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CENTER ON INTERNATIONAL COOPERATION



**Delivering the Post-2015 Development Agenda**  
*Options for a New Global Partnership*

**Alex Evans**

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NEW YORK UNIVERSITY

## CENTER ON INTERNATIONAL COOPERATION

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Alex Evans

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## Executive Summary

Debate about what new Goals should succeed the Millennium Development Goals after their 2015 deadline is now well underway. But there has so far been less discussion of another key issue: a new Global Partnership to deliver them. So what is needed – and what might be feasible in the current political context?

### Who wants what from post-2015?

- Most **high income countries** are in introspective mood as they confront weak growth, high unemployment, and tough fiscal pressures. Aid spending has already started to decline in the wake of the global financial crisis and Great Recession – from 0.32% of rich countries' gross national income in 2010, to 0.29% in 2012.

That said, many influential OECD governments do want a meaningful outcome on post-2015, and are looking for ways of securing one. The US, UK, and Germany are looking hard at how to increase the private sector's contribution, for example; France and the Nordic countries at how to improve integration of development and sustainability; and the G8 has recently made significant moves forward on tax transparency and illicit flows.

- Many least developed countries are frustrated about declines in aid, especially as they have been disproportionately steep for the poorest countries. Many also fear that a move towards universal sustainable development goals risks diluting the MDGs' poverty focus.

But it would be a mistake to over-simplify LDCs' interests. Many of them are more interested in areas like trade, investment, or remittances than they are in aid. There is strong appetite for new ways of achieving inclusive economic transformation. And despite wariness about 'planetary boundaries', LDCs have emerged as some of the strongest voices calling for higher ambition on climate change.

- Middle income countries, finally – a group that includes not just the BRICS emerging economies, but also regional players like Colombia, Indonesia, Turkey, Mexico, Nigeria, and Pakistan – are the constituency whose position remains least clear for now.

While various principles and interests feature regularly in their positions – common but differentiated responsibilities, emphasis on national sovereignty, technology transfer, calls for rich countries to adopt more sustainable consumption and production patterns – these do not always translate into concrete 'asks'.

This in turn often leads observers to wonder whether MICs feel that they have much at stake in the post-2015 agenda, and whether their capitals are seriously engaged. Yet the fact that three quarters of the world's people now live in middle income countries underscores why an agenda that aspires to be 'universal' will be anything but that unless middle income countries engage on it meaningfully.

### A Global Partnership for what, exactly?

This introduces the second big question in the post-2015 agenda: what a new Global Partnership is supposed to help to deliver. While the exact list of post-2015 Goals will not be known for another two years, it already appears clear that they will be much more ambitious – and hence harder to achieve – than their MDG predecessors, in three key ways.

- First, the probability of goals focused on **"getting to zero" on poverty** by 2030. This will entail a focus on poor people who will be much harder to reach than those lifted out of poverty during the MDG period – concentrated in fragile states (or parts of them), or in stubborn and often politically marginalised 'tails' of poverty in middle income countries.
- Second, universal goals will need to find ways of managing the **risks facing the "breakout generation"** that has escaped poverty in the last 15 years. They include insecure or low-paid jobs and 'jobless growth'

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(all of which affect young people in particular); creaking urban infrastructures that risk buckling under the strain of spiralling demand; growing resource scarcity and rising prices for basic goods; the social strains of high inequality, together with a lack of safety nets; and weak or corrupt institutions. As protests in countries from Egypt and Turkey to Bulgaria and Brazil show, these risks can be especially contentious in middle income countries.

- Third and finally, universal goals will need to address challenges of **providing global public goods and managing global risks** – from climate change to infectious disease, and from macroeconomic stability to fundamental questions about who gets to consume what in a world that is increasingly hitting environmental limits.

### Why the post-2015 agenda is different

If, as seems likely, post-2015 Goals do try to address all three of these sets of issues, then they will be less about “international development” as it has traditionally been understood than about a much bigger agenda: **a more inclusive and sustainable globalisation**.

This in turn introduces three new challenges, all of which will need careful handling as a post-2015 Global Partnership is developed and negotiated.

- First, **globalisation appears to be entering a period of increasing stress**. Trade has expanded more slowly than GDP for the last two years – ending a thirty year trend of it growing faster than GDP. 1,500 ‘stealth protectionist measures’ have been introduced by G20 members since their commitment not to do so in 2008. Support for globalisation is waning in advanced economies amid stagnant wages, high unemployment, and the ‘squeezed middle’. China, meanwhile, is embarking on a high stakes transition towards a growth model based less on exports and investment and more on consumption.
- Second, **the need to build the case for why middle income countries should embrace collective ap-**

**proaches to global problems**. Middle income countries are well aware of the need to manage the risks confronting their emerging middle classes. But their focus on sovereignty means that it is by no means sure that they will regard collective approaches as the best means of doing so. Advocates of multilateralism will need to build a powerful case for where, why, and how it makes sense to pool sovereignty – and place greater emphasis on the principle of subsidiarity (which states that issues should be dealt with at the lowest level of governance capable of handling them).

- Finally, **the new agenda will involve a very different toolkit** to the one employed for the MDGs. Aid will be a smaller part of the picture, especially for middle income countries. Conversely, far more attention will need to be paid to wider issues of ‘policy coherence’, in areas like trade, investment, migration, sustainability, technology, and private sector investment. By extension, this will also increase the premium on whole of government approaches – in developed, as much as developing, countries.

On all three of these fronts, progress will depend on strong political leadership, and articulation of why and how a better globalisation is possible. However, recent years have instead seen the rise of a ‘G Zero’ dynamic in which, far from moving towards broader global leadership through the G20, multilateralism has instead been hallmarked by a steadily worsening leadership deficit.

### Planning the political choreography

This means that progressive governments and others who want an ambitious post-2015 agenda need to start work right away on choreographing a ‘virtuous circle’ in which success breeds success and momentum grows steadily. (Conversely, they will also need to anticipate and plan for media narratives about failure, stalemate, low ambition, and bad faith.)

The first step in this policy planning process should be to map out all of the key political opportunities that will take place over the next 2-3 years, and start identifying potential announcements and agreements against them

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in a comprehensive planning 'grid'. This paper includes a comprehensive calendar of the main events relevant to post-2015 (see Annex), but overall, six key phases or moments will be especially important.

- **The first half of 2014.** This period will shape impressions of whether post-2015 is likely to generate real action – or whether it is just another UN talking shop. Key moments include Davos in January, a key moment for the private sector to 'set out its stall'; the first High-Level Meeting of the post-Busan partnership in Mexico in April; a series of thematic roundtables organised by the President of the General Assembly in New York; and the UN Development Cooperation Forum in July. The main negotiations of the UN's Open Working Group on SDGs and the parallel Intergovernmental Committee of Experts on Sustainable Development Financing will also be underway.
- **September 2014.** The two processes just mentioned will report back to the UN General Assembly after the summer, moving the process into its home straight. At the same time, the UN Secretary-General will host a major head of government level climate change summit. This will be a key moment for raising ambition on both fronts – as well as showing how the climate and development agendas fit together.
- **December 2014** will be a key test of seriousness on multiple fronts. The OECD Development Assistance Committee will hold a high level meeting in Paris that will redefine the framework for counting and reporting development finance. The COP20 climate summit in Lima is likely to see many countries unveil their offers on post-2020 emissions reductions. And the UN Secretary-General will publish his proposed way forward on post-2015 Goals – a crucial input to the intergovernmental negotiation that will precede the September 2015 summit.
- **The 2015 G20 summit in Turkey.** Although the date has yet to be set, the 2015 G20 is likely to be the key moment for major economies to make commitments on areas relevant to post-2015, and an especially important moment for engaging middle income

countries on post-2015. The premium on success will be further increased given very low expectations for the 2014 Australian G20 on climate and development, following the recent change of government there.

- **A 2015 summit on finance for development.** It looks likely that a major summit on financing for development will shortly be announced, following on from Monterrey in 2002 and Doha in 2008 – perhaps to be held for the first half of 2015. This would be a key moment for developing a more integrated and coherent architecture for aid, climate finance, private sector flows, new donors, and other sources of finance for sustainable development.
- **September to December 2015.** Crunch time – including the key decision moment on post-2015 Goals at the UN General Assembly in September and the high stakes COP21 climate summit in Paris in December, as well as (if the timing of the last three summits is any guide), the World Trade Organisation's Tenth Ministerial Summit.

Across all of these milestones in the post-2015 calendar, a key task for high ambition governments is to identify elements of a potential 'early harvest' of commitments and actions that could – at a stretch – be agreed over the next 2-3 years. This package of measures should have a particular focus on the needs of the poorest, not only because of the demanding nature of a 'getting to zero' agenda, but also to underline that a broader, more integrative agenda will be no less focused on poverty than the MDGs were.

It also needs to strike the right balance between keeping the least developed countries engaged, kindling enthusiasm for the post-2015 agenda among middle income countries, and cajoling higher ambition out of advanced economies, on both traditional approaches (most obviously, aid spending) and more innovative approaches (like private sector partnerships or policy coherence for development).

So what might that look like? Overall, it makes sense to split actions in to two clusters: first, those that centre

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on finance (in the broad sense); and second, those that centre on the wider sustainable development agenda, for example in areas like trade, macroeconomic policy, sustainability, technology, and data.

### An early harvest on finance

Start with finance – where the post-2015 agenda needs to do five key things.

- First, **start from the recognition that the context for financing for development has changed dramatically since the MDGs were agreed.** In particular, while many low income countries remain relatively aid-dependent, many middle income countries now have access to a much more diverse range of sources of finance, including foreign direct investment, portfolio equity, commercial debt, remittances, and domestic resource mobilisation.
- Second, **defuse the potential for a damaging fight between the development and climate change communities** – something that could easily emerge if they perceive themselves to be fighting each other for the same resources. Instead, the post-2015 agenda needs to show that the two communities have strongly aligned interests, and that a much more integrated approach to financing is both desirable and feasible.
- Third, **find ways of building much greater coherence between public and private flows of money.** This will in part depend on clearer understanding of where business cases for private sector investment do and don't exist – and what governments can do to change this calculus.
- Fourth, **build on the real successes of the MDG period in increasing mobilisation of domestic resources** – in particular by capitalising on the moment of political opportunity that now exists for governments to make faster progress on tackling international tax avoidance and reducing illicit flows.
- Fifth and finally, **bring all of these elements together in a coherent whole** – both at country level and

(crucially) at global level. The prospect of a major international conference on financing for development, designed to update the Monterrey Consensus for the post-2015 period (see above) offers a key opportunity to do this.

In concrete terms, an 'early harvest' designed to generate momentum on all of these fronts could focus on five key areas as follows.

- 1. More international public finance for least developed countries.** Whether or not they meet the 0.7% target as part of the post-2015 agenda, all OECD donors should *at least* meet the long-standing target of giving 0.15-0.20% of their gross national income to least developed countries. (At present, they give just 0.10% between them – about \$45 billion in 2011.)

This would dramatically scale up resources for the countries that need it most, and that have the fewest financing options. It would also enable major new and additional investment in climate adaptation, through increased ODA flows rather than (as currently envisaged) a wholly separate, standalone climate finance architecture.

- 2. Clearer guidelines on international public finance in middle income countries.** Calls to 'graduate' all middle income countries from all grant (as opposed to loan) assistance are excessive – but there does need to be a clearer rationale for when to invest aid or climate finance in MICs, especially given that they are now able to access so many other sources.

In practice, this could be: instances where aid can play a catalytic role; where it develops know-how or technical capacity; emergency relief for large-scale disasters or conflicts; and spending on socially excluded or politically marginalised groups. There are also good grounds for a rethink on the level of the lower threshold of middle income countries (currently gross national income of \$1,035 per capita).

**3. More international public finance on global public goods.** The world seriously under-invests in global public goods like agricultural R&D, vaccine production, technology cooperation, peacekeeping, rainforest preservation, and climate mitigation: total GPG funding in 2009 was less than \$12 billion, with only a quarter of that spent on areas other than UN peacekeeping.

Aid donors should commit to spend a bigger proportion of aid on GPGs – say, 10% by 2020 on areas other than peacekeeping and climate. And they need to get more serious about innovative financing – for example by harnessing the forthcoming ICAO Market Based Mechanism, which could generate up to \$10 billion a year for GPGs.

**4. Increasing capital markets' role in financing sustainable development.** There is no global shortage of capital: global equities are worth \$50 trillion, and sovereign and intergovernmental debt \$100 trillion. However, recent years have seen capital too often flow to where it is part of the problem (like subprime mortgages or exploration for fossil fuels that can never be burned if global warming is to be kept below 2 degrees C) rather than towards financing sustainable development.

A detailed analysis is now needed to assess not only how much capital is needed to meet post-2015 and climate goals, but also how financial institutions could provide it – including implications for key asset classes, how internal practices need to change, and how financial regulations might need to evolve. The global insurance company Aviva has launched a major new project to look at these areas, which is due to report in August 2014.

**5. Further progress on tackling tax avoidance and illicit flows.** The tax and illicit flows agenda has unexpectedly acquired significant political momentum following the 2013 G8, with the UK indicating a desire to continue to press the agenda. The challenge now is to build on this progress, in particular by widening participation beyond the G8; the prize, meanwhile, is the potential for major increases in developing countries' capacity to

mobilise resources domestically, building on progress in this area during the MDG era.

In practice, this means bringing as many developing countries as possible into the exchange of information standard currently being developed by the OECD; making corporate tax reporting public, rather than only available to tax authorities; and further progress on transparency of who really owns companies (“beneficial ownership”).

### **An early harvest on the wider sustainable development agenda**

As well as making progress on financing, a post-2015 ‘early harvest’ needs to look at the sustainable agenda more broadly. Five more areas of particular importance where progress could be made over the next 2-3 years are as follows.

**6. The role of the private sector in sustainable development.** The debate about “the role of the private sector” in post-2015 needs to move from generalities to concrete actions – many of which will be specific to particular sectors or geographies. A good starting point would be for the UN’s new Partnerships Facility to undertake a gap analysis of where new partnerships would be useful, once it is up and running, with a presumption of a partnership on each area in which a post-2015 Goal is agreed.

Governments, meanwhile, should introduce mandatory corporate reporting on non-financial performance for companies above a certain size. The private sector itself, finally, needs to set out its own ‘offer’ on post-2015, perhaps at Davos in 2014 – including giving one organisation the lead voice on the agenda.

**7. Finding development wins in the trade agenda.** Notwithstanding endless disappointments on the Doha round, the MDG era has actually seen big reductions in tariff barriers to most developing country exports. For the post-2015 agenda, the most important work will instead centre on non-tariff barriers (such as sanitary and phytosanitary standards, or rules of origin), and updating special and differential treatment



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for least developed countries. Full duty-free and quota-free (DFQF) access for least developed country exports should be another early priority.

Some of these areas are on the agenda for the WTO's Bali Ministerial at the end of 2013, where the "small package" under consideration has a fairly strong development focus. A good outcome there would be a massive confidence building measure on post-2015 and multilateralism more generally.

**8. Sustainability – and above all climate change.** The green growth agenda has developed rapidly, and is making strong inroads in a range of countries from high to low income (even if progress still remains frustratingly slow on areas like subsidy reform). An early win that would build on recent progress would be for the UN to launch a new Clean Technology Facility – a key idea to emerge from Rio+20.

