



## Round tables 1, 3 and 5

### Global Partnership and the Three Dimensions of Sustainable Development

#### Background note by the Secretariat

The current draft of the Addis Ababa Action Agenda calls for an “enhanced and revitalized global partnership for sustainable development, led by governments... [as] a vehicle for strengthening international cooperation for implementation of the post-2015 development agenda,” to be complemented by “multi-stakeholder partnerships and the resources, knowledge and ingenuity of the private sector, civil society, the scientific community, academia, philanthropy and foundations, parliaments, local authorities, volunteers and other stakeholders.”

Although the concept of a global partnership for development has been implicit in the main United Nations agreements on development since the 1960s, the phrase was given concrete form in the Millennium Declaration and in the specification of that partnership as Millennium Development Goal 8. While MDG 8 focused on international means for accelerating progress towards the seven other MDGs, a broader conception of the global partnership for development was elaborated in the 2002 Monterrey Consensus of the International Conference on Financing for Development.

The global partnership for development has played a central role in galvanising aid, increasing market access and providing important shortcomings in implementation. The MDG Gap Task Force, led by the Secretary-General in 2007 to review progress in Goal 8, has noted gaps regarding the achievement of the targets set in MDG 8, as well as in its monitoring. The lack of quantitative time-bound targets has been compounded by the lack of data to track quantitative and qualitative commitments adequately and in a timely manner.

The present Conference is bringing the different international threads of discussion of the global partnership together to cohesively serve as the international strategy for mobilizing financial and technical resources for the post-2015 agenda for sustainable development, and to support the implementation of the proposed sustainable development goals (SDGs).

This set of roundtable discussions presents an opportunity to consider in a multi-stakeholder format how to transform the commitments in the draft Addis Ababa Action Agenda into a living, vigorous global partnership for sustainable development, including its monitoring and follow-up. Discussion in the three round tables should also help guide implementation and monitoring of partnership commitments.

## *A Revitalised Global Partnership for Sustainable Development*

The Monterrey Consensus provides a basic structure for a reinvigorated global partnership, given its emphasis on the use of all forms of financing, including public and private, domestic and international in a holistic manner. Its recognition that each country has primary responsibility for its own social and economic development and that the global community has responsibility for an enabling international environment carries forward as the dual bases for the draft Addis Ababa Action Agenda.

The draft Action Agenda not only builds on the Monterrey Consensus, but also updates it to better reflect the economic, social and environmental dimensions of sustainable development. As in Monterrey, all financial flows are considered. The draft Agenda stresses the importance of domestic public resources and of domestic public policies, emphasizing their role in creating the enabling environment and effective regulatory framework for investment. It includes a nuanced understanding of private finance, including its strengths, weaknesses and incentive structures, as well as an enhanced and targeted role for international cooperation. In this regard, it builds on the work of the Intergovernmental Committee of Experts on Sustainable Development Financing, which assessed sustainable development financing needs, current financing flows and potential sources of financing. The Committee has found that “needs are huge and the challenges in meeting them are enormous – but surmountable. Indeed, global public and private savings would be sufficient to meet the needs.” However, “there is no one simple policy solution. Instead, a basket of policy measures will be necessary, encompassing a toolkit of policy options, regulations, institutions, programmes and instruments, from which governments can choose appropriate policy combinations.” In addition, to fully reflect the comprehensive scope of the post-2015 development agenda and the diverse needs of sustainable development, the draft Addis Ababa Action Agenda also includes a chapter on science, technology and innovation, as well as on the importance of data.

### *Strengthening domestic resource mobilisation*

As recognized in the draft Addis Ababa Action Agenda, significant additional domestic public resources, supplemented by international assistance as appropriate, will be critical to realizing sustainable development and achieving the SDGs. Developing countries as a whole have made significant progress in mobilising domestic resources since Monterrey. Public domestic finance in developing countries more than doubled between 2002 and 2011, increasing from \$838 billion to \$1.86 trillion.<sup>1</sup> Similarly, impressive growth is being achieved in domestic savings rates, with developing countries likely to account for almost two-thirds of global savings by 2030.<sup>2</sup> However, countries differ greatly in how they share in these advances. Moreover, developing countries on average collect much lower proportions of their gross domestic product (GDP) in tax revenue compared to the member countries of the Organization for Economic Cooperation and Development (OECD): 10-20 per cent average tax-GDP ratios in developing as opposed to 30-40 per cent in OECD countries.

The draft Addis Ababa Action Agenda welcomes efforts by countries to set nationally defined domestic targets and timelines for enhancing domestic revenue as part of their national sustainable development strategies. Also, it seeks to support developing countries in

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<sup>1</sup> Report of the Intergovernmental Committee of Experts on Sustainable Development Financing, para 39.

<sup>2</sup> World Bank (2013). Capital for the Future: Saving and Investment in an Interdependent World. Global Development Horizons report. Washington DC: World Bank.

reaching those targets, including through capacity building funded through official development assistance (ODA). Public resource mobilization depends on many factors, such as size of the tax base, a country's capacity to collect and administer taxes, tax elasticity, the volatility of sectors being taxed, and commodity prices. In this regard, countries commit to work to improve the fairness, transparency, efficiency and effectiveness of their tax systems, including by broadening the tax base and continuing efforts to integrate the informal sector into their formal economies.

In addition, the draft Addis Ababa Action Agenda expresses concern about the growth of

volumes of aid during the MDG period, increasing from

middle income countries that have been able to borrow on international capital markets, have often done so at relatively high interest costs, usually with relatively short maturities. There is a risk that when global interest rates rise, it will be difficult for these countries to refinance their borrowings, which may lead to precipitating sovereign debt crises. Therefore, the draft Action Agenda encourages shareholders of multilateral development banks and bilateral donors to develop graduation policies that are sequenced, phased and gradual, as well as to set up processes to offer different levels of concessionality to borrowers facing different situations.

In view of vast financing needs of the post-2015 development agenda in particular in infrastructure investment, leveraging of private finance is seen as an important opportunity. The draft Addis Ababa Action Agenda welcomes the contribution of “blended” finance and partnerships, and encourages such partnerships to support country-driven priorities and strategies. To assure the development impact of leveraged private investments, projects should share risks and rewards fairly, meet social and environmental standards, and have clear accountability mechanisms.

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reporting, as appropriate. Governments would also agree to work towards harmonizing the various initiatives on sustainable business and financing, to identify remaining gaps, and to strengthen the mechanisms and incentives for compliance.

The draft Addis Ababa Action Agenda also calls for measures to develop domestic long-term bond markets, and stresses the importance of building stable markets, with appropriate risk management by investors, supervision by regulators, and appropriate incentives along the investment chain that are aligned with long-term performance and sustainability indicators.

To promote financial inclusion, Governments would agree to work towards full and equal access to formal financial services for all, along with consumer protection and financial literacy. In this regard, microfinance institutions, development banks, agricultural banks, mobile network operators, agent networks, cooperatives, postal banks and savings banks can play important roles.

Remittances play a key role in many countries in

