United Nations publication, Sales No. E.14.II.D.1).

unevenly, with the least developed countries, landlocked developing countries and small island developing States being particularly disadvantaged.

43. The inability of WTO member countries to conclude the Doha Development Round of trade negotiations has impeded progress on issues of concern for developing countries, including on agricultural export subsidies and export measures. An encouraging signal was sent by the unblocking of the implementation of the December 2013 Bali package, which includes an agreement on trade facilitation with potential to open new opportunities for trade as well as key decisions in support of the least developed countries. Bilateral and regional trade and investment agreements have proliferated, resulting in a fragmented policy environment. There are also concerns about the impact of provisions in some of these agreements on gender, financial stability, environmental sustainability and other areas of public interest.

44. Since the Monterrey Consensus, the implementation of the Heavily Indebted Poor Country Initiative and the Multilateral Debt Relief Initiative, in combination with improved macroeconomic and public resource management, has led to a substantial decline in debt ratios of developing countries. However, debt distress is pronounced in some developed countries, and risk also remains high in some developing countries, especially in the small island developing States. Debt sustainability and crisis prevention have become even more complex owing to recent rises in the issuance of both domestic currency debt and international sovereign bonds by developing countries, along with increased lending to developing countries by emerging official creditors and the private sector.

45. There is general agreement that additional improvements to the frameworks for sovereign debt restructuring are needed. In October 2014, the IMF Executive Board endorsed reforms to international sovereign bond contracts that attempt to address collective action problems in sovereign debt restructurings. The reforms strengthen aggregation clauses in bond contracts, and IMF will work to help countries to include these in their future sovereign debt issuances. In August 2014, the General Assembly agreed to the establishment of an ad hoc committee on sovereign debt restructuring processes with a view to negotiating a multilateral legal framework on sovereign debt restructuring.

H. Technology, innovation and capacity-building

46. In the long term, improvements in living standards depend on the development and diffusion of appropriate technologies. Science, technology and innovation are of pivotal importance in addressing sustainable development challenges in many areas, including sustainable economic growth and industrialization, poverty eradication and many others. Yet, access to technology remains uneven and unequally distributed and gaps persist. For example, 74 per cent of populations in developed countries use the Internet, compared with only 26 per cent in developing countries. Developing countries, the least developed countries in particular, spend significantly less on research and development and international collaboration in science. Furthermore, of the world's researchers, only 27 per cent are women and only 0.5 per cent reside in least developed countries. Strengthened national innovation systems on a domestic level and dissemination of new and existing technologies globally will be needed if the sustainable development goals are to be met.

I. Systemic issues

47. In recent years, the international community has taken important steps to strengthen the resilience of the financial sector and reduce the risk of future crises through regulatory reform, primarily through regulation of the banking sector through Basel III. While Basel III recommends that national regulators require a countercyclical capital buffer of up to 2.5 per cent of assets, it is unclear whether this will be enough. Disclosure requirements on a new definition of the leverage ratio, which should be no less than 3 per cent, came into force in January 2015. However, concerns remain with respect to the impact of Basel III on access to credit, and thus sustainable development finance, as well as its efficacy in creating a more stable financial system. There has also been no effective measure to deal with the risks and moral hazard posed by "too big to fail" banks.

48. There are other areas of financial regulation that remain of concern, presenting global systemic risks. Measures to deal with "shadow banking", a term used to describe credit intermediation outside the conventional banking system, still remain outside a coherent regulatory framework for these institutions. Progress on moving over-the-counter derivatives trading onto exchanges remains slow and beset by differences of opinion between regulators in different jurisdictions. It is also important to address issues of access to credit along with managing risks, to ensure that the financial sector supports the real economy in a stable and balanced manner.

49. Alongside major investments and changed policy frameworks, countries need coherent trade, monetary financial and environmental systems, as well as strengthened global economic governance. Coherence needs to be pursued at both the national and international levels. Strengthened global economic governance can contribute to such coherence checks. This implies greater voice and participation in international financial and economic institutions, standard- and norm-setting bodies and financial regulatory bodies. For example, the failure to implement governance reforms at IMF will need to be overcome, and developing countries will need to participate more effectively in the development of new norms for international tax policy.

J. Suggested questions for discussion

(a) What concrete changes are needed to help countries to combat international tax avoidance and evasion? How can the needs and realities of developing countries best be respected in negotiations on new international tax norms?

(b) What concrete actions are required to mobilize more international public finance and increase its effectiveness?

(c) What are the most and least effective policies to promote stable, long-term investments in sustainable development?

(d) What innovations in global economic governance arrangements might be needed to improve the coherence of financial, economic and monetary policy frameworks with the trade system and social and environmental agreements?