In the climate context, a crucial early win would be the launch of a high ambition 'coalition of the willing' of both developed and developing countries, based on equitable shares to a safe global carbon budget – while leaving the door open for more countries to join, as they too recognised the seriousness of the issue. This would at once start to embed the right principles for a global deal to solve climate change, create a major new source of finance for development for most developing countries, and reduce compliance costs significantly for high emitters (without sacrificing environmental integrity).

**9. Technology and data.** The World Bank has started to develop Inclusive Innovation Funds in key countries as ways of supporting innovators in developing ideas to the point at which they can raise private finance; one early harvest option would be to roll this idea out more systematically to other countries. On a similar note, governments and companies could work together to create new centres or networks for technology diffusion to ensure that innovations such as more resource-efficient agriculture practices are disseminated wider and faster.

On data, the most pressing need is for higher quality data at global level, given the extent to which current policymaking is 'flying blind'. Key questions include: the world's business as usual trajectory on poverty, and how to 'bend the curve'; what resources, partnerships, and strategies are needed to drive the change; where the key risks to poverty reduction lie; what national emissions reduction pledges add up to globally; and where key environmental risk thresholds lie, as well as how close the world is to them.

The new Global Sustainable Development Outlook mandated at Rio+20 should set out to answer all of these questions. In the process, it can accelerate integration of development and sustainability by measuring them alongside each other; drive improved inter-agency coherence, by forcing them to work together on the report; and create new accountability on governments and companies, by comparing promises with performance.

**10. Global governance reform.** Finally, there is reform of international institutions – an area of crucial importance to many middle income countries as they seek stronger representation at the 'top table' of global governance. The most immediate priority for an early harvest is to move forward with stalled reforms of IMF quota shares and directorships to give a bigger share to developing countries, which are currently being held up by the US Congress despite having been agreed internationally in 2010.

At the same time, the global governance reform agenda also needs to look at national governments too. High and middle income countries need to look at their development impact in the round, across government, rather than just focusing on one or two variables, like aid spending or trade policy. The Center for Global Development's *Commitment to Development Index* (CDI) is one influential example of how this can be measured. This approach could be built on and systematised as part of the post-2015 agenda – for example through peer review, or incorporating a version of the CDI into the new Global Sustainable Development Outlook.

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## Conclusion

Overall, the outlook on globalisation and sustainability appears held in tentative balance between two alternative futures: one of intensifying zero-sum competition – a scenario that would be disastrous for the world’s poor – and one of increasing cooperation in a revitalised, rules-based order. Which of these futures the world heads towards will depend partly on developing the right ideas, partly on their advocates’ capacity to organise effective coalitions, and partly on being ready to take immediate advantage of moments of political opportunity in the aftermath of shocks and crises.

In the meantime, there is also a need to focus on what can be done *now*, amid current political constraints, to build confidence and momentum that can – with luck – help tip the balance towards the non-zero sum scenario. This paper aims to contribute to that process, and catalyse more serious thinking from governments and other actors about what needs to be done, and what they are willing to commit to.

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## 1: The Need for a New Global Partnership

### Introduction

The debate on what should follow the Millennium Development Goals after their 2015 deadline is now underway in earnest. At a Special Event of the 2013 UN General Assembly in New York, member states formally decided to develop a single post-2015 set of Goals that would be “universal in nature and applicable to all countries, while taking account of differing national circumstances and respecting national policies and priorities”, as well as agreeing a road map to guide the next two years of negotiations.<sup>1</sup>

But in some ways, agreeing the new Goals is the easy part. For member states also need to reach agreement on what is known in the arcane jargon of the UN as “means of implementation”: in other words, *how* those Goals will be delivered, including both financing, and many other issues besides. While much of that debate will focus on what happens on the ground in individual countries, another key aspect of it will be the need for a new Global Partnership for sustainable development – something emphasised strongly in both the outcome of the 2013 General Assembly Special Event, and the recent report of the UN High-level Panel on the post-2015 development agenda.

This raises what is perhaps the key question in the post-2015 debate: what is the political deal that member states are supposed to cut?

Back when the Millennium Development Goals were agreed in 2000, the political deal was relatively straightforward. Developed countries would rebuild levels of Official Development Assistance, which had declined precipitously during the ‘lost decade’ for development of the late 1980s and early 1990s. Developing countries, for their part, would prioritise spending on the social sectors emphasised in the MDGs, above all health and education. Accordingly, as soon as the Millennium Summit had agreed what the MDGs would cover, preparations began for the 2002 Monterrey Summit on financing for development. (MDG8 – to build a global partnership for development

– was somewhat less successful, by contrast, for reasons discussed below.)

This time around, while aid and other financial flows will still be crucial, the context has shifted markedly. The global distribution of both poverty and power has changed utterly since 2000. Emerging economies have risen to global prominence; low income countries too are feeling increasingly confident of their capacity to chart their own course. Yet at the same time, new issues such as climate change and the risk of systemic economic shocks have moved to the fore, highlighting the necessity of a new framework that takes into account risks and vulnerabilities the world over.

The political context is more challenging, too. Faced by tough economic conditions at home, rich countries appear unlikely to increase their aid spending dramatically, despite their continuing failure as a group to reach the 0.7% aid target. Least developed countries are concerned that their interests may be lost if new Goals cover a far broader range of objectives than just extreme poverty. Many middle income countries are similarly mistrustful of developed countries’ intentions, but have yet to develop a clear set of ‘asks’ from the post-2015 agenda.

Against this backdrop, this paper aims to contribute to the emerging debate about what a new Global Partnership might look like.

It begins, in the remainder of this chapter, with a short discussion of the strengths and weaknesses of MDG8; a brief overview of the broad areas that universal post-2015 Goals might cover; and an assessment of the political interests of key groups of countries. Chapter 2 then focuses on the key area of financing, exploring what an overall post-2015 strategy in this area might look like – as well as areas where ‘quick wins’ might be possible. Chapter 3, finally, looks at a range of broader ‘policy coherence’ issues – areas like trade, migration, sustainability, and global macroeconomic issues – that could also form parts of a new Global Partnership, and assesses both which of these issues matter most, and which look most promising for political deals over the next 2-4 years.

## MDG8: what worked, what didn't?

The idea that global development goals need a Global Partnership to help deliver them is not new: the eighth Millennium Development Goal was explicit about the need for just such a partnership as a means to the ends of Goals 1-7.

This meant that MDG8 was always the odd one out among the MDGs: concerned with the 'how' rather than the 'what', and with what happened at global level rather than on the ground in developing countries. It was also notoriously difficult to measure in comparison with MDGs 1-6, including at the level of its six subsidiary targets (see box).<sup>2</sup>

### MDG8's targets

1. Develop further an open, rule-based, predictable, non-discriminatory trading and financial system
2. Address the special needs of least developed countries
3. Address the special needs of landlocked developing countries and small island developing states
4. Deal comprehensively with the debt problems of developing countries
5. In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries
6. In cooperation with the private sector, make available the benefits of new technologies, especially information and communications

Progress on these six areas has been mixed. Debt relief probably represents the biggest success story among the areas covered, with debt service ratios now at a quarter of their 2000 level, and low income countries' debt as a proportion of GNI falling from 69% to 29% over the same period – although there has also been widespread concern that funding for debt relief came at the expense of aid flows.<sup>3,4</sup>

On trade, while the Doha round has remained stalled, things have improved for both developing countries generally and least developed countries specifically, at least in terms of duty-free market access and tariff barriers (although non-tariff barriers such as rules of origin are the subject of increasing concern, as chapter 3 discusses in more detail).<sup>5</sup> LDCs have also benefited from increased aid commitments, although total ODA levels have been in decline since 2010, with flows to LDCs and to Sub-Saharan Africa falling significantly faster than aid as a whole (see chapter 2).<sup>6</sup>

Access to medicines has seen some progress, with global measles vaccinations increasing from 72% to 85% between 2000 and 2010.<sup>7</sup> On the other hand, there has been little improvement in the availability and affordability of essential medicines, despite moves towards tiered pricing by some drug companies.<sup>8</sup>

Developing country access to information and communication technologies, finally, has surged since 2000, with cellular phone subscription coverage increasing from 4% to 80% of people in developing countries between 2000 and 2011, and internet access increasing from 1.5% to 24% of the developing world over the same period.<sup>9</sup> However, the role played by MDG8 in making this happen is "particularly tenuous", with donor financing playing only a very small part in driving investment flows.<sup>10</sup>

More broadly, MDG8 can also be criticised for what it omitted. It seems odd in retrospect that technology was addressed in the specific areas of drugs and ICT, but not in areas like agriculture, infrastructure, or energy. Cross-border dynamics relating to migration, remittances, tax havens, and illicit financial flows were all also overlooked, as were broader issues of global macroeconomic policy.

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The fact that sustainability was excluded from the MDG on Global Partnership seems especially significant in retrospect. True, environmental concerns had their own Goal (MDG7). But the implication of this framing appeared to be that sustainability was something to be achieved within developing countries – rather than something that entailed developed country responsibilities to reduce their emissions or address their unsustainable consumption and production patterns, as part of a Global Partnership.

Yet despite these shortcomings, MDG8 still mattered. It represented formal recognition of the fact that developed countries have critical responsibilities on development – and that these extend beyond aid spending alone. It was also the only MDG to acknowledge explicitly the contribution that the private sector can make to development, albeit only in access to medicines and ICT. Above all, it pointed to the need to make globalisation work for the poor – an idea that remains as relevant today as it was then.

### **A new Global Partnership to deliver *what, exactly?***

This time around, though, a new Global Partnership will need to help deliver a much broader range of objectives than those enshrined in the MDGs. For although post-2015 Goals will not be finalised for another two years, it is already becoming clear that they are likely to be significantly more ambitious – and hence harder to achieve – than the MDGs. Three potential areas in which Goals might be developed stand out as especially significant.

First, **absolute poverty**. While the Millennium Development Goal of halving income poverty was achieved several years ahead of schedule, it looks likely that post-2015 Goals will include a new target of ‘getting to zero’ on absolute (\$1.25 a day) poverty by 2030.<sup>11</sup>

However, the world’s remaining poor people will be significantly harder to reach than those lifted out of poverty during the MDG era. They are likely to be increasingly concentrated in fragile states (or parts of them), and in stubborn poverty ‘tails’ in middle income countries – often

in geographical areas or social groups that suffer from political marginalisation.

These kinds of environments present particular challenges for international donors, especially when compared to the high-performing low-income countries that provided the ‘donor darlings’ of the MDG period – many of which have since risen to middle income status. The world’s ‘business as usual’ trajectory remains a long way off course for eradication of poverty by 2030, implying the need for a huge push to ‘bend the curve.’<sup>12</sup>

A second area that post-2015 Goals look set to cover if they are genuinely universal is **inequality and insecurity**. More people have escaped poverty since 2000 than ever before. Yet the members of this ‘breakout generation’, situated especially in middle income countries and in mushrooming cities around the world, are increasingly finding themselves playing a high stakes game of snakes and ladders: while they are finding new opportunities to improve their lot, they are also encountering numerous risks that could halt their progress – or push them back into poverty.<sup>13</sup>

Among these risks are insecure or low-paid employment, as well as the problem of ‘jobless growth’ – all problems that affect young people in particular; urban infrastructures that risk buckling under the strain of rocketing demand; steadily growing resource scarcity, with knock-on effects on prices of basic goods; the social strains of high rates of inequality; a lack of safety nets and social protection systems; unaccountable or unresponsive political institutions; and the risk of trans-boundary shocks ranging from financial and economic crises through to accelerating climate change impacts.

This, then, is very much the set of issues targeted by the World Bank’s new ‘shared prosperity’ agenda, with its aim of fostering income growth among the bottom 40% of the population in *every* country.<sup>14</sup> While these challenges affect poor people in all countries, they have a particular political potency among emerging middle classes in middle income countries – something underlined by recent protest movements in MICs from Egypt and Turkey to Bulgaria and Brazil.<sup>15</sup>

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Third and finally, there are **global public goods, and above all sustainability**. The need for much faster global progress on this front is already clear. Greenhouse gas emissions are rising instead of falling, and 46% higher than they were in 1990.<sup>16</sup> Rising population and a growing global middle class mean that by 2030, the world is likely to need 50% more food and 30% more water, but amid increasing competition for land, water stress, and climate change impacts, it is not clear how (or indeed whether) demand increases will be met.<sup>17</sup>

More broadly, human activity is already beyond safe limits on a range of critical environmental risk thresholds, including species loss and biogeochemical flows as well as climate change, and in danger of crossing into danger zones on a range of others. This in turn creates increasing probability of passing tipping points beyond which lies the risk of abrupt and irreversible loss of natural capital and degradation of ecosystem services – with poor people, as ever, disproportionately impacted.<sup>18</sup>

Yet despite the UN High-level Panel on the Post-2015 Agenda's observation that "environment and development were never properly brought together" under the MDG agenda, the challenge of moving to a green global economy in order to remain within planetary boundaries is likely to be an order of magnitude harder, and more expensive, than eliminating poverty.

Above all, a real global shift towards sustainability will entail grasping the nettle that MDGs 7 and 8 shrunk back from: dramatic changes to consumption and production patterns in the world's rich countries, which remain by far the highest per capita consumers of natural resources and 'carbon space' in the atmosphere.

### **Who wants what? – the politics of the post-2015 agenda**

Despite a widely shared appetite for an ambitious set of Goals, the political context for the post-2015 agenda remains challenging and sometimes paradoxical.

Within New York, discussions have become increasingly characterised by mistrust between OECD countries on

one hand and the G77 group of developing countries on the other. The issue of common but differentiated responsibilities – long a key concept in multilateral environmental agreements, but relatively new in the context of international development – has emerged as a particularly important area of division. As a result, many participants in post-2015 discussions express concern privately that the agenda could become bogged down in stalemate or acrimony.

However, the picture is more complex than a straightforward North-South divide. There are also substantial differences of view within the G77 – notably between emerging economies on one hand and the Africa group on the other. Views expressed by member state missions in New York often differ from those in national capitals, meanwhile.

Overall, the post-2015 agenda remains highly fluid, especially as many influential actors are only just starting to engage on it. While the risks of failure are real, the opportunities that a successful post-2015 agenda could unlock are enormous – *if* the soaring rhetoric of aspirational goals is matched by a determined push on delivery.

So what do different groups of countries want from the post-2015 agenda – and, conversely, to what might they be prepared to commit?

**High income countries**, first, still see themselves as being in recovery mode following the financial crisis of 2008 and subsequent recession. Many of them are attempting to tackle high levels of public debt through tough austerity programs. As a result, aid spending by OECD countries has declined over the past two years – from 0.32% of their gross national income in 2010 to 0.29% in 2012 – instead of rising towards 0.7% in line with long-standing commitments.

Admittedly, a few countries, such as the UK, have bucked this trend and are increasing their spending on ODA, while Denmark, Luxembourg, the Netherlands, Norway, and Sweden continue to exceed the 0.7% target. Despite 0.7%'s continuing relevance (see next chapter), it remains to be seen whether OECD countries as a group will put

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major new public financial resources on the table between now and 2015. More generally, many OECD countries are in relatively introspective mood – a far cry from the optimistic globalism that characterised many discussions at the time the MDGs were agreed.

On the other hand, some of the key OECD countries are already strongly engaged on the post-2015 agenda, and keen to find ways of making progress. In the United States, for example, President Obama set out strong endorsement of a Goal of eradicating poverty over the next two decades in the 2013 State of the Union address, and his Administration is strongly focused on agriculture, food security, and risks facing fragile states. Politically, President Obama's second term will encompass the full span of the key decision period on post-2015 – although Congress's focus on lower spending on foreign aid looks set to continue after the 2014 mid-terms, which will see elections in 435 House contests and 33 Senate races. Japan, meanwhile, is actively pushing the idea of human security as a way of integrating human rights, development, and security.

