Preparatory Process for the Third International Conference on Financing for Development

Substantive informal session: "Learning from partnerships"

12 December 2014, 10 a.m. to 1 p.m.
Trusteeship Council Chamber, United Nations, New York

Since Monterrey, the financing landscape for development has become more complex and diverse, requiring the effective and integrated management of all financing flows at the national level, with a view to maximizing their impact on sustainable development. Implementation of the post-2015 agenda and the Sustainable Development Goals (SDGs) will depend on financial flows from all sources, as well as a strengthened international enabling environment. Specific SDGs will depend on the different financing sources, mechanisms and other elements to varying degrees. Partnerships between public and private agents have been one modality that has proven successful in financing specific sectors. One objective of this session is to learn lessons from existing funds and partnerships to better understand the contributions partnerships can make in different areas, what types of partnerships work best for different goals, and what other modalities are needed.

Programme

Co-Chairs

- H.E. Mr. George Wilfred Talbot (Guyana)
- H.E. Mr. Geir O. Pedersen (Norway)

Keynote on national sustainable development financing strategies

- The Hon. Birima Mangara, Deputy Minister of Economy, Finance and Planning, Senegal

Moderator

- Dr. Barry Herman, Milano School of International Affairs, Management and Urban Policy, The New School

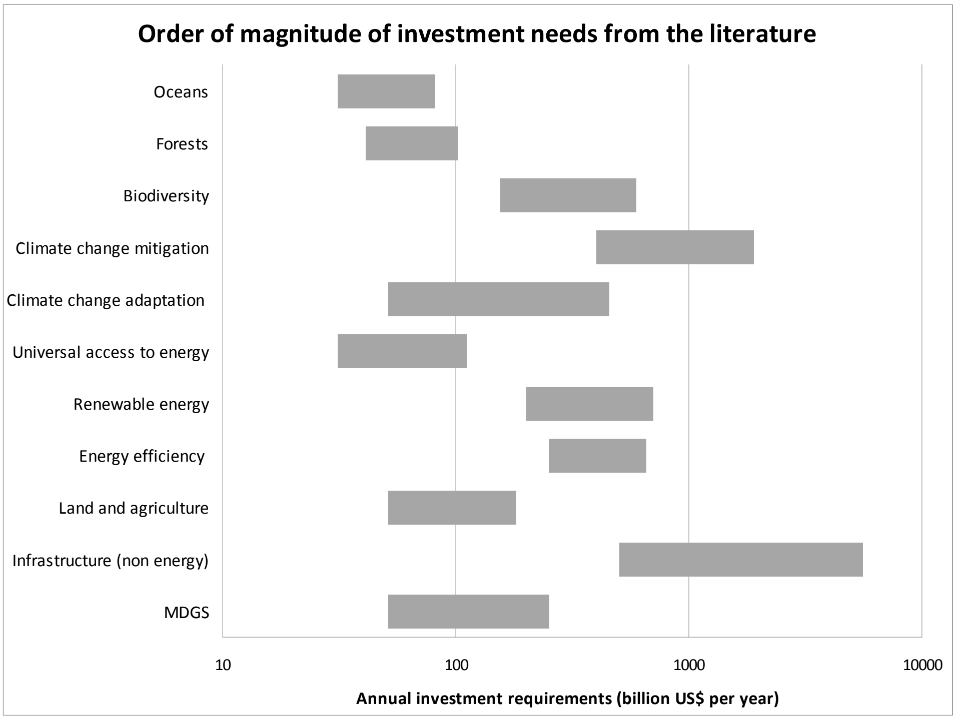
Panel Discussion

- Prof. Jeffrey Sachs, Director, The Earth Institute, Columbia University
- Dr. Naoko Ishii, CEO and Chairperson, Global Environment Facility
- Dr. Mercy Ahun, Special Representative to GAVI-eligible Countries, GAVI
- Mr. Nick York, Director of Country, Corporate and Global Evaluations, World Bank

Substantive informal session: "Learning from partnerships" - Briefing Note

Financing needs

The financing needs for sustainable development are widely recognized to be large. The Intergovernmental Committee of Experts on Sustainable Development Financing found that estimates varied widely as the effort to quantify needs was complex and necessarily imprecise, but that all estimates pointed to a significant financing shortfall. Large investment requirements were identified to eradicate extreme poverty and address hunger, health and education needs. Investment requirements for infrastructure are larger still, and were estimated at $5-7 trillion annually, with additional requirements for 'climate-compatible' scenarios.[1]



Source: UNTT Background Paper 1, x-axis in logarithmic scale

UNCTAD estimated total investment needs in developing countries at $3.3-4.5 trillion annually, with current investment at $1.4 trillion implying an investment gap of $1.9-3.1 trillion per year.[2] Sachs and Schmidt-Traub also provide preliminary estimates of incremental investment needs, of comparable order of magnitude, split into principal investment areas and by sources of funding – private commercial or public (both domestic and international) financing.[3]

[1] Report of the Intergovernmental Committee of Experts on Sustainable Development Financing, A/69/315
[2] UNCTAD, 2014, *World Investment Report 2014*, Geneva
[3] Sachs, Jeffrey and Guido Schmidt-Traub, 2014, *Financing Sustainable Development: Implementing the SDGs through effective investment strategies and partnerships*, Preliminary unedited draft, SDSN

Financing needs also differ greatly between countries. There are specific needs in least developed countries (LDCs), small island developing states (SIDS), landlocked developing countries (LLDCs), African countries and other country-specific contexts. As a result, financing gaps are found to be disproportionally large as a share of GDP in LDCs, for example.[4] At the same time, investments will be needed to address the needs of girls and women, as well as vulnerable, isolated, marginalized or excluded groups in all countries.