III. Renewed global partnership for development in the context of the post-2015 development agenda

50. Three high-level international meetings in 2015 will give the international community the opportunity to chart a new era of sustainable development. The first is the third International Conference on Financing for Development in Addis Ababa in July, where a compact for a renewed global partnership could be realized. The second is the United Nations summit for the adoption of the post-2015 development agenda in September, where the world will embrace a new development agenda beyond post-2015. The third is the twenty-first session of the Conference of the Parties to the United Nations Framework Convention on Climate Change, to be held in Paris in December; Member States have pledged to adopt a new agreement at the session to tackle a threat that could jeopardize the implementation of the post-2015 development agenda.

51. The preparations for the third International Conference on Financing for Development are well under way. There is an emerging consensus that if the Conference is to succeed, its outcome must be relevant to and coherent with the post-2015 development agenda. As such, the Addis Ababa outcome will provide a unique opportunity to build a new global partnership for sustainable development that will be instrumental in providing the means of implementation of the development agenda beyond post-2015.

52. The fundamental responsibility for the renewed global partnership for development lies with Governments. Collective public action and bold leadership are required to deliver on the collective promises that will be enshrined in the post-2015 development agenda as adopted by the summit. Governments will be held accountable by future generations for the success of the commitments made later this year in Addis Ababa, New York and Paris. The global partnership for sustainable development will depend on the resources, knowledge and ingenuity of business, civil society, the scientific community, philanthropists and foundations, and other stakeholders. It will also depend on renewed commitments by other stakeholders and will need to be flexible to facilitate the engagement of all stakeholders to draw on their respective strengths.

53. The global partnership must also respect each country's policy space and take into account different national realities and differentiated needs, capacities and levels of development. Moreover, to be effective, it will require a strengthened and more robust monitoring and accountability mechanism, to monitor progress in implementation and the fulfilment of commitments. This includes a strong follow-up process, based on the necessary expertise, including that of the institutional stakeholders of the financing for development process.

A. Multi-stakeholder partnerships in support of the global partnership for sustainable development

54. Multi-stakeholder implementing partnerships can contribute to the realization of the broader vision of the global partnership for sustainable development, at both the national and international levels. Partnerships include global funds in such areas as health and climate, in addition to domestic-level partnerships aimed at developing expertise and public-private partnerships. Many global implementing

partnerships have raised resources, mobilized technical expertise and knowledge and capacity-building, contributed to efficiency gains in delivery, built momentum on the ground and helped to build consensus around issues.

55. At the same time, these partnerships need to be looked at within the context of the broader development cooperation landscape. Principles of effective development cooperation, including ownership by developing countries, a focus on results, inclusiveness of partnerships, and transparency and mutual accountability, should be addressed in the conception and in the implementation activities of partnerships, particularly those that operate at a global level. Due consideration needs to be given to the proliferation of financing channels and the fragmentation of the development cooperation architecture. The decision to set up new funds demands careful analysis, including the costs and benefits versus other delivery mechanisms, such as multilateral channels, including multilateral development banks, and bilateral programmes to deliver ODA. Each type has advantages and disadvantages.

56. In this context, it would be useful to have a set of guidelines and tools for analysis to help determine if a proposed new fund represents the most effective, efficient and coherent funding modality for achieving the stated purpose, particularly in view of the growth in the number of partnerships over the past 15 years. Drawing on existing experiences, a number of initial elements can be identified. Partnerships should work with and alongside existing instruments and institutions to ensure coordinated, cross-sectoral and integrated approaches in support of country-driven priorities and strategies. In order for implementing partnerships involving different stakeholders to be effective drivers for sustainable development, it has been suggested that they should be guided by human rights and respect pre-existing norms, standards and political commitments. They should address different abilities and incentives of different stakeholder groups, ensure that all partners are held accountable and be subject to effective monitoring. Several examples illustrating the wide variety of existing partnerships and their contributions to sustainable development are provided below.

57. In the field of health, global partnerships, including the Global Fund to Fight AIDS, Tuberculosis and Malaria and the Global Alliance for Vaccines and Immunization have been effective in immunizing millions of children and distributing AIDS and tuberculosis treatments to millions of people in the developing world. The Ebola crisis has further underscored the importance of developing national health-care systems and has led to calls for widening the scope of the health funds. They have created innovations in governance structures that have led to changes in the way resources have been delivered to countries. At the same time, a large proportion of their funding comes from ODA. For example, the Global Fund is mostly financed from ODA, with a small proportion from philanthropy. Uniquely, the International Drug Purchase Facility, which seeks to supply affordable medicines for HIV/AIDS, malaria and tuberculosis to low-income countries, is funded largely from an innovative source of funding, the air-ticket solidarity levy.