Among EU member states, many governments (including France, which will host the crucial 2015 climate summit, and the Nordic countries) are strongly focused on the sustainability dimensions of post-2015 goals, and interested in how they will address climate change and planetary boundaries. The UK, meanwhile, has given strong support to a goal of eradicating poverty by 2030, and used its 2013 G8 Presidency to make significant progress on tax avoidance and illicit flows.

However, much of the EU's political bandwidth will be focused on its continuing economic travails, on European Parliament elections in the middle of 2014, and on the appointment of a new President and Commissioners later in the same year (while the UK will hold a general election in May 2015). The EU's enlargement to 28 countries has also made consensus less likely on some issues – including climate change, where Poland and other eastern European states have been sceptical of more ambitious action.

**Least developed countries** are strongly focused on securing an outcome that places strong emphasis on

poverty – including through a new approach to inclusive economic growth – and are hence warmly supportive of a 'getting to zero' agenda on poverty eradication. Conversely, many LDCs are wary of the idea of a post-2015 agenda that places strong emphasis on sustainability or planetary boundaries. Some fear that such an approach risks diluting the MDGs' poverty focus; others are concerned that it could compromise growth strategies based on natural resource exploitation.

On the specific question of a Global Partnership, many LDCs are focused primarily on the financing aspect of post-2015, and frustrated both at the overall decline of OECD countries' ODA levels, and the fact that spending on LDCs has fallen even faster than the overall ODA total. However, their interests are not uniform: those LDCs that are most integrated with the global economy are arguably more focused on trade policy than on aid flows (in particular preference regimes and special and differential treatment for LDCs), as well as on opportunities in investment, migration, and remittances.

Climate change has also emerged as a key concern for many LDCs, not only in terms of opportunities to secure new climate finance, but also the need to increase global ambition on mitigation given their disproportionate exposure to climate damages – both areas where LDCs' interests may differ from those of middle income countries (see below).

Many LDCs also regard the post-2015 agenda as an opportunity to change the terms of development cooperation – both through increasing country ownership of development strategies and respect for national sovereignty more broadly, and through introducing more equity in international governance.<sup>19</sup>

**Middle income countries**, finally – a category that includes not just the BRICS economies, but also influential regional players such as Colombia, Indonesia, Turkey, Mexico, Nigeria, and Pakistan – are the constituency whose position is perhaps least clear at present.

While Latin American countries have led the way on early thought leadership on post-2015 – with Colombia and

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Mexico both playing especially important roles in setting agendas around climate change, sustainable natural resource management, and new approaches to finance for development – many other MICs have yet to set out exactly what they want from the agenda.

Although a number of principles and interests feature regularly in MICs' stated concerns – a concern for equity, emphasis on national sovereignty, desire for a seat at the top table in international institutions, and policy priorities such as technology transfer or sustainable consumption and production patterns in developed countries – these broad brush concerns do not always translate to more specific negotiating positions.

This in turn sometimes leads observers to wonder whether MICs feel they have much at stake in the post-2015 agenda, and whether their capitals are seriously engaged. A further uncertainty results from the number of middle income countries due to hold elections between now and 2015, with Turkey, South Africa, India, Indonesia and Brazil all expected to vote in 2014.

As set out earlier, many middle income countries are increasingly faced by challenges such as insecure or low-paid employment, 'jobless growth', urban infrastructure, resource scarcity, inflation or volatility in prices for basic goods, inequality, corruption, financial and economic shocks, and climate change. Most, if not all, of these challenges either have trans-boundary dimensions, or are common to many countries. This in turn implies that collective or multilateral approaches could make a powerful contribution to managing them (and chapter 3 sets out a range of policy options for how they could do so).

However, many middle income countries themselves see these issues in rather different terms, eschewing collective approaches in favour of ways of managing these risks that do not involve additional pooling of sovereignty. Witness, for example, many MICs' increasing focus on natural resource access deals in Africa and elsewhere, or the resistance that many MICs show to greater multilateral coordination of their growing aid programs or their climate mitigation policies.

Much will therefore depend on whether advocates of multilateralism are able to make a strong case for why supranational approaches make more sense than national approaches – including, perhaps, more emphasis on the 'subsidiarity' principle (which states that only those issues that cannot be performed at national or local level should be allowed to escalate to supranational levels of governance).

Equally, there are strong arguments too about why effective global cooperation on these issues depends on middle income countries' active participation. As the Center for Global Development's Charles Kenny and Sarah Dykstra note in an influential paper on MDG8, middle income countries – many of which will by 2030 be *high* income countries – are already critical global players on multiple agendas, and only likely to become more so:

- Non-OECD DAC countries currently account for 43% of global trade, and the total may rise to two thirds by 2030; already, South-South trade accounts for around 56% of total developing country trade.
- Foreign direct investment from non-DAC countries could climb to between 30-40% of the global total by 2030.
- Developing countries already account for 70% of global foreign exchange reserves.
- The majority of migrants from developing countries already move to other non-OECD countries, a trend that may well increase over time – especially as many large developing countries, including China, have below replacement fertility rates.
- OECD DAC countries already account for only a third of the world's CO<sub>2</sub> emissions, and this may fall to a quarter or less by 2030.
- The considerable majority of the world's biodiversity stocks are in non-DAC countries.
- The global infectious disease burden remains concentrated in developing countries, despite declining vaccination rates in many high income economies.<sup>20</sup>



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Overall, for all the talk of ‘universal’ post-2015 Goals that are relevant to 7 billion rather than 1 billion people, it remains unclear for now whether high and middle income countries really have the appetite to scale up joint approaches to global public goods and managing global risks. Analysts have instead begun to talk of a ‘G Zero’ world – one in which, far from moving towards broader global leadership through the G20, we are seeing a steadily worsening leadership deficit, with *no* country willing to show vision or spend political capital in creating global public goods or managing global risks.<sup>21</sup>

The question of whether the world’s high and middle income countries actually want global solutions to global problems – the essence of any new Global Partnership – is by far the most important uncertainty in the post-2015 debate. There is a real risk of mismatching the ‘what’ and the ‘how’ if the UN’s member states agree ambitious universal Goals covering 7 billion people, but fail to reach consensus on a credible delivery plan for achieving them.

Against this backdrop, this paper aims both to sketch out some of the big picture ideas that might shape a Global Partnership that really is commensurate with a universal set of post-2015 goals on sustainable development, but also to identify a possible ‘early harvest’ of actions that could (at a stretch) be agreed in the current political context and build confidence for more ambitious action.

## 2: Financing Sustainable Development

### Show me the money: current resources

During the MDG period, the two big milestones on finance for development were the 2002 Monterrey Consensus, and its 2008 update in the Doha Declaration (the outcome of a conference in Qatar that reviewed progress on Monterrey).<sup>22,23</sup>

In retrospect, the two declarations are sometimes seen as focusing primarily on official development assistance (ODA) as the key source of finance for development. In fact, though, they took a much broader and more integrative approach. As great, if not greater, emphasis was placed on areas like domestic resource mobilisation, foreign direct investment, international trade, financial and technical cooperation, external debt, and systemic economic issues from macroeconomic policy coordination to countering terrorist financing. (Climate finance, then still in its infancy, was a notable omission.)

On many of these fronts, the MDG period has been a success story. Developing country tax revenue has increased substantially, from \$1.5 trillion in 2000 to \$7 trillion in 2011. In middle income countries, domestic tax revenue is now 5 times higher than foreign direct investment and 40 times higher than aid receipts; in low income countries, the figures are less striking but still significant, with tax revenue 4 times higher than FDI and 20% higher than ODA.<sup>24</sup>

High savings rates in many emerging economies are another part of the domestic resource mobilisation picture, with savings for developing countries as a whole projected to average 32% annually until 2030. In aggregate, the developing world is likely to account for 62-64% of global savings of \$25-27 trillion by 2030, up from 45% in 2010; China and India between them will account for 38% of global gross investment between them by the same year.<sup>25</sup> Overall, then, developing countries’ capacity to finance their own future growth has improved dramatically.

Aid spending also rose for most of the MDG period, reaching a record high of 0.32% of OECD countries’ gross

national income in 2010 (\$128.7 billion in total).<sup>26</sup> Since then, though, ODA flows have declined in the face of austerity programs in developed countries, to 0.29% of OECD GNI in 2012. This represents the largest fall since 1997 apart from 2007, when major debt relief operations ended, and the first time since 1997 then that aid has fallen in two successive years.<sup>27</sup>

Aid to Sub-Saharan Africa and to least developed countries has fallen faster still, with a real terms decline of 7.9% in aid to Sub-Saharan Africa in 2011 alone. Bilateral aid to LDCs fell by 12.8% to about \$26 billion in the same year – compared to a decline of 4% for aid as a whole.<sup>28</sup> Analysis from the OECD DAC suggests that aid looks set to continue to move away from the poorest countries and towards middle income countries over the longer term, in particular towards the Far East and South and Central Asia (notably China, India, Indonesia, Pakistan, Sri Lanka, Uzbekistan, and Vietnam), increasingly in the form of soft loans rather than grants.<sup>29</sup>

Perhaps the biggest story of the MDG period, though, is the much greater significance of private sector flows as a source of finance for development. While ODA doubled between 2001 and 2010, flows of foreign direct investment and remittances to developing countries both trebled over the same period.<sup>30</sup> As the table below shows, total private sector flows to developing countries – including FDI, net debt flows, portfolio equity, and remittances – came to \$1.265 trillion in 2010, as compared to around \$190 billion from ODA, philanthropic flows, and new donors.

Total financial flows to developing countries in 2010<sup>31</sup>

<b>Private sector flows and remittances</b>	
Foreign direct investment inflows	\$514.3 billion
Remittances	\$325.3 billion
Net debt flows	\$295.2 billion
Portfolio equity flows	\$129.7 billion
Total	\$1.265 trillion
<b>Public and philanthropic flows</b>	
Official Development Assistance	\$130.9 billion
Philanthropic flows	\$56 billion
New donors	\$9.5 – 15 billion (2008)
Total	\$196-202 billion

However, there are some uncertainties over whether this trend will continue into the future. Total global FDI fell by 8% in the first half of 2012 amid a slow and uneven recovery around the world and weak demand. While the decline was primarily caused by a \$61 billion fall in inflows to the United States (in the process, making developing countries account for more than half of global FDI for the first time), the BRIC countries too saw a decline of \$23 billion between them.<sup>32</sup>

On the other hand, flows of migrant worker remittances to developing countries have remained “remarkably resilient” despite slow growth in the global economy, according to the World Bank, and are expected to reach \$414 billion in 2013 – a 6.3% increase on the 2011 figure. The Bank projects that by 2016, the total will reach \$540 billion.<sup>33</sup> (The issue of remittance transaction costs is discussed later in this chapter.)

Another key development since 2000 has been the growth of development assistance from foundations and other philanthropic sources, and from new donors outside the OECD. Philanthropic flows totalled \$56 billion in 2010, or a little under half the value of Official Development Assistance in the same year, with most of the money coming from private donors in the United States.<sup>34</sup> One estimate suggests that contributions from philanthropic donors and NGOs combined may actually be greater than the total of ‘country programmable aid’ – the share of

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ODA that actually reaches countries – given by OECD DAC donors.<sup>35</sup>

New donors, meanwhile, accounted for an estimated \$9.5-15 billion of assistance in 2008.<sup>36</sup> This total includes emerging donors who follow a similar approach to DAC donors, such as Israel and Turkey; providers of South-South Cooperation such as China, India, and Brazil; and long-standing Gulf donors such as Kuwait, Saudi Arabia, and the UAE.<sup>37</sup> The largest non-DAC donors in 2008 were Saudi Arabia (\$5.6 billion), China (\$3.8 billion), India (\$1 billion), Turkey (\$780 million), and Brazil (\$437 million in 2007).<sup>38</sup>

Another growing source of investment is what are termed “innovative” sources of finance, which generated an estimated \$57.1 billion in official flows between 2000 and 2008, or around 4.5% of gross ODA over the same period. The bulk of this was accounted for by new debt offerings by development banks, ‘solidarity levies’ such as an airline ticket tax, and mechanisms for ‘frontloading’ ODA such as the UK-led International Finance Facility.

Climate finance, finally – an area not considered comprehensively at Monterrey in 2002 – accounted for \$343-385 billion in 2010-11. Of this, the bulk (\$217-243 billion) came from the private sector, compared to just \$16-23 billion from governments (with the balance from public and private intermediaries such as national and international development banks).<sup>39</sup> Bilateral ODA spent on low-carbon, climate-resilient development came to an estimated \$23 billion in 2010, while Clean Development Mechanism transactions were worth \$27 billion over the 9 years to 2011.<sup>40,41</sup>

Overall, while the 2002 Monterrey Consensus and 2008 Doha Declaration have stood the test of time remarkably well, they now need to be updated – in particular to take full account of climate finance and sustainability more broadly. Moves to hold a successor conference on financing for sustainable development appear to be gathering pace, with the UN General Assembly showing increasing interest in mandating such a summit in perhaps 2015 or 2016. (This would, in effect, also take forward the recommendation of the High-level Panel on the Post-2015

Development Agenda for an international conference to discuss “how to integrate development, sustainable development, and environmental financing streams”.)<sup>42</sup>

But what are the key decisions that such a conference might take – and what might be the key financing elements of a post-2015 Global Partnership?

### A Clearer Rypology to Guide Aid and Climate Finance Allocations

To start with, it is worth drawing a clearer distinction between types of destinations for sustainable development finance.

In **middle income countries**, where ODA:GDP ratios halved during the 2000s, aid is becoming steadily less important, and now accounts for just 0.3% of GDP.<sup>43</sup> By contrast, MICs’ capacity to access finance from FDI, equity markets, commercial debt, remittances, and domestic resources has increased immensely over the MDG period. After 2015, then, sustainable development finance needs in MICs will primarily be met by the private sector and by their own governments – although there will be important exceptions (see below).

**Low income countries**, on the other hand, account for only 2.5% of FDI to developing countries and 7% of remittances. With the business case for investment or market development often less clear than in MICs, ODA (which currently accounts for 9.7% of LICs’ GDP) will remain essential – whether for providing direct financing for basic services, financing infrastructure and economic development, adapting to climate change, or leveraging in private sector finance.

**Global public goods**, finally, are a third key area where financing is needed – including agricultural R&D, vaccine production and distribution, technology cooperation, UN peacekeeping, biodiversity and rainforest preservation, and climate change mitigation. These areas are all heavily reliant on public funding, but struggle to attract flows on anything like the scale of spending on country programs. Total GPG funding in 2009 came to just under \$12 billion,

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with \$9 billion of this accounted for by UN peacekeeping alone.<sup>44</sup>

This typology can in turn help to provide a basis for a clearer prioritisation of international public finance. The 0.7% aid target will remain a key international benchmark in the post-2015 period – with developing countries regarding the question of whether developed countries increase their ODA spending in the run-up to 2015 as a key test of their seriousness about this agenda – but there are also real questions about whether more countries are likely to meet it any time soon.

But *whatever* the level of international public finance that is available for all these objectives, it will be essential to be rigorous about targeting it where it will have the greatest impact. Four key principles to guide spending prioritisation might be as follows.

