NEW YORK UNIVERSITY

CENTER ON INTERNATIONAL COOPERATION

Delivering the Post-2015 Development Agenda

Options for a New Global Partnership

Policy Brief

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The world faces old and new security challenges that are more complex than our multilateral and national institutions are currently capable of managing. International cooperation is ever more necessary in meeting these challenges. The NYU Center on International Cooperation (CIC) works to enhance international responses to conflict, insecurity, and scarcity through applied research and direct engagement with multilateral institutions and the wider policy community.

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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' (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 approaches 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 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 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 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.

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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