58. Other examples of initiatives include the Sustainable Energy for All initiative, which is a global, multi-stakeholder partnership among Governments, the private sector and civil society. Its three objectives pertain to access to modern energy services, energy efficiency and renewable energy. The partnership attempts to set out a framework for action taken by its members, rather than acting on its own. It further contributes by monitoring progress against goals and raising awareness of the issues at the highest levels.

59. The Open Government Partnership is a multilateral initiative that aims to secure concrete commitments from Governments to promote transparency, empower citizens, fight corruption and harness new technologies to strengthen governance. It aims at accountability in respect of commitments rather than securing financing and operates at the global level. In the spirit of multi-stakeholder collaboration, the partnership is overseen by a steering committee that includes representatives of Governments and civil society organizations and has a secretariat that tracks new members and progress on country annual plans. The private sector is not involved. One key innovation is the creation of an independent reporting mechanism, in which governance experts review country annual self-assessments. The Global Agriculture and Food Security Programme involves civil society in a decision-making role. The Programme is a multilateral mechanism to improve incomes and food and nutrition security in low-income countries by boosting agricultural productivity. It focuses on smallholder farmers and has farmer organizations and civil society groups on its board along with donor Governments and Governments of developing countries.

60. As an example of a regional partnership, the Caribbean Challenge is a conservation initiative that brings together Governments, companies and partners to accelerate action on conservation in the Caribbean. Together, the nine participating countries and territories have committed to conserve at least 20 per cent of near-shore and coastal environments in marine-protected areas by 2020 with the help of private and public sector partners. This South-South initiative focuses on policy development, although it is associated with a financing mechanism, the Caribbean Biodiversity Fund.

61. The Accord on Fire and Building Safety in Bangladesh is an example of a single-country initiative, but one that does not involve government. An international organization, the International Labour Organization (ILO), mediates the 2013 initiative, which is a five-year independent, legally binding agreement between global brands and retailers and trade unions designed to build a safe and healthy Bangladeshi garment industry. The agreement was created in the immediate aftermath of the Rana Plaza building collapse that led to the death of more than 1,100 people and injured more than 2,000 and is focused on accountability.

62. The third International Conference on Financing for Development needs to ensure that the global partnership for development and the wide range of implementing partnerships upon which it will draw are embedded in a cohesive and holistic financing framework for sustainable development. As the financing and development landscape is increasingly characterized by many dispersed actors and a high level of complexity, its most important contribution may lie in setting the right incentives for this broad range of actors to facilitate sustainable development financing and investment.

B. Suggested questions for discussion

(a) What are the lessons learned from the current global partnership? What are the most pressing new challenges and emerging issues that a renewed global partnership for development needs to address?

(b) Under which circumstances should multi-stakeholder implementing partnerships be used as a vehicle of implementation?

(c) How can multi-stakeholder implementing partnerships be most effectively used to contribute to sustainable development? Which general principles should they adhere to?

IV. Follow-up and the way forward: enhancing the role of the Economic and Social Council

63. In the course of the General Assembly negotiations on the post-2015 development agenda, Member States have underscored that an ambitious development agenda must be accompanied by an effective framework to review progress. The exact structure of this review framework will be discussed at the May 2015 General Assembly negotiations on the post-2015 development agenda. Discussions are likely to continue at the high-level political forum on sustainable development (26 June to 8 July 2015) leading to the final negotiations in July 2015.

64. In 2012, world leaders gathered at the United Nations Conference on Sustainable Development, at which they reaffirmed the role and authority of the General Assembly on matters of concern to the international community. They committed to strengthening the Economic and Social Council, recognizing its key role in achieving a balanced integration of the three dimensions of sustainable development.

65. The world leaders also established a high-level political forum on sustainable development to provide leadership and guidance on recommendations for sustainable development. The high-level political forum will conduct regular reviews, starting in 2016, on the follow-up and implementation of sustainable development commitments, within the context of the post-2015 development agenda. These reviews will be voluntary and include developed and developing countries, as well as relevant United Nations entities (see General Assembly resolutions 66/288, annex and 67/290). At its coming session, which will be held under the auspices of the Council, the forum will discuss its role and ways to implement its functions in following up on and reviewing the implementation of the post-2015 development agenda.

66. In its resolution 2012/30, the Economic and Social Council referred to the commitment to strengthening the Council and requested the Secretary-General to submit proposals in that regard, including the working methods of the Council, and giving special attention to the integrated and coordinated implementation of, and follow-up to, the outcomes of all major United Nations conferences and summits in the economic, social and environmental fields.