- First, **commit a higher proportion of spending to low income countries.** At present, the trend in ODA allocations is towards more spending in MICs and less in LICs – partly given recent research findings that three quarters of the world's poor currently live in MICs, and partly as cash-strapped donors seek to channel ODA to countries where it will help gain leverage on other foreign policy agendas besides poverty reduction.<sup>45</sup>

If donor governments are serious about eliminating extreme poverty by 2030, though, they will need to reverse this trend. Admittedly, an as yet unresolved debate is currently raging between two schools of thought about where poor people will be located by 2025 or 2030: one school argues that the majority of the poor will once again become increasingly concentrated in low income countries, while another argues that although the proportion of poor people located in LICs will rise, it is still possible that only a third of poor people will be in LICs by 2030.<sup>46,47,48,49</sup>

What *is* clear, though, is that ODA remains much more important to LICs than to MICs, given the alternative financing options open to the latter. In the near term, then, OECD DAC donors could move before the end of 2015 to meet the long-standing UN target

of committing at least 0.15% (and ideally more than 0.20%) of their gross national income to LDCs. In 2011, DAC donors as a group instead gave just 0.10% of their GNI to LDCs, around \$45 billion in total. If they increased their spending on LDCs to 0.20% of GNI, this would hence represent a doubling of funding for LDCs to around \$90 billion.

While the ideal would be for donors to undertake such a shift as part of a larger move to meet existing commitments on 0.7% (as well as the promised \$100 billion a year of climate finance for the Green Climate Fund by 2020), this reallocation towards LDCs could also be executed as a reallocation of *existing* aid spending levels, while still representing a substantial increase in finance for the poorest countries that need it most.

Significantly, this approach could also allow for climate adaptation needs to be met through increased ODA flows – either via stand-alone ‘vertical funds’ (such as the Green Climate Fund), or simply through mainstreaming climate more effectively in national development plans. In the latter case, ODA spend could be tracked as climate finance through use of a climate ‘marker’ – just as existing ODA spend can count towards multiple sectors, such as both agriculture and rural development – but under a more integrated approach, with lower transaction costs and overheads.<sup>50</sup>

- Second, **spend more on global public goods.** As already noted, global public goods are much less well funded than aid to developing countries. Yet even peacekeeping – the best funded global public good – is under increasing budgetary pressure, while other areas have fared even less well. Funding to the Consultative Group for International Agricultural Research (CGIAR) for agricultural R&D, for example, halved over the decade and a half prior to the 2008 food spike.<sup>51,52</sup>

The area of reduced emissions from deforestation and forest degradation (REDD) is perhaps especially important, given forests’ role in regulating the atmosphere and storing carbon. While nearly \$3 billion has been pledged to REDD since 2007, with 84% of the money deposited by the end of 2012, much of this has

been spent on “readiness” activities in preparation for a carbon market that may or may not now materialise.<sup>53</sup>

In practice, one option would be for donors to commit to spend a higher proportion of ODA on GPGs – Kenny and Dykstra, for example, suggest that by 2020, 10% of ODA could be spent on GPGs in addition to peacekeeping and climate change. At the same time, though, the potential scale of financing needs for GPGs is likely to entail the need for new financial flows too, either from capital markets or from ‘innovative’ sources of public finance. This possibility is discussed further below.

- Third, **develop a clearer rationale for spending international public finance in middle income countries.** Despite calls from some bodies, such as the UN Sustainable Development Solutions Network (SDSN) to ‘graduate’ middle income countries from all grant aid, the persistence of poverty ‘tails’ in middle income countries means that there is a legitimate argument for continuing to spend ODA on poverty objectives in these countries – albeit a lower proportion of it than at present. On the other hand, their governments’ increasing capacity to mobilise resources for themselves means that where ODA is spent on middle income countries, there needs to be a clear rationale for doing so. In practice, this might be on one of four different grounds:

a) First, there will also be *instances in which aid can play a catalytic role in leveraging in other sources of funding, or incentivising performance in other ways.* For example, small amounts of public money can help to ‘crowd in’ higher multiples of private sector investment in climate mitigation. This is especially important given that, as the OECD DAC observes, an increasing number of developing countries need loans, guarantees and equity, rather than grants, as ways of boosting infrastructure financing and economic growth.<sup>54</sup> Another idea could be to use international public finance to create payment-for-performance incentives linked to national carbon intensity rates – in effect, applying the logic of “cash on delivery” aid to climate finance.<sup>55</sup>

b) Second, there will be cases where small amounts of aid can *help develop know-how or technical capacity* – but where it is not playing a wholesale resource transfer role.

c) Third, there will still be strong humanitarian arguments for allocating ODA to MICs in the form of *emergency relief for large scale disasters or conflicts.* The Indian Ocean tsunami of 2004 hit many MICs, for example, but the sheer scale of damage clearly entailed a need for international support; similarly, few would dispute spending humanitarian assistance on refugees in Syria, despite its middle income status.

d) Fourth and finally, there will continue to be humanitarian arguments for spending aid on *socially excluded groups in middle income countries* – where their political marginalisation means that it falls to international or philanthropic donors to finance their needs.

There are also strong grounds for considering a revision to the threshold between low and middle income countries. At present, the middle income category is strikingly broad, extending from a lower threshold of \$1,035 of gross national income per capita to an upper threshold of \$12,615 per capita.<sup>56</sup>

However, huge poverty ‘tails’ remain in a number of countries clustered towards the lower end of the spectrum, including Kenya (\$1,760 per capita), Nigeria (\$2,420), Pakistan (\$3,030), and India (\$3,840). While many countries in such circumstances might understandably resist being reclassified back to low income status, it might be worth considering lower middle income countries (those up to \$4,085 per capita of GNI) as essentially low income for the purposes of international public finance allocation, rather than arguing sweepingly that they are ready to ‘graduate’ from grant assistance.

Finally, **be much more rigorous about looking for multiple wins.** This consideration is most crucial in the need to improve integration of development and sustainability, given that green growth or climate mitigation will always be easier to achieve if genuinely

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mainstreamed in national development plans rather than addressed through separate, 'bolt-on' actions.

Consider, for example, the fact that \$11.4 billion of total Official Development Assistance in 2011 was for the energy sector, \$10.7 billion for agriculture, and \$12.6 billion for transport.<sup>57</sup> If aid spending on these areas supports climate and sustainability as well as poverty objectives, then there is the potential for a triple win; but if not, then international donors are not merely missing the chance to invest in integrated solutions, but are in fact actively financing the same problems that they are trying to tackle with other sets of funds, such as the Green Climate Fund or Global Environmental Facility.

But there are also plenty of other areas where a more integrated approach is needed too – for instance in new approaches to humanitarian assistance that translate more readily into longer-term development assistance, or that complement and support national institutions and public services.

This in turn entails the need for much improved coherence across both different sources of finance and different objectives, both internationally and within countries. At present, there are two schools of thought on how best to achieve this. One school favours a bottom-up, incremental approach, that looks for opportunities to integrate primarily at country level (and regards attempts to develop global plans for post-2015 financing integration with scepticism, as 'big bang' efforts that are unlikely to succeed).

A second view, by contrast, believes that a global level blueprint is essential, and that while the Monterrey has stood the test of time well, it is now time to update it – in particular, in the light of the new prominence of sustainability and climate finance, as well as the massively increased scale of FDI, remittances, and domestic resource mobilisation. Ultimately, these two approaches are not mutually exclusive and can be pursued in parallel – although it is clearly essential that they do not proceed totally independently of one another.

## A Global Strategy for Mobilising New Funds

More broadly, a post-2015 sustainable development agenda will need to have an overarching global strategy for mobilising new financial flows. Three areas of work stand out as especially important.

- First, **supporting domestic resource mobilisation**. As already discussed, the extent to which developing (and especially middle income) countries have scaled up their tax collection since 2000 is one of the big success stories of the MDG period – and it clearly makes sense for a post-2015 Global Partnership to seek to support and build on this success. In practice, international action could be taken in support of:

*a) Improving tax collection.* OECD research suggests that every \$1 of ODA spent on building tax administration capacity generates approximately \$350 in incremental taxation revenues. However, the OECD has also estimated (based on 2005 data) that only 1.7% of bilateral aid for economic-related programs is targeted at improving tax institutions.<sup>58</sup> Donors could hence achieve much by scaling up support to areas like tax policy design and administration, and by helping to regulate transfer pricing and multilateral companies (see below).

*b) Tackling illicit flows.* The 2013 G8 Lough Erne declaration made a surprisingly strong start on tackling international tax avoidance, with important moves towards both standardised country-by-country reporting to tax authorities by multinational companies, and multilateral exchange of information on tax (although less progress was made on the key area of beneficial ownership, which would improve transparency over who actually owns companies).<sup>59</sup>

A post-2015 Global Partnership could build on this foundation by (i) bringing as many developing countries as possible into the exchange of information standard being developed by the OECD; (ii) moving towards corporate tax reporting being made public, rather than just being submitted to tax authorities; and (iii) making better progress on beneficial ownership transparency

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– although progress in this area would have to be universal, given that the system would be only as strong as its weakest link.<sup>60</sup> In a similar vein, there is also great scope to improve transparency of extractive industry revenues, for example through more countries signing up to the Extractive Industry Transparency Initiative (at present, only 25 countries are EITI ‘compliant’, with another 16 countries candidates for membership).<sup>61</sup>

c) Bringing down the cost of remittances. Migrant worker remittances to developing countries were worth \$400 billion in 2012, and are projected by the World Bank to reach \$540 billion by 2016.<sup>62</sup> However, on average the cost of remitting money absorbs 9% of the sum being transferred, and as much as 12% for remitting money to Africa.<sup>63</sup>

Both the G8 and G20 have endorsed the goal of bringing average costs down to 5% by 2015, but while some countries have made fast progress – Germany has cut remittance costs by 4.5% since the G8 goal was set – overall reductions have been modest.<sup>64</sup> Governments could accelerate progress in this area by regulating to improve market transparency (as the US has done), ensuring that counter-terrorist financing and anti-money laundering regulations do not impede legitimate remittances, and allowing money to be remitted to LDCs without tax being deducted.

- A second area where additional sustainable development finance could potentially be mobilised is through **international capital markets**. At present, there is no shortage of capital looking for yield: \$50 trillion is invested in global equities, while worldwide sovereign and intergovernmental debt is currently worth \$100 trillion.<sup>65,66</sup> However, recent years have too often seen money flowing to where it is part of the problem – subprime property bubbles, exploration and production of new fossil fuel sources than can never be burned if the world is to keep global warming under 2° Celsius, the \$523 billion that governments spent on fossil fuel subsidies in 2011 – rather than to where it would help to finance global solutions, such as the estimated \$1 trillion a year of investment needed to stabilise greenhouse gas levels at a safe level.<sup>67</sup>

While there are many activities underway looking at finance for sustainable development, there is so far no initiative looking at the potential role of capital markets specifically. However, the global insurance company Aviva is currently looking at launching a major analytical project in this space, which would assess the potential contribution of financial institutions in the banking, insurance, and investment sectors; aim to mobilise financial sector leaders in the design of such a plan; and then build a broad coalition as part of the post-2015 process.

The financing plan itself would seek to gauge the scale of capital required to meet post-2015 sustainable development goals and climate change objectives; explore the implications for key asset classes (e.g. fixed income, bank debt, listed and unlisted equities); assess how internal practices might need to change in institutions such as banks, asset owners, and asset managers; and look at how financial regulations might need to evolve. On current plans this report might be published in mid-2014, perhaps shortly before the UN Secretary-General’s head of state/government level climate change summit in September 2014.

Third, governments should explore ways of making faster progress in catalysing **innovative sources of finance**, especially as a means of financing the provision of global public goods. The idea of using innovative financing for this purpose is not new, and a range of ideas have been canvassed over the years, such as transportation levies (for example on aviation or marine bunker fuels), taxes on currency and financial transactions, capitalisation of IMF Special Drawing Rights (SDRs), or the sale, mobilisation, or capitalisation of IMF gold holdings.<sup>68</sup> International emissions trading has also been suggested as a way of generating finance for sustainable development (see next chapter).

Until recently, though, not much progress seemed forthcoming in any of these areas, apart from the agreement between a few countries in 2006 to apply modest levies on airline passenger tickets, which has generated nearly \$700 million since its launch.<sup>69</sup> (While a financial transactions tax was approved by the

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European Council in January 2013, with the potential to generate €57 billion a year, this money would not be earmarked for global public goods; an international version of the tax, meanwhile, appears unlikely to attract the support of either the US or UK.)<sup>70</sup>

However, the 2013 Assembly of the International Civil Aviation Organisation (ICAO) undertook for the first time to negotiate a market based mechanism – which could be based on taxes, tradable permits, or carbon offsets – by 2016, injecting new momentum to the idea of innovative financing.<sup>71</sup> While there are as yet no details on how the mechanism would work or how much revenue it might raise, the IMF has previously estimated that an aviation fuel excise tax of \$0.20 per gallon could yield up to \$9.5 billion per year if implemented globally, while a separate analysis undertaken by the 2010 UN High-level Advisory Group on Climate Change Financing (AGF) estimated that an aviation fuel emissions tax could generate \$2 billion a year by 2020.<sup>72</sup>

While emerging economies and developing countries reportedly put up fierce resistance to the ICAO plan, this political calculus could potentially shift if design work on a market based mechanism between now and the 2016 ICAO Assembly started from the outset on the assumption that the proceeds of the mechanism would be invested in global public goods, such as financing avoided deforestation and climate mitigation in developing countries.

### 3: The Wider Sustainable Development Agenda

Crucial though finance and investment are to a post-2015 Global Partnership, they are by no means the only areas that matter. This chapter looks at four wider areas of work that will all be essential to the challenge of building an inclusive and sustainable globalisation:

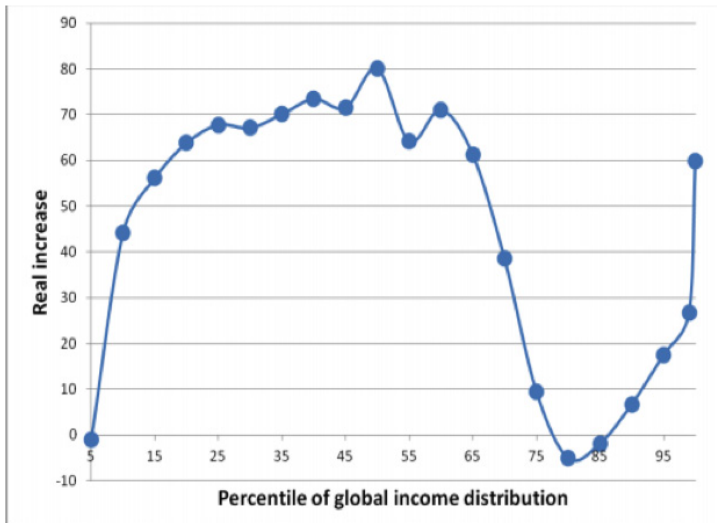
- The **global economy** (including trade, migration, and macroeconomic policy coordination);
- **Scarcity and sustainability** (encompassing resilience to scarcity shocks, a green economy, and the need for governments and publics to think more seriously about questions of who gets to consume what as the global economy increasingly hits environmental limits);
- The role of the **private sector** (both in terms of partnerships and greater disclosure of non-financial performance); and
- **Science, technology, and data** (where the paper discusses both R&D and technology access, and ways of harnessing the ‘data revolution’ for development).

#### The Global Economy

One of the critiques sometimes made of the Millennium Development Goals was that their focus on social sectors like health and education led them to overlook the arguably more fundamental area of economic transformation – an irony that the author Ha-Joon Chang has referred to as “development without development”.<sup>73</sup> However, this looks set to change in the post-2015 context, where issues of growth, structural transformation, employment, and inequality are already emerging as key themes.



Figure 1: changes in global incomes, 1988-2008<sup>74</sup>



The period since 2000 has, of course, been one of huge economic upheaval, with the central story the rise of the emerging markets, and especially China – which in 2007 overtook the United States as the biggest engine of global output expansion. The graph above – taken from a paper by the World Bank’s Branko Milanovic – provides a snapshot of what this shift has meant to real people, by illustrating changes in real terms income over the period 1988-2008 for different percentiles of global income (2005 dollars, PPP adjusted).<sup>75</sup>

At the right hand side of the graph can be found the world’s richest people, who fared well over this period, with the incomes of the top 1% increasing by 60% over two decades. (The global top 1% comprises around 60 million people – including the richest 12% of Americans, the richest 3% of Britons, French, Germans, and Japanese, and the richest 1% of Brazilians, Russians, and South Africans).

The biggest relative winners, however, can be found in the peak in the centre of the x axis, and in particular between the 50th and 60th percentiles of global income – a bracket that includes 200 million Chinese people, 90 million Indians, and 30 million each from Brazil, Indonesia, and Egypt. This category of people saw the largest rise in incomes of anyone over the last 20 years, with an 80% real terms increase at the median.

At the left hand side of the graph are the world’s poor – who have for the most part also fared relatively well. Most poor people have seen their real incomes rise by between 40% and 70% between 1988-2008, and are therefore ‘ground zero’ for the decline in the number of people living in extreme poverty in recent times (from 44% to 23% of the world’s population over these two decades). However, the exception is the ultra-poor at the far left hand side of the graph, whose real incomes remained stagnant over this period – and who will be a core focus of attention for any post-2015 ‘getting to zero’ agenda on poverty.

The key relative losers in this set of changes, finally, can be found clustered around the 75th to 85th percentiles. This group is made up of the so-called ‘squeezed middle’ in developed countries together with many people in Latin America and the Caribbean – who have seen their incomes stagnate for much of this period even as they have watched those to the right of them do exceptionally well out of globalisation.

Trade – in both goods and services – has been a key driver of these shifts. By 2008, global trade volumes were approximately double the level they had been during the late 1970s, with developing countries accounting for half of all global trade in merchandise. South-South trade links have become ever more important, and more and more developing country trade now takes place in manufactures and high-technology goods.<sup>76</sup>

Developed country trade tariffs, meanwhile, have become progressively less of a barrier to developing country exports, falling to an average of under 6% for most OECD countries and below 10% even for protected sectors like agriculture and textiles.<sup>77</sup> High global commodity prices from around 2000 onwards also helped bolster the fortunes of many developing country producers.

However, from 2008, systemic crises increasingly became the central landmarks on the global economic map – starting with the combined food and fuel spike that peaked in 2008, followed by the financial crisis in 2008 and subsequent Great Recession of 2008-09.

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Most emerging economies proved resilient to the global downturn, with China, India, and Brazil all emerging relatively unscathed. More surprising, perhaps, was the extent to which low income countries also managed to weather the storm: among the 71 economies that managed to post an increase in per capita incomes in 2009 were three quarters of the world's LICs.<sup>78</sup>

As a result, the IMF has referred to a two speed economic recovery that is strong in emerging markets and developing economies, but weak in advanced economies. (More recently, it has started to speak of a *three* speed recovery, given a growing bifurcation between the US and an increasingly anaemic EU).<sup>79</sup>

However, questions are starting to emerge about the robust performance of emerging economies and developing countries will necessarily continue into the post-2015 period. While global trade has for the past three decades regularly expanded at twice the rate of gross world product, for the last two years it has grown more slowly than gross world product. While many analysts confidently predict that trade growth will resume its upward march, others express concern that the trade-driven globalisation that has powered the rise of the emerging economies may now be at an inflection point.<sup>80</sup>

While G20 countries have so far managed to avoid an outbreak of 1930s-style protectionism during the Great Recession and its aftermath, 'stealth' protectionist measures are nonetheless on the rise: one analysis has counted 1,500 protectionist measures implemented by G20 countries since they announced a "standstill" on them in 2008.<sup>81</sup>

Meanwhile, longer term structural changes that could undermine trade as an engine of globalisation and development are underway too: the model of low-cost manufacturing in China and other emerging economies may be eroded by rising labour costs and new manufacturing innovations like 3D printing, for example.<sup>82</sup> Globalisation could also come under threat if support for it in advanced economies wanes amid weak growth, fiscal pressures, and wage stagnation, or if China's transition

away from investment and exports towards a model more reliant on domestic consumption stalls.<sup>83</sup>

Protectionism pressures could also rise given that the issue of employment has become hugely topical in all countries in the post-crisis environment. In part this is the result of continuing high unemployment in advanced economies, with rates of 7.3% in the United States, 7.7% in the UK, 10.9% in France, and 26.9% in Spain.<sup>84</sup> Young people are especially at risk, with the 2013 global youth unemployment rate of 12.6% still close to its crisis peak, and young people three times more likely than adults to be unemployed.<sup>85</sup>

Yet concerns over employment also apply in emerging and developing economies, albeit in different ways: while high growth has led to poverty reduction, it has not (yet) translated to a major increase in stable, high quality employment. Here too, young people are particularly at risk, with as many as two thirds of young people in some developing economies underutilised (i.e. unemployed, in irregular employment, or not in the labour force or in education or training).<sup>86</sup>

Given these pressures, the continuation of globalisation – and its power to drive development – will depend on political leadership. However, this is a commodity that has often seemed in short supply in recent years, as chapter 1 noted. As a recent report from UBS, the investment bank, observed, "without strong political patronage, globalisation is quite capable of stalling or going into reverse".<sup>87</sup>

This has, of course, happened before. During the early Twentieth Century, the world experienced another period during which money, people, and ideas were able to flow freely across borders – a situation that appeared, as JM Keynes noted later, "normal, certain, and permanent, except in the direction of further improvement".<sup>88</sup> Only when the First World War broke out, following the build-up of major new stresses resulting from demographic change, inequality, global economic imbalances, and technological change, did it become clear how fragile the 'first globalisation' had really been.<sup>89</sup>

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## A post-2015 agenda

Against this complex backdrop, where does a post-2015 Global Partnership fit in? Three key areas are discussed below: trade, migration, and the global economy more broadly.

Take **trade** first. As already noted, developed country tariffs have become steadily less of an issue for developing countries; partly as a result, exports from developing countries have surged. However, this has ironically been a mixed blessing for least developed countries, who have seen the relative value of their trade preferences decline as a result.

- Even so, **duty-free and quota-free (DFQF) access** to developed country markets continues to represent a valuable way of helping LDCs – and developed countries have a fairly good track record to build on. At present, around 80% of LDC exports to developed countries are duty free, up from around two thirds in 2003.<sup>90</sup> However, the 2005 WTO Hong Kong Ministerial Declaration recommended that 97% of LDC exports other than oil and arms should receive DFQF access – leaving an implementation gap of 17%. Closing this gap could provide an immediate benefit to LDCs as well as creating a significant post-2015 confidence building measure. Non-LDC developing countries were likewise “invited” to provide DFQF access within their capacity to do so, and could hence join such a commitment.<sup>91</sup> Developed countries could also look at options for better targeted preferences, potentially including new sectors like services.<sup>92</sup>
- Another part of an LDC-focused trade package could be a scaled up set of commitments on ‘**aid for trade**’ – i.e. aid specifically targeted towards productive sectors, exports, infrastructure development and so on, which can help LDCs to improve their connectedness to global value chains and production networks. While the aid for trade program launched at the 2005 WTO Ministerial has generated some results, the key challenge remains resource mobilisation. Expanding the proportion of aid targeted at low income countries, as suggested in the last chapter, could allow that to happen.

- More broadly, there is considerable scope for progress on the area of **non-tariff barriers**, such as rules of origin, sanitary and phytosanitary standards (SPS), and technical barriers to trade (TBT). These have increasingly replaced tariffs as an obstacle to many developing country exports; analysis by UNCTAD estimates that such measures raise the effective tariff barrier to agricultural imports from low income countries from 5% to 27%.<sup>93</sup>
- Another area that has become increasingly topical since the food and fuel price spike of 2008 is **commodity price volatility**, which can have the effect of hurting both importers and exporters, as well as leading to kneejerk measures such as food export bans or panic buying on international markets by import dependent countries. This area is discussed further in the section on scarcity and sustainability, below.

Finally, there is the larger point that amid continuing risks of protectionism in the wake of the 2008 economic crisis, the world still needs a rules-based trading system if globalisation is to continue to drive reductions in poverty.

As the Doha round has become ever more bogged down (ministers formally declared it at an “impasse” in 2011), so global trade policy has become increasingly fragmented, with over 300 bilateral, regional, or inter-regional agreements now in place.<sup>94</sup> However, while calls for a swift conclusion to the Doha round have at times risked becoming a meaningless commonplace, the arrival of an energetic new Director General, Roberto Azevêdo of Brazil, has led to a sense in Geneva that things are happening again.

Negotiations are currently underway on a “small package” of measures for discussion at the WTO’s December 2013 Ministerial in Bali, covering trade facilitation, select agricultural issues, and some components related specifically to developing countries.<sup>95</sup> If agreement on this scaled-down set of measures proved possible, this would represent a major confidence building measure, and could contribute to a substantial improvement in the mood of post-2015 discussions. (Conversely, another failed WTO summit would be likely to have the opposite effect.)

Second, consider the issue of **migration**. In his work on inequality for the World Bank, Branko Milanovic makes the point that differences in location (and hence citizenship) explain 50% or more of variability in global incomes. In practice, he continues, there are three ways in which this inequality can be reduced.<sup>96</sup>

First, global inequality can be reduced through high growth rates in poor countries. This would require an acceleration of growth in low income countries, as well as maintenance of high growth rates in emerging economies. (Despite the improvement in income levels for most people in developing countries shown in the graph above, per capita incomes in developed countries remain *much* higher than those in developing countries: the US, for example, has a GNI per capita of \$50,610, while the comparable figures for China and India are \$9,210 and \$3,840 respectively. The global average is \$12,128 per capita.)<sup>97</sup>

Second, global inequality can be tackled through global redistribution. However, Milanovic continues, it is difficult to see how this could happen, given that even current ODA levels – which, he observes, are “just five times more than the bonus Goldman Sachs paid itself during one crisis year” – appear to be at the very limit of what developed country publics are willing to spend.<sup>98</sup>

The third option, then, is migration: as Milanovic puts it, “either poor countries will become richer, or poor people will move to rich countries”.<sup>99</sup> While figures illustrating the current global scale of migration are often tentative, the OECD and United Nations estimate that there are currently around 232 million international migrants.<sup>100</sup> The top destination countries for migrants are the United States, Russia, Germany, Saudi Arabia, and Canada; overall, only 40% of migrants move from South to North, according to Gallup polling undertaken for IOM.<sup>101,102</sup>

Ideally, richer countries would embrace migration at larger scale – and not only because of the development dividend. Migration also helps destination countries, for example by expanding economies and their tax bases, making additional skills available, or by changing the overall demographic profile of the country (no small consideration in many ageing developed countries). Given

the political context for issues of immigration in many developed countries, however, there are also more modest steps that they could take, but which would still improve the development dividend from migration. Among them:

- Limits on **student visas** could be relaxed, and high income countries could commit not to practice tuition fee discrimination against students from LDCs.<sup>103,104</sup>
- Aid could be used to finance the training of **specialist workers** in key sectors where more skills are needed (such as medicine), with those workers then being permitted to work in the donor country (and, of course, send remittances home).<sup>105</sup> Research has shown that rather than creating a ‘brain drain’, this kind of framework actually creates a virtuous circle by encouraging more people into those professions in developing countries.<sup>106</sup>
- Temporary visas could also be offered to **disaster-affected refugees** in the wake of floods, earthquakes, and so on, on the same humanitarian basis as refugees from conflicts can be offered temporary or permanent asylum.<sup>107</sup> As Owen Barder observes, “this would have far bigger benefits for those communities than the modest amounts of emergency aid [that donor countries provide] in the face of natural disasters, and would cost [them] nothing.”<sup>108</sup>
- Perhaps above all, G20 countries could go further in bringing down the cost of **remittances** – as discussed in the previous chapter.

Third and finally, there is the **global economy** more broadly. As noted in the introductory section to this chapter, the performance of the global economy in the second half of the 2000s was hallmarked by systemic crises, including the combined food and fuel spike that peaked in 2008, the global financial crisis, and the subsequent Great Recession.

Against this backdrop, the need to manage the risk of future systemic crises in the global economy – at the same time as making globalisation both more inclusive – will be a key challenge between 2015 and 2030. In practice,

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three key sets of issues need to be addressed: financial sector risk, macroeconomic stability, and the risks of environmental unsustainability.

Take financial sector risk first. Despite the ‘perfect storm’ that engulfed the financial sector in 2008, and the extent to which banks and other financial institutions were bailed out by governments, concerns about financial stability continue. One problem that persists is that of banks that are “too big to fail” - a risk that IMF Managing Director Christine Lagarde warned in April 2013 was now “more dangerous than ever”.<sup>109</sup>

Meanwhile, some regulators have also expressed alarm at risky pools of capital building up in hedge funds and the shadow banking system, amid limited supervision by securities regulators. Bank of England deputy governor Paul Tucker, for example, recently drew an explicit parallel between the current situation and 2004, when ultra-low interest rates led to a search for yield that ultimately culminated in the financial crisis.<sup>110</sup>

While much of this task will need to be undertaken by national securities regulators and central banks, the extent of national competitiveness concerns in the financial sector means that greater international coordination will be needed, for the same reason as with beneficial ownership rules in the illicit flows context: with global capital as mobile as it is, international regulation will only be as strong as its weakest jurisdiction. (As UNCTAD have put it, “there is still an inconsistency between a rules-based multilateral trading system and an essentially unregulated international financial system”.)<sup>111</sup>

A second key set of actions centres on the area of macroeconomic stability. Some of the risks in this area that have commanded most airtime in recent years appear to have eased to some extent, at least for now: the global economic crisis led to a considerable narrowing of global current account imbalances as demand declined in the major deficit economies, for example.<sup>112</sup> The IMF also argues that recent complaints about competitive exchange rate devaluations “appear overblown”, with “no large deviations of the major currencies from medium-term fundamentals” at present.<sup>113</sup> The risks of a breakup of

the Eurozone or of a default in the US also appear to have receded for now.

However, any of these issues could yet flare up again. For example, the US is set for another fiscal showdown early in 2014, with potentially far-reaching implication for overseas dollar holdings; reforms in the Eurozone could fall prey to “adjustment fatigue” and lead to new risks of sovereign defaults; and the IMF explicitly notes that current account imbalances could widen again if the underlying causes are not addressed.<sup>114</sup>

Overall, then, there is a good case for greater macroeconomic policy coordination, especially among large country blocs, to rebalance the global economy.<sup>115</sup>

- Among the areas where greater cooperation could potentially help are **exchange rate coordination**, coordinated **countercyclical fiscal and monetary policies** to smooth the global business cycle, and even a new **global reserve system** that could (for instance) be based on Special Drawing Rights as a de facto multilateral currency – something that China and other emerging economies have called for in the wake of the global financial crisis.<sup>116</sup>
- Most concretely, though, governments could **move forward with stalled reforms of IMF quota shares and directorships**. In 2010, the Fund’s Board of Governors approved significant reforms to rebalance quota shares (and hence voting rights), including shifting more than 6% of shares from currently over-represented countries to emerging markets and developing countries – in the process making China the 3rd largest shareholder and putting all four BRIC countries among the top 10. The reform package would also move two of the Fund’s 24 directorships from European to developing countries.<sup>117</sup> However, the reforms have stalled, primarily as a result of the refusal so far of the US Congress to ratify the package. Implementing the reforms before the end of 2015 would be a huge confidence-building measure for the post-2015 process, which would directly respond to emerging economies’ consistent calls for better representation at the top tier of global governance.