67. In the report of the Secretary-General on the implementation of General Assembly resolution 61/16 on the strengthening of the Economic and Social Council (A/67/736-E/2013/7), it was stressed that the interrelated challenges of sustainable development and poverty eradication are at the heart of the Council's mandate. It called for an issue-oriented Council that can help to leverage the vast reservoir of expertise and experience in the United Nations system to better delineate core issues, the cross-cutting dimensions and holistic features, and strategic priorities at all levels. It stressed that a strengthened Council could also better engage stakeholders beyond the United Nations system through the involvement of the academic and scientific community, the private sector, civil society and public

authorities at all levels, in knowledge-sharing and programme-partnering, in a collective mainstreaming of sustainable development. The report included specific recommendations aimed at transforming the Council into an issue-oriented, knowledge-based, stakeholder-friendly intergovernmental body. It also addressed the need to bring greater coherence to the work by, inter alia, refocusing its agenda, streamlining its work programme and restructuring the calendar of its sessions. In his synthesis report entitled "The road to dignity by 2030: ending poverty, transforming all lives and protecting the planet" (A/69/700), the Secretary-General made recommendations on how to gauge progress. The report recommends a multi-level, multi-stakeholder review system for the post-2015 agenda. The Secretary-General outlines five components: (a) accountability at the national level; (b) peer reviews at the regional level; (c) knowledge and experience-sharing at the global level; (d) thematic reviews to chart progress on particular themes; and (e) review of the global partnership for sustainable development.

68. The framework to review progress on the post-2015 development agenda was further discussed at the first General Assembly negotiation session and other Assembly and regional meetings.

69. In September 2013, the General Assembly adopted its resolution 68/1 in which it set out measures strengthening the Council. The new framework rests on four major pillars: First, the Council will follow an issues-based approach and will select an annual theme. Second, the Council will hold annually an integration segment aimed at consolidating inputs from various sources, including subsidiary bodies, on the main theme and promoting a balanced integration of the three dimensions of sustainable development. Third, the Council is expected to conduct action-oriented reviews of the activities, reports and recommendations of its subsidiary bodies. Fourth, the annual report of subsidiary bodies will now be considered at one of the Council's coordination and management meetings.

70. Member States have recognized the work of the Council in implementing these reforms over the past year and improving its effectiveness.[11]

71. Moreover, the high-level political forum, under the auspices of the General Assembly and the Council, has the potential to further strengthen its two parent bodies.

72. The Economic and Social Council continues to serve as a platform where Governments, non-governmental organizations, business, academia, the philanthropic community and others can come together to discuss ways to promote sustainable development. Since 2008, it has convened an annual partnerships forum bringing together a wide range of stakeholders to discuss how partnerships across a variety of sectors, including health, agriculture and food security, and gender equality, can help to advance the development agenda. The Council's role in the area of partnerships could expand in the context of the post-2015 development agenda.

73. Indeed, the Economic and Social Council boasts some unique strengths in this regard. It has the mandate to follow up the implementation of the outcomes of world summits and conferences held in the 1990s. Second, the Council has also been given an oversight and coordination role vis-à-vis the United Nations system and, as such, should review and provide guidance on the partnerships in which these

[11] Ministerial declaration of the high-level segment of the 2014 session of the Economic and Social Council.

organizations are involved, including with the private sector. Third, the Council's multi-stakeholder Development Cooperation Forum is another space where Government-to-Government partnerships have been discussed since 2007. The Forum also identified ways to enhance national and global accountability and the effective monitoring of development cooperation. Fourth, the special high-level meeting of the Council with the World Bank, IMF, WTO and UNCTAD remains the premier forum to address issues of coherence, coordination and cooperation in the context of the financing for development process.

74. The Economic and Social Council could further enhance its role in development cooperation as donor and recipient nations look to hold each other to account as partners. In that context, the Development Cooperation Forum could provide a suitable platform for global mutual accountability while the special high-level meeting could continue to provide a forum for Governments, the major institutional stakeholders, civil society and the business sector to coordinate their implementation efforts in the context of the post-2015 development agenda. These issues will be further discussed in the context of the preparations for the conference in Addis Ababa. The Council and its subsidiary bodies may also be called upon to make further efforts to harmonize their own institutional framework in the light of the post-2015 development agenda as approved by the General Assembly. Lastly, the Council could provide dedicated attention, resources and guidance on the most vulnerable countries, whose voice is often underrepresented in other international organizations.

Suggested questions for discussion

(a) What could be the role of the General Assembly, the Economic and Social Council and its subsidiary bodies and events, the high-level political forum and the broader United Nations system in promoting a global partnership for sustainable development in the context of the follow-up to the financing for development process and the post-2015 development agenda?

(b) Is there a need for any further strengthening of the special high-level meeting and what would reforms of this event look like?