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Finally, there are the most fundamental risks to the global economy: those arising from resource scarcity, climate change, and the risk of passing tipping points on key environmental risk thresholds. These are considered in the next section.

### Scarcity and Sustainability

While the MDG era saw major progress on reducing poverty and raising the incomes of people in developing countries, its track record on environmental sustainability was a great deal less positive.

On climate change, the most important sustainability issue, greenhouse gas emissions in 2012 were 46% higher than they were in 1990.<sup>118</sup> 0.7° Celsius of warming above pre-industrial levels has already been recorded, with another 0.6° locked in irrespective of action now taken to reduce emissions.<sup>119</sup> Overall, the International Energy Agency estimates that current policies, including the voluntary emissions commitments made under the Copenhagen Accord, put the world on course for long-term warming of between 3.6° and 5.3°, with most of the increase already in place before the end of this century – despite governments' collective undertaking to limit warming to 2°.<sup>120</sup>

More broadly, climate change is just one of nine key planetary boundaries identified by the Stockholm Resilience Centre, beyond which human activity risks passing key risk thresholds and tipping into abrupt and irreversible environmental change. The other eight boundaries cover the rate of biodiversity loss, biogeochemical flows of both nitrogen and phosphorus, stratospheric ozone depletion, ocean acidification, global freshwater use, changes in land use, atmospheric aerosol loading, and chemical pollution. Human activity is already in the danger zone on biodiversity and the global nitrogen cycle, and rapidly approaching the boundaries for the global phosphorus cycle, global fresh water use, ocean acidification, and global changes in land use (including deforestation).<sup>121</sup>

Despite some important bright spots – including a decrease in the global rate of deforestation and the prospect of recovery of the ozone layer to pre-1980 levels

in around 50 years' time – the overall global picture on sustainability is still strongly negative in absolute terms, with some ecologists warning that humanity is itself on the brink of causing the sixth mass extinction event in the earth's history.<sup>122,123</sup>

Natural resource scarcity is also emerging as a major source of concern. Demand for food is growing rapidly as a result of growing global population and an emerging global middle class shifting to more resource-intensive 'western diets', as well as because of biofuel support mandates (particularly for corn-based ethanol in the United States).<sup>124</sup> On the other hand, a range of supply constraints is emerging, including water stress, competition for land (the amount of arable land per capita worldwide has halved since 1960), and declining productivity gains from the Green Revolution.<sup>125,126</sup> As a result of these drivers, the world has experienced two severe food price spikes in the last few years: one in 2008, and another in 2011.

Meanwhile, the effects of climate change are also becoming steadily more visible, whether as droughts, heatwaves, floods, and other extreme weather events – all of which are increasingly affecting food production, and were key drivers of the 2011 food price spike – or in the form of sea level rise, loss of Arctic sea ice, warmer oceans, or other effects.<sup>127</sup>

All of these issues will affect poor people and poor countries most, given their disproportionate reliance on natural assets and vulnerability to shocks and stresses of all kinds. At the same time, current models of development are also the main *driver* of unsustainability – most obviously in 'developed' countries, but increasingly also in emerging economies which, though far behind high income countries in per capita impacts, are still helping push the world towards ecological tipping points.<sup>128</sup>

### A post-2015 agenda

The period from 2015 to 2030 will be decisive in determining whether or not the world moves to a sustainable trajectory in time to limit global average warming to 2° Celsius and avoid critical environmental tipping points.

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Start with **resilience**. While no country or individual is immune from the risks of climate change and resource scarcity, the need to build up resilience is most pressing among poor people and poor countries – starting with much greater investment in areas like climate adaptation, disaster risk reduction, social protection, and natural resource governance, particularly in least developed countries. The proposals made in the previous chapter for increasing the proportion of aid spent on LDCs would go a long way towards enabling that to happen. But resilience building is also about more than just resource mobilisation.

One pressing need is for better international mechanisms for managing the risk of food price spikes and commodity price volatility, especially in the acutely sensitive area of food. Governments have already made a modest start on this, by agreeing that humanitarian assistance should be exempt from food export bans, where these are introduced. Beyond this:

- One immediate priority, mooted at the 2011 G20 but not agreed, is for governments to agree new **rules to prevent outbreaks of food export bans** like those seen in 2008 and 2011 – which both pushed food prices still higher, and encouraged panic-buying by import-dependent countries, further exacerbating the original problem of high prices.<sup>129</sup> While the General Agreement on Tariffs and Trade (GATT) and the WTO Agreement on Agriculture (AoA) do prohibit export bans, temporary restrictions are allowed in the case of food, and in any case the rules do not apply to developing countries, hence missing out key exporters like Argentina and Thailand.<sup>130</sup>
- Second, governments should consider the creation of a new **global food reserve** that could smooth out supplies during periods when markets are under pressure – comparable, for example, to the International Energy Agency with its stipulation that all members should hold 60 days' worth of oil.<sup>131</sup> This could potentially take the form of a 'virtual' reserve, an option mooted by the International Food Policy Research Institute.<sup>132</sup>
- Third, governments with significant **biofuel production or consumption mandates** should have in place contingency plans for adjusting or suspending those policies during situations in which global markets are under pressure and food supplies are endangered – a policy option proposed by the IMF, World Bank, and other international agencies at the 2011 G20, but which was not taken forward.<sup>133</sup>
- More broadly, the world needs a major program of **institutional stress testing** on resource scarcity and climate change. To give one example, 158 of the world's 263 international river basins currently lack any kind of cooperative management framework. Even where such frameworks do exist, they often give riparian countries allocations of water expressed in litres rather than percentages, and are hence likely to come under increasing stress if flow rates decline as a result of climate change. These kinds of risk need to be mapped out more systematically than they have been to date, as a basis for preventive action to upgrade institutions to adapt to climate and resource scarcity *before* moments of crisis.<sup>134</sup>

The larger sustainability challenge, however, is to shift to a **green economy** based on sustainable consumption and production patterns. Between now and 2030, the world will invest almost incalculable sums of money in infrastructure of all kinds: energy, transport, water, and so on. The World Bank estimates total infrastructure financing needs for the developing world at \$14.6 trillion between now and 2030.<sup>135</sup> At the same time, the global economy is continuing to grow at a rapid pace even despite the 2008 crisis: gross world product grew by 3% in 2008, declined by only 0.5% in 2009, and then resumed its expansion at a rate of 5.3% in 2010 and 3.9% in 2011.<sup>136</sup>

Across the board, then, the global economy's consumption of resources and goods is growing exponentially – making the question of how these resources and goods are produced, extracted, generated, grown, shipped, sold, and consumed one of the key uncertainties that will frame the outlook of the 21st century.

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If future global growth just replicates old, unsustainable models of consumption and production at ever larger scales, then the outlook is grim. If, on the other hand, the period between now and 2030 sees a decisive shift towards more sustainable models, then a long term vision of shared prosperity looks much more likely.

The role of technology in enabling that vision will be immense. In some cases, disruptive clean technologies will become available simply through the process of innovation: IBM's Smarter City data systems, for example, can dramatically improve urban traffic flows and hence reduce fuel wastage without the need for any kind of regulatory intervention by government.<sup>137</sup> Similarly, as the last chapter discussed, governments can achieve a great deal by using domestic or international public finance to leverage private sector investment in to clean technologies and infrastructures.

But given the pervasive nature of market failures that impede sustainability, governments also need to take a range of more fundamental steps to redesign incentives and market structures. While many (if not most) of these steps will need to be taken at domestic level, the costs and competitiveness concerns involved mean that governments will want and need to take these steps in concert if they are to happen on the scale needed – making them key elements of a post-2015 Global Partnership. Four key areas stand out.

- First, **prices and taxes**. Today, prices for goods and services fail to 'tell the truth' about the environmental impacts of production and consumption, hence 'externalising' these considerations from price signals, and by extension from many consumption and investment decisions.<sup>138</sup> While the need for a price on carbon is the most urgent example, water and ecosystem services (including forest conservation) are also key priority areas where natural assets need to be valued more accurately. Crucially, sustainable pricing models need to pay close attention to the needs of the poor – for example by introducing stepped tariffs for energy and water that provide initial allowances adequate to meet basic needs at minimal cost, but raise prices for use at larger scale.

- Second, **subsidies**. In 2009, governments spent around \$312 billion on subsidising consumption of fossil fuels, another \$100 billion subsidising their production, \$384 billion on subsidising agricultural production and consumption (including biofuels), and \$35 billion on fisheries subsidies.<sup>139,140</sup> At present, much of this money is financing the very problems that other parts of the very same governments are trying to tackle. However, while governments have made frequent commitments to reform fossil fuel subsidies, in particular, tangible progress has been limited, with most G20 nations reported to be changing their definitions of subsidies rather than the actual policies – and no subsidies so far actually eliminated as part of the G20's 2009 commitment.<sup>141</sup>
- Third, **regulation**. While market mechanisms are often governments' preferred policy option for tackling market failures (with good reason, given the usually greater economic efficiency of such measures), there is still a role for more traditional 'command and control' regulation – as for example in the Obama Administration's approach to reducing greenhouse gas emissions from the power sector.<sup>142</sup> This kind of approach is likely to be critical in driving the massive reconfigurations of electricity grids that will be needed to cope with much higher levels of renewable generation in the future.
- Fourth, **long term policy frameworks**. Perhaps most importantly, governments have a key role in shaping expectations and setting a long term policy framework – in effect sending 'signals from the future' to guide actions today. If companies and citizens expect a slow, tortuous transition to a low-carbon world, then it makes sense for them to free-ride on emissions reductions undertaken by others, hedge their bets, and slow the process down. If, on the other hand, they expect the low-carbon transition to happen quickly, then the incentives are instead for them to lead the change – in effect, to take part in a race to get out of carbon. If governments can shape expectations towards the latter outcome, then they can create a positive, self-fulfilling prophecy.



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To achieve that, policy must be both *credible* (much as central bankers' ability to influence markets depends on investors believing what they say), and sufficiently *long term* to provide the regulatory certainty needed to guide capital-intensive investments with multi-decade payback periods.<sup>143</sup> Governments also need to make changes to financial regulations to support a shift to greater long-termism – which will entail changes to rules governing fiduciary responsibility and credit rating agencies.<sup>144</sup>

Finally, there is a still larger question: who **gets to consume what at a point when the global economy is increasingly hitting environmental limits** on multiple fronts. The kinds of policy actions just outlined are all essential to driving the roll-out of clean technology and catalysing a shift towards a globalisation built to last for the long term. But the question still remains: what if it proves impossible to increase the supply or availability of key resources enough to meet spiralling demand? In such conditions, what happens to poor people and poor countries?

As the food price spikes of 2008 and 2011 showed, this is not an abstract philosophical question that will only become tangible in the distant future. This means that a serious Global Partnership designed for the period from 2015 to 2030 must engage with these issues, however much policymakers might prefer not to do so – and in particular with the fundamental questions of equity and fair shares that they raise.

While environmental issues received a nod in the Millennium Development Goals, in the form of MDG7's objective to "ensure environmental sustainability", it was a significant omission that the Goal said nothing about developed countries' responsibilities to change their own consumption patterns, whether in terms of energy use and greenhouse emissions, resource-intensive diets and food waste, or other areas.

As any comparison of per capita consumption levels immediately shows, developed countries consume far more per head of most resources than emerging economies or (still more so) least developed countries;

and given that total global consumption of many resources is already beyond sustainable levels, it follows that developed countries are consuming more than what might be considered a 'fair share' of resources.

Take, for example, per capita emissions of carbon dioxide. In 2010, the US emitted 17.6 metric tons per capita, as compared to China's 6.2, India's 1.7, and the least developed country average of 0.3.<sup>145</sup> (By contrast, a long term sustainable CO2 quota in line with the 80% reductions likely to be needed by 2050 results in a per capita share of between 1 and 2 tonnes.)

Or take the more integrative indicator of countries' 'ecological footprints' (a measure that aggregates the amount of land a country needs to grow its crops, graze the cattle to meet its demand for meat, supply its timber and fibre, carry its buildings and infrastructure, and sequester its carbon). High income countries use an average of 5.60 hectares; middle income countries, 1.92 hectares; and low income countries, 1.14 hectares – as compared to the Earth's actual biocapacity of 1.78 hectares per person.<sup>146</sup>

So what do these disparities, in the context of rapidly approaching environmental limits, imply in practice, and how – if at all – should a post-2015 Global Partnership take account of them? Two main points stand out.

- First, governments need to develop clearer equity principles on access to environmental commons to guide policy during an age of scarcity and limits.<sup>147</sup> The fact that big disparities exist in access to different kinds of natural resources does not in itself add up to an argument for trying to impose an egalitarian distribution for all of them (and nor is it clear what that would even look like for many resources, such as fresh water). But two basic orientation points would seem to deserve higher prominence than they currently receive.
  - a) First, natural resources that are global commons – the atmosphere being the most obvious example – are clearly different in nature from those that sit within countries' territorial boundaries (like land) or that span borders but can still be shared out between countries (like transboundary river systems). It is very difficult to

see how developing countries would ever accept the argument that rich countries and their citizens deserve larger shares of these global commons in perpetuity, as a result of having industrialised earlier, or simply because they are richer.

b) Second, a clearer distinction needs to be drawn between essential and non-essential consumption of basic resources. For example, the recommendation made above to introduce mechanisms to suspend biofuel support mandates when food supplies are endangered – an idea proposed by the World Bank, the IMF and others in a paper submitted to the 2011 G20 – is implicitly based on a distinction between essential needs (poor people’s access to staple foods at prices they can afford) and non-essential needs (farm support subsidies).

- Second, and on a more practical note, governments must recognise that they need to agree both a **global carbon budget and some equitable basis for sharing out entitlements to it**. A carbon budget is needed, first, because it is almost impossible to see how greenhouse gas concentrations in the atmosphere will be stabilised at any level without first defining what that level should be.

At present, the ‘pledge and review’ approach to global climate policy means that (as US climate envoy Todd Stern puts it), “countries ... make their own decisions about what kind of mitigation actions [are] appropriate”.<sup>148</sup> The problem with this approach, however, is its implicit hope that whatever individual governments decide to commit to adds up to any desired global outcome, such as 2° Celsius. (In reality, as already noted, emission commitments made under the Copenhagen Accord put the world on track for long term warming of twice that level or more.)<sup>149</sup>

If governments were in principle willing to define a global carbon budget consistent with keeping global warming below 2°, the next step would be to agree how to share it out between 192 countries. Arguments over a fair basis for burden-sharing in emissions targets have long foundered – primarily, perhaps, because there is

no single obvious, intuitively fair basis for doing so. In the case of sharing out what would in effect be newly created property rights to a global commons, however – which is what a global carbon budget would entail – it would be difficult to see how any basis other than convergence by some agreed date to equal per capita entitlements would be regarded as acceptable by a critical mass of countries in the long run.<sup>150</sup>

While the principal rationale for this kind of approach to allocations derives from the need for a global carbon budget, it also has the potential to form a major new source of finance for development through financial flows from emissions trading. Significantly, low income countries – the lowest per capita emitters – would be the principal beneficiaries of emissions trading, assuming an equitable basis for permit allocations.<sup>151</sup>

The biggest problem with approaches based on carbon budgets has historically been the assumption that they depend on full global participation from the outset – a ‘big bang’ approach that looks unlikely to succeed in the current political context. However, there no reason why a high ambition coalition of developed and developing countries could not go ahead with taking on its ‘fair shares’ of a carbon budget, while leaving the door open for other governments to join later. Were such a coalition to launch itself before the end of 2015, it would represent a major step forward on both climate change and the finance for development agenda. (A forthcoming Center for Global Development paper, co-written by the author, will outline how this approach could work in practice.)<sup>152</sup>

### The Role of the Private Sector

The fact that private sector flows to developing countries have become so much larger than ODA over the MDG period has generated considerable excitement about how the contribution of the private sector to poverty reduction and sustainability could be maximised as part of the post-2015 agenda. Numerous new partnerships have been created to try to exploit this potential, from those targeting specific sectors like the Global Alliance on Vaccines and Immunisation or the UN’s Sustainable

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Energy For All initiative, to more cross-cutting programs such as the UN's Every Woman, Every Child partnership on women's and children's health.

However, some participants in the post-2015 process are wary of calls for greater involvement of the private sector in development. In some cases this is the result of fears that donor countries' enthusiasm for the private sector as a source of finance and investment is based on a desire to get themselves 'off the hook' from commitments to increase ODA and climate finance. At the same time, many businesses themselves might at times welcome greater understanding from policymakers of what they can and cannot do.

So in order to maximise the opportunities of the private sector agenda while minimising the risk of a slide into entrenched ideological positions, it may be helpful for post-2015 discussions about the role of the private sector to work towards a common understanding of the opportunities and constraints that exist in this space, as well as working towards concrete partnerships and actions. An initial (non-comprehensive) list of such principles might run as follows.

First, a basic point: the private sector will only invest where there is a business case. Of course, innovative thinking can often help to identify business cases that had long gone ignored: the recent explosion of interest in the potential profitability of meeting the needs of 'bottom of the pyramid' consumers is a case in point.<sup>153</sup> But in some cases – providing basic education to the ultra-poor in low income countries, to take an obvious example – the business case is simply not there (or at least, not without subsidy), meaning that it still falls to governments, donors, and philanthropic funds to take the lead.

On a related point, it may make less sense to think about 'the role of the private sector' than about the respective roles of both private and public sectors. Part of this, of course, is about governments' role in creating the right enabling environment (peace and security, good governance, legal systems, education, infrastructure and so on). But more fundamentally, governments still have to get the policy framework right. While the Sustainable

Energy for All partnership has already proved its worth in catalysing additional private sector action, for example, the real step changes needed in the energy sector will not take place until governments price carbon, provide long term regulatory certainty, and address incumbent advantages in power and other key market sectors – in so doing, recognising that only they can set the overarching framework within which companies can be part of the solution.

In particular, governments have an especially important role in tackling market failures – from those affecting climate change (price externalities, sunk costs, principal / agent problems that hamper progress in energy efficiency, and so on), to those affecting poor countries and people (which, as noted, are less able to access private sector finance, and often less attractive as markets too). In many cases, governments can enable companies to be part of the solution by tackling such market failures – providing catalytic funding, acting as a 'patient capitalist', creating new incentives like advance purchase commitments, reforming subsidy regimes and fiscal policy, or creating new markets such as those for trading emissions. But in others, overcoming market failures is less about 'unleashing' the private sector than it is about regulating it, as the financial crisis proved.

Finally, the post-2015 discussion about partnerships needs to get more granular. At present, many post-2015 discussions in this area are framed at a high level of abstraction: there is no shortage of reports and meetings exploring the potential contribution of the private sector in 'delivering the Sustainable Development Goals', for example. But in practice, the most useful discussions will usually be focused on specific sectors or geographies, given the sheer range of variance between them: the opportunities and challenges of private sector involvement in healthcare, for example, are clearly entirely different to those in water and sanitation.

At the same time, more specificity is also needed in differentiating between the various kinds of role that the private sector can play – from contributing to financing, technology transfer, and capacity building, through to improving corporate reporting and ethical standards,

transparency, and tax compliance (see section on illicit flows, below). Similarly, if some multinational companies become signatories to the post-2015 framework, then they will need to be specific about how they will operationalize and pursue the post-2015 goals through their standard business practices.<sup>154</sup>

### **A post-2015 agenda**

With these broad principles in mind, what can be achieved in the area of private sector partnerships between now and 2015?

- First, **the UN should undertake a gap analysis to identify areas where new partnerships might be useful** – on the way, conducting a stocktake of which partnerships are working well and why. The UN's new Partnerships Facility, currently working its way through a member state approval process, and which could potentially be signed off by the UN's Fifth Committee before the end of 2013, is likely to emerge as a key co-ordinating hub for such exercises, while the current UN Intergovernmental Expert Committee on Sustainable Development Financing could also play a key role in identifying opportunities.
- Second, the private sector itself needs to work out its 'offer' on post-2015 – starting with identifying who will take the lead in speaking for the private sector once post-2015 negotiations are underway in earnest from September 2014 onwards (for example, the World Business Council for Sustainable Development). The World Economic Forum in Davos in January 2014 would be a natural moment for the private sector to 'set out its stall' on post-2015.
- At the same time, business can also be part of the solution by committing to greater accountability. As well as enforcing fuller transparency on corporate tax payments (discussed below), governments should introduce mandatory reporting for all large companies on non-financial performance, for example using reporting guidelines developed by the Global Reporting Initiative.<sup>155</sup>

### **Science, Technology and Data**

Finally, there is the role of science, technology, innovation, and data in helping development. They are essential to how people feed, clothe, educate, and protect themselves, and how they keep themselves healthy; they determine countries' capacity to compete in the global economy; and they will underpin the world's ability to create global public goods and manage global risks, from infectious disease to climate change.

The pace of change in these areas during the MDG era has been searing, from information technology to biotechnology and from nanotechnology to clean energy. The number of people in the 'global innovation community' is estimated to have doubled over the last 20 years.<sup>156</sup> An estimated \$1.2 trillion was spent around the world on research and development in 2009.<sup>157</sup> The potential contribution that this can make to poverty eradication and sustainability is clearly immense.

Yet that potential is not always realised. Like any form of structural change, innovation creates winners and losers. Technologies that are highly capital-intensive create advantages only for those that can afford to invest in them. Many kinds of knowledge and skills, meanwhile, are cumulative – and can exacerbate existing inequalities by bestowing first mover advantages on those who are already ahead.

The MDG period has already seen important efforts to 'tilt the field' on science and innovation in favour of poor people. As noted in chapter 1, MDG 8 had some success in improving access to medicines in developing countries, although it omitted other important areas (notably agriculture and sustainability). The Trade-Related Aspects of Intellectual Property agreement (TRIPs) has important provisions for assisting least developed countries, including a generalised exemption until 2013 and a specific exemption from its pharmaceutical provisions until 2016, and offers poor country governments considerable policy flexibility.<sup>158</sup>

On climate change, meanwhile, the 2010 Cancun climate summit agreed on a new Technology Mechanism de-

signed to catalyse faster technology transfer, including through public private partnerships and technology road maps.<sup>159</sup> Developing countries are increasingly making their own running on R&D, too: the share of GDP allocated to research and development in developing countries has gone from a quarter of the equivalent figure for developed countries in 1996 to nearly half in 2007.<sup>160</sup>

Looking ahead, the period covered by the post-2015 development agenda will see a range of game-changing innovations in what has been described as an “avalanche of technology”.<sup>161</sup> Four especially important areas will be biotechnology and genetics, energy and resource efficiency, computer science and IT, and human augmentation. Increasingly, these areas will converge and overlap with each other, in the process creating new synergies – much as the 20th century Green Revolution was based on the mutually reinforcing convergence of new seed varieties, improved fertilisers, and flood-and-furrow irrigation.<sup>162</sup>

Against this backdrop, three questions are especially important from a development point of view. First and most obviously, how could poor people (or the environment) benefit? Conversely, second, where do they risk missing out – for example on technologies that are empowering everyone else, or if medical R&D spending continues to be focused on ‘diseases of affluence’ rather than neglected tropical diseases? And third, what risks might accompany new technologies, and how will those risks be distributed – if, for example, jobs are replaced with automation, or if emerging technologies such as geoengineering create new environmental risks?<sup>163</sup>

There is also huge excitement in the development field about the potential for the ‘data revolution’ to assist with both poverty reduction and sustainability. Much is already happening in this area, including the Open Data Initiative, the International Aid Transparency Initiative, and the Open Data Partnership, all of which are helping to make valuable new data sets available.<sup>164</sup> This can potentially do much to address a problem identified by the High-level Panel on the Post-2015 Development Agenda, namely that development efforts are often hampered by “a lack

of the most basic data about the social and economic circumstances in which people live”.<sup>165</sup>

### *A post-2015 agenda*

So what are the key policy options on technology and innovation that could be included in a post-2015 Global Partnership? Start first with the two closely linked areas **of research and development, and technology dissemination and access**. As the last chapter on financing set out, one key priority is to scale up the level of public finance on research and development, for example on the Consultative Group on International Agricultural Research – spending on which halved over the decade and a half prior to the 2008 food spike<sup>166</sup> Again, though, the task list extends far beyond resource mobilisation alone.

- One obvious candidate for an early win is to extend the **TRIPS transition compliance period** for least developed countries through to 2030 (it is due to expire in 2013) – a move that could make especially important contributions both in access to medicines (see below), and access to environmentally sound technologies.<sup>167</sup>
- A key idea to emerge from Rio+20, and subsequently elaborated in a report from the UN Secretary-General, is for a new **Clean Technology Facility** (or, to give it its formal title, a “facilitation mechanism that promotes the development, transfer and dissemination of clean and environmentally sound technologies”).<sup>168</sup> The Facility could, for example, assess the technological needs of different developing countries, identify options for addressing them, and work to build capacity on technology development and dissemination.
- Another idea, proposed by the World Bank, is for a network of **Inclusive Innovation Funds** to be set up in countries as ways of supporting innovators in developing ideas to the point at which they are able to raise private finance.<sup>169</sup> The Bank already has Funds of this kind in place in India and a number of other countries, but there is scope to roll the idea out much more widely.

- A related idea would be to invest in **centres and/or networks for technology diffusion** – for example in the form of Innovation Centres proposed by the UN as a way of improving absorptive capacity for technology and take-up of innovations.<sup>170</sup> There is also significant scope for improving the take-up of R&D through existing systems such as agricultural extension services, so helping to catalyse the roll-out of key agricultural sustainability innovations such as drip irrigation, more efficient of fertiliser use, no-till approaches to crop cultivation and so on.
- On the specific area of **access to medicines**, the MDG period has seen big improvements in some specific areas such as vaccine coverage. However, developing country stockage of essential generic medicines remains a major issue, and MDG8 also overlooked key areas including research, development, testing, intellectual property, and drug resistance.<sup>171</sup>

A range of policy options also exists for operationalizing the development **data revolution** discussed in the High-level Panel on the Post-2015 Development Agenda – which would be based on improvements in the quantity, quality, availability, and usability of data for development.

- The World Bank has set out some initial thinking on what a **Global Partnership on development data** might look like. It stresses that a large and very diverse group of actors would need to be engaged: governments, national statistics offices, donor agencies, local and global NGOs, academia and research bodies, the private sector, and others besides. On that basis, the Bank suggests, a network model built around self-organised country-specific working groups might be the most practical way forward.<sup>172</sup>

The process could begin with a country level diagnostic assessment, which would look at key problem areas like data coverage and quality; data documentation; accessibility, usability and openness; technology infrastructure and data management; and ‘alternative’ data sources. This gap analysis could then lead to working groups focused on fixing them. The Bank suggests that the most immediate need is for pilots

in a few countries to see what works (and, it might be added, to highlight the potential of this approach).

- The post-2015 Global Partnership could prompt further improvements in **government transparency**, for instance by building on the success of the Open Government Partnership – a coalition of 60 countries including the US, Brazil, the UK, and African countries including Ghana, Kenya, Liberia, Malawi, Tanzania, and South Africa. Specific areas where further commitments could build on progress to date include transparency on natural resource and extractive revenues, as well as tax and company ownership (see chapter 2 on illicit flows).<sup>173</sup>
- At the same time, the data revolution could help to underpin the post-2015 Global Partnership itself by improving **data availability at the global level** – in the process, potentially driving improvements in both system coherence and accountability. At present, severe data gaps mean that even as policymakers start to implement the post-2015 agenda in two years’ time, they will to some extent be ‘flying blind’ given the lack of answers to even basic questions such as:
  - If the world wants to end poverty by 2030, then what does business as usual look like after 2015, and how big are the gaps?
  - What are the key drivers that could bend the curve? What data and information are needed to tell policymakers whether or not they are succeeding in doing so?
  - What resources, partnerships, and strategies are needed to drive the change? How do these compare to what countries – both donors, recipients, and those that fall into neither category – are actually doing?
  - What are the major risks to global poverty eradication goals, and how can they be mitigated?
  - What do national pledges on emissions mitigation up to in terms of global emissions, atmospheric greenhouse gas concentrations, and temperature change?

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- What are the key environmental risk thresholds that the world faces, and how close will projected global growth trajectories take us to them?<sup>174</sup>

The High-level Panel on the Post-2015 Development Agenda recommended that these and other questions like them could potentially be answered in a new biennial Global Sustainable Development Outlook – a recommendation also made previously in the UN’s 2011 High-level Panel on Global Sustainability and the World Bank’s 2011 World Development Report, and endorsed in the Rio+20 outcome document.<sup>175</sup>

Significantly, the report would be prepared by a range of multilateral agencies and international organisations working together. As such, it could help to improve system coherence by prompting agencies to work across sectoral and institutional silos in developing an integrated analysis – an approach that has borne fruit in the past when the G20 has commissioned multiple agencies to prepare analysis papers on topical issues such as the 2011 food price spike.<sup>176</sup>

Even more importantly, an Outlook report of this kind could also monitor countries’ performance against financing pledges, development outcomes, and other commitments made as part of an overall post-2015 Global Partnership – hence improving accountability, and addressing a key source of mistrust in current post-2015 negotiations.

This could be especially important if, as appears likely, post-2015 objectives are, like ‘pledge-and-review’ climate change targets, founded on a principle of ‘global goals, national targets’. In such conditions, the need for rapid and accurate assessment of what national actions add up to at the global level will be critical, as a potential way of squaring the circle between global level outcomes (such as 2°, or zero poverty by 2030) with an approach founded of voluntary national action.

It could also go a long way towards gauging countries’ commitment to development on a much broader range of indicators than just aid spending. As the whole of this chapter has emphasised, policies in a huge range of

areas – from trade to migration, emissions to technology, openness of data to support for global governance reforms – matter for development. A true Global Partnership will encompass actions under all of these headings, and many other besides.

Various metrics already exist that can aggregate and compare high (and increasingly also middle) income countries’ performance across these diverse areas - most notably, the Center for Global Development’s annual ‘Commitment to Development Index’, which ranks developed countries’ performance in seven key areas: aid, trade, finance, migration, environment, security, and technology.<sup>177</sup> Including this Index, or a version of it, in the Outlook would at once reinforce the importance of a post-2015 Global Partnership, showcase the range of policy areas relevant to it, and create a positive stimulus for countries to look across government at the full range of their development impacts – and work to improve them.

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## 4. Making it Happen: Conclusion and Recommendations

This paper has sketched out some of the key potential elements of a post-2015 Global Partnership, in the four areas of financing and investment, trade and the global economy, scarcity and sustainability, and science, technology, and data. But are the world's governments ready to implement such a broad and ambitious agenda?

So far, the signs are not hopeful. As chapter 1 noted, analysts have started to write of a 'G Zero' world in which "no single power or bloc of powers will accept the costs and risks that accompany global leadership."<sup>178</sup> High income countries are increasingly introspective, preoccupied with high unemployment, weak growth, and fiscal pressures. Middle income countries, meanwhile, appear hesitant to assume the responsibilities of global leadership, wary of any move to pool sovereignty at supranational level, and unclear on what they want or what they might stand to gain from post-2015 or indeed other multilateral agendas.

Given the risk – indeed, the probability – of more frequent economic, social, and environmental shocks in future, and the number of slower-onset stresses gradually intensifying in pressure, it may be that future crises and moments of breakdown provide the impetus for governments to get much more serious about cooperating to support the world's poorest people and improve the supply of global public goods.

History certainly provides no shortage of examples of how crisis can lead to institutional creation and renewal – from the Peace of Westphalia and the doctrine of national sovereignty after the Thirty Years War, to the creation of the UN in the wake of two world wars and the Great Depression, the birth of what would become the G8 after the 1973 oil crisis, and the emergence of the leaders' level G20 in the wake of the 2008 financial crisis.

Conversely, though, shocks can also prompt kneejerk reactions, scapegoating, and panic measures – again with no shortage of examples in history (including the actions taken by some governments after the 2008 and 2011 food spikes).

So what determines whether shocks and stresses lead to breakdown or renewal?

Much of the answer has to do with resilience. In high-resilience systems, both risks and the responses to them are broadly distributed, with individuals and groups sharing a common interpretation of the challenges they face and what they need to do about them; when crises happen, they become the prompt for renewal and sense of common purpose. In low-resilience systems, on the other hand, the future is heavily discounted and risks fall disproportionately on some groups; when crises hit, they lead to conflict, and the system as a whole becomes vulnerable to sudden losses of complexity and function.<sup>179</sup>

By extension, the question of how the world looks after its poorest inhabitants, during what is likely to be a turbulent period in history, will be a fundamental indicator of how the system is performing. A community that fails to protect its most vulnerable members during periods of upheaval can hardly claim to be inclusive, just, or stable for the long term.

In the end, the outlook on globalisation, sustainability, and the future of the 21st century appears to be held in tentative balance between two alternative scenarios: one of intensifying zero-sum competition – a scenario that would be disastrous for the world's poor – and one of increasing cooperation in a revitalised, rules-based order.<sup>180</sup> As a 2010 report by the author and David Steven observed,

"While there are constituencies in each capital that see international risks through a lens that assumes competition, there are opposing constituencies that understand ... global threats as shared challenges that require joint responses. In this sense, the most fundamental battle ... may be less between different countries, or groups of them, than between two competing security paradigms with highly divergent assumptions, analyses, and prescriptions."<sup>181</sup>

The question of which of these two paradigms ultimately wins out will depend partly on ideas and thought leadership, partly on their advocates' capacity to self-



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organise into coalitions, and partly on readiness to take immediate advantage of the moments of political opportunity that often accompany shocks and crises.

At the same time, for as long as the tension between zero and non-zero sum futures remains unresolved, there is also a need to focus on what can be done *now*, amid current political constraints, as ways of building confidence and momentum that can – with luck – tip the balance towards the non-zero sum scenario.

## Annex: A post-2015 calendar

Meetings that have the potential to be especially important or high-profile are highlighted.

	<b>2013</b>	
11- 22 November	<b>COP 19 of the UN Framework Convention on Climate Change</b> , Warsaw.  Relatively modest progress expected – the real work is likely to be undertaken in 2014.	Sustainability
2-6 December  DEDEDeceDec	<b>Intergovernmental Committee of Experts on Sustainable Development Financing</b> , New York (second session).  Will discuss an initial assessment of financing needs, current flows and emerging trends, and the impact of domestic and international environments. (The Committee's other two 'clusters' of work will cover mobilisation of resources, and institutional arrangements and policy coherence.) <sup>182</sup>	Financing
3-6 December	<b>Ninth WTO Ministerial Conference</b> , Bali. Potential agreement on package including trade facilitation, select agricultural issues, and some components related specifically to developing countries.	Global economy
9-13 December	<b>Open Working Group on Sustainable Development Goals</b> , New York (sixth session).  2 days allocated for discussion of means of implementation (including science and technology, knowledge-sharing, and capacity building), and a Global Partnership for achieving sustainable development. <sup>183</sup>	All
	<b>2014</b>	
Date tbc	<b>6<sup>th</sup> BRICS Summit</b> , Fortaleza, Brazil  Grouping of Brazil, Russia, India, China, and South Africa reportedly plan to complete arrangements for a new international development bank in time for the summit.	All
Date tbc	Turkey Presidential election  Direct Presidential elections to be held for first time. Current Law on Presidential Elections (2012) allows Prime Minister (currently Recep Tayyip Erdogan) to stand for President without resigning as PM, although this is being contested in Constitutional Court.	National politics
First half of the year	<b>Second MIKTA meeting</b> , Mexico  New forum launched in September 2013, bringing together foreign ministers of Mexico, Indonesia, South Korea, Turkey, and Australia, aimed at cooperation on global governance.	All
1 January	<b>Global Ocean Action Summit</b> , the Hague  Convened by World Bank and Dutch government aiming to mobilise financial and technical support for established goals under Global Partnership for Oceans (GPO)	Sustainability
1 January?	<b>Third High-level Symposium for 2012 UN Development Cooperation Forum</b> , Germany  Focus on strengthening of accountability frameworks in post-2015 context.	All
6-10 January	<b>Open Working Group on Sustainable Development Goals</b> , New York (seventh session).  Agenda includes 1.5 days on sustainable consumption and production, and 1.5 days on climate change and disaster risk reduction.	All
20-22 January	<b>World Future Energy Summit</b> , Abu Dhabi	Sustainability

22-25 January	<b>World Economic Forum</b> , Davos. Potentially a key moment for the private sector to set out its stall on post-2015.	Global economy
3-7 February	<b>Open Working Group on Sustainable Development Goals</b> , New York (eighth session). Agenda includes 2 days on oceans and seas, forests, and biodiversity, and 1.5 days on promoting equality.	All
4-6 February	<b>5th Biennial C40 Mayors Summit</b> , Johannesburg Three day summit convening Mayors from world's largest cities on climate change – key focus of this meeting will be greenhouse gas metrics and adaptation	Sustainability
March	<b>EU Council of Ministers</b> Head of government level summit – will discuss EU's 2030 climate framework.	Sustainability
3-7 March	<b>Intergovernmental Committee of Experts on Sustainable Development Financing</b> , New York (third session).	Financing
April – July	<b>South Africa general election</b> Will elect a new National Assembly of 400 members, which will choose President of South Africa.	National politics
15-16 April	<b>1<sup>st</sup> High Level Meeting of the Global Partnership for Effective Development Cooperation</b> , Mexico City. Stock-take of efforts since Busan, and forward look on post-2015 development agenda.	Financing
12-16 May	<b>Intergovernmental Committee of Experts on Sustainable Development Financing</b> , New York (fourth session).	Financing
14-15 May	<b>Clean Energy Ministerial</b> , Seoul (fifth session) High level forum to promote best practice, including in financing. 23 governments involved, with composition broadly comparable to G20.	Sustainability
22-25 May	<b>European Parliament elections</b> Under 2009 Lisbon Treaty, these will be the first EP elections to elect the European Commission's President, although on the basis of a proposal made by Council of Ministers (i.e. member states).	National politics
31 May	<b>India general election</b> Deadline for elections to India's <i>Lok Sabha</i> (lower house), which will determine appointment of Prime Minister.	National politics
4-5 June	<b>G8 Leaders Summit 2014</b> , Sochi. Given Russia's record on the 2013 G20, probably unwise to expect too much on development or climate change.	Global economy
July	<b>UN Development Cooperation Forum / High Level Political Forum on Sustainable Development</b> New York. Top objective for the DCF is to "assess how a Global Partnership for development beyond 2015 could work in practice". <sup>184</sup> HLPF will be one of the annual meetings held under auspices of ECOSOC (as opposed to quadrennial meetings at head of government level under auspices of General Assembly).	All

9 July	<b>Indonesia Presidential election</b>  Election to choose successor to President Susilo Bambang Yudhoyono (who co-chaired UN High-level Panel on the Post-2015 Development Agenda) who will stand down after reaching the two terms legal limit.	National politics
August	<b>Publication of private sector Capital Plan</b> ( <i>proposed</i> )  Finance sector-led initiative to help mobilise investment in post-2015 goals and low carbon sustainable economy.	Financing
4-8 August	<b>Intergovernmental Committee of Experts on Sustainable Development Financing</b> , New York (fifth session).	Financing
1-4 September	<b>3<sup>rd</sup> UN Conference on Small Island Developing States</b> , Samoa <sup>185</sup>	All
23 September	<b>2014 Climate Summit</b> , New York.  Hosted by UN Secretary-General, at head of government level. Intended to be a key moment for raising ambition and political will en route to COP 21 in Paris in December 2015.	Sustainability
23 or 24 September?	<b>Possible major public mobilisation</b> on post-2015 and climate change, New York	All
23-29 September	<b>UN General Assembly General Debate</b> , New York (69 <sup>th</sup> session).  Intergovernmental Committee of Experts on Sustainable Development Financing and Open Working Group on Sustainable Development Goals report back to UN General Assembly.	All
October?	<b>APEC Summit</b> , Beijing  China will chair; no details on priorities yet. Philippines will chair in 2015.	Global economy
5 October	<b>Brazil general election</b>  To select both President and National Congress. Runoff election for President on 26 October if no candidate receives more than 50% of vote.	National politics
10-12 October	<b>Annual meetings of World Bank and International Monetary Fund</b> , Washington DC.	All
27-31 October	<b>Intergovernmental Panel on Climate Change</b> , Copenhagen (40 <sup>th</sup> session).  Meeting to approve summary for policymakers of Fifth Assessment Report – likely to be the biggest story of the year for IPCC.	Sustainability
31 October	<b>Expiry of current European Commission</b>  List of new Commissioners must be approved by Council of Ministers (i.e. member states, under qualified majority voting) and then by European Parliament.	National politics
4 November	<b>US Congressional mid-term elections</b>  435 House contests and 33 Senate races held.	National politics
15-16 November	<b>G20 Leaders Summit 2014</b> , Brisbane.  Given political complexion of newly elected Australian government, unclear that development or climate change are likely to figure highly on the agenda.	Global economy

December	<b>OECD Development Assistance Committee High Level Meeting</b> , Paris.  DAC will propose new comprehensive framework for reporting on external development finance, including new statistical measure of “total official support for development”	Financing
3-14 December	<b>COP 20 of the UN Framework Convention on Climate Change</b> , Lima.  Potentially a key moment for Parties to unveil their emissions mitigation and/or climate finance ‘offers’ ahead of the Paris summit in December 2015.	Sustainability
By end of year	<b>Report of the UN Secretary-General</b> ( <i>proposed</i> )  To cover “vision, principles, goals and targets of the post-2015 development agenda, as well as ... the renewed Global Partnership for development”, drawing on Open Working Group on SDGs and Intergovernmental Committee of Experts on Sustainable Development Financing.	All
<b>2015</b>		
Date tbc	<b>G20 Leaders Summit 2015</b> , Turkey.  Given limited expectations for 2014 G20 (see above), likely to be a key moment on multiple agendas. Much will depend on the timing of the meeting: recent years have seen the leaders’ summit take place in September (St Petersburg 2013), June (Los Cabos 2012 and Toronto 2010), November (Cannes 2011). June would be ideal as a way of securing outcomes in advance of the September 2015 High Level Political Forum.	Global economy
First half of the year?	Potential <b>high level summit on financing for development</b> , following on from Monterrey in 2002 and Doha in 2008.  Likely to be mandated by the General Assembly before the end of 2013. Could potentially take place later than 2015. Would also in effect take forward the proposal made in the High-level Panel on the Post-2015 Development Agenda for an international conference to discuss “how to integrate development, sustainable development, and environmental financing streams”.	Financing
January	<b>World Economic Forum</b> , Davos	Global economy
1 March?	<b>World Conference on Disaster Reduction 2015</b> , Sendai, Japan.  Expected to agree post-2015 framework for disaster risk reduction.	Financing
April	<b>Spring meetings of World Bank and International Monetary Fund</b> , Washington DC.	Global Economy / Financing
4-15 May	<b>UN Forum on Forests</b> , New York (eleventh session)	Sustainability
7 May	<b>UK general election</b>  Parliamentary elections for House of Commons; will determine next Prime Minister.	National politics
June?	<b>G8 Leaders Summit 2015</b> , Germany.  Given limited expectations for 2014 G8 (see above), likely to be a key moment on multiple agendas.	Global economy
22-28 September	<b>UN General Assembly General Debate</b> , New York (70 <sup>th</sup> session) - potentially including extraordinary session of <b>High Level Political Forum on Sustainable Development</b> at head of government level.  Likely to be the key decision moment on post-2015 development goals.	All

October	Argentina Presidential elections Exact date to be decided by parliamentary decision.	National politics
1 October	<b>Annual meetings of World Bank and International Monetary Fund</b> , Lima.	Global Economy / Financing
19 October?	<b>Canada federal election</b> ( <i>provisional</i> ) Canada Elections Act requires election no later than third Monday of October in fourth calendar year following last election: Prime Minister may advise Governor-General to call election earlier than this.	National politics
December?	<b>Tenth WTO Ministerial Conference</b> , venue to be confirmed.	Global economy
2-13 December	<b>COP 21 of the UN Framework Convention on Climate Change</b> , Paris. Key decision moment on both legal form and actual targets on global climate policy from 2020 onwards.	Sustainability
	<b>2016</b>	
First half of the year?	<b>World Humanitarian Summit</b> , Istanbul. <sup>186</sup> Key opportunity to improve integration of humanitarian and development programmes – a key issue for many least developed countries in particular.	Financing
June?	<b>G8 Leaders Summit 2016</b> , Japan.	Global economy
October?	<b>International Civil Aviation Organisation 39<sup>th</sup> Assembly</b> Due to agree on final proposal for a new market based mechanism (MBM) that could provide significant new funding for global public goods, for implementation from 2020 onwards.	Financing
November?	<b>G20 Leaders Summit 2016</b> . Host will be one of China, Indonesia, or Japan. <sup>187</sup>	Global economy
8 November	<b>US Presidential election</b> New President will be inaugurated on 20 January 2017.	National politics

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## About the author

**Alex Evans** is a Senior Fellow at New York University's Center on International Cooperation, where he works on issues including international development, climate change, and resource scarcity.

His work on the post- 2015 development agenda includes research for the High-Level Panel Secretariat, Unilever, the Brookings Institution, and for former UK Prime Minister Gordon Brown.

Alex was seconded to the UN Secretary-General's office as the writer for the 2011 UN High-level Panel on Global Sustainability, which first proposed the idea of Sustainable Development Goals. He is also currently collaborating with the Center for Global Development on a project on future global climate policy. He lives and works in Ethiopia.

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**New York University**  
**726 Broadway, Suite 543**  
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**(212) 998-3680**  
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