National sustainable development financing strategies

Since Monterrey, resource flows of all types – public and private, domestic and international – have increased, albeit not sufficiently to the benefit of those countries most in need or in many priority areas of sustainable development. At the same time, the international financial landscape has become increasingly complex and dispersed. In each category of finance, decision-making is decentralized among separate institutions and actors. The private sector is inherently dispersed, while the international public financing landscape is highly fragmented. Dealing with a proliferation of providers, projects and funds imposes high transaction costs and ties up staff in recipient countries, and leads to increased earmarking of funds, conditionalities, and potential conflicts with national development priorities.[5] The climate financing landscape has so far been especially fragmented, with numerous national, regional and global funds of relatively small size in place.[6]

This more complex financing landscape puts additional onus on policymakers at the national level to manage resource inflows effectively and to maximize their impact in support of national priorities. In light of competing demands for financial resources, coherent national decision making is needed. To this end, governments may wish to formulate national sustainable development financing strategies, aiming to exploit all potential sources of financing effectively and in a complementary manner, to use each to its respective strength, based on the principle of country ownership.[7] A national sustainable development financing strategy would exploit complementarities in financing uses, ensuring that financing flows and instruments as well as non-financial policies – trade, technology, industrial, education, employment and other policies – service an integrated sustainable development strategy.

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[4] UNTT Working Group on financing for sustainable development: Background paper 1: Financing needs for sustainable development

[5] UN, 2010, *International Development Cooperation Report: Development Cooperation for the MDGs – Maximizing Results,* New York

[6] See for example Nakhooda, Smita, Charlene Watson and Liane Schalatek, 2013, *The Global Climate Finance Architecture*, ODI and Heinrich Boell Stiftung; the Green Climate Fund is expected to become the primary channel of international public finance for climate in the coming years.

[7] As laid out in the Strategic approach presented in the Report of the Intergovernmental Committee of Experts on Sustainable Development Financing

Multi-stakeholder partnerships

The increased complexity of financing streams partly reflects the introduction of new financing instruments, such as multi-stakeholder partnerships, that seek to exploit the complementary roles of public and private actors at the national, regional and global level. The General Assembly characterised partnerships as 'voluntary and collaborative relationships between various parties, both public and non-public, in which all parties agree to work together to achieve a common purpose or undertake a specific task and, as mutually agreed, to share risks and responsibilities, resources and benefits.'[8]

In the wake of the adoption of the Millennium Development Goals and the Monterrey Consensus, partnerships between public and private actors have become increasingly prominent in supporting the implementation of globally agreed development goals. By allowing public and private donors and other stakeholders to harmonize and concentrate their efforts, such 'implementing partnerships' address concerns over fragmentation. However, these cooperation mechanisms sometimes create additional institutional actors with which recipient country authorities have to interact. They also risk adding to a silo-based approach which is inconsistent with an integrated sustainable development agenda.

The challenge is to learn from partnership experiences to understand where and under which parameters they work most effectively. As the most prominent example, global public-private partnerships have contributed to significant progress in the health sector. Global health programmes such as the Global Fund to Fight HIV/AIDS, Tuberculosis and Malaria and GAVI have introduced innovative governance structures, with private sector, philanthropy and civil society representation at the board level, and innovative allocation strategies guided by independent scientific review, with a focus on quantifiable results. They have been effective at sharing knowledge and delivering results.

Sachs and Schmidt-Traub have identified seven core components of partnerships that are key to success in delivering their missions: shared global goals and metrics; evidence-based advocacy; the development of national implementation strategies; technology road-mapping to identify technology needs; an appropriate blend of financing resources and technology transfer; effective national delivery systems supported by international partners; and rigorous monitoring and evaluation.[9]

The global partnership

While international partnerships are expected to play an increasing role in development cooperation in the post-2015 era, an integrated and broad sustainable development agenda will require predictable and non-earmarked international support for developing countries.

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[8] A/RES/66/223

[9] Sachs, Jeffrey and Guido Schmidt-Traub, 2014, *Financing Sustainable Development: Implementing the SDGs through effective investment strategies and partnerships*, Preliminary unedited draft, SDSN

Non-earmarked funding is more clearly in line with effectiveness principles such as country ownership. Budget support is thus the theoretically preferred means of official financial assistance. Yet most concessional assistance from multilateral and bilateral providers, as well as implementing partnerships, is in the form of programme and project support. These different modalities need to complement each other to deliver a comprehensive post-2015 sustainable development agenda.

The means for delivering on that agenda is the "global partnership for development", which is distinct from the implementing partnerships discussed above. The global partnership concept has a long history in the international community, dating back to the late 1960s.[10] It refers to a compact of commitments by Member States to promote development. The concept gained momentum in follow-up to the Millennium Declaration and the Millennium Development Goals (MDGs). MDGs 1-7 reflected concrete development objectives, while MDG 8 spoke to their means of implementation and called on the international community "to develop a global partnership for development". The Monterrey Consensus spelled out a holistic and coherent set of specific policy commitments by developed and developing countries to implement the aspirations of the Millennium Declaration.

A renewed and strengthened global partnership for sustainable development will be needed to support the post-2015 development agenda. At its heart, it will define a compact of commitments to policy actions by Member States. At the same time, it will need to provide space and flexibility for engagement with a much broader range of actors. In the quest to achieve sustainable development goals, multi-stakeholder implementing partnerships can engage and bring to the table all relevant stakeholders for a specific purpose or goal, allowing them to leverage their comparative advantages and respective strengths. In the words of the Open Working Group, the global partnership for sustainable development should be complemented by multi-stakeholder partnerships 'that mobilize and share knowledge, expertise, technology and financial resources, to support the achievement of the sustainable development goals in all countries, in particular developing countries.'

Guiding questions

1. *Which are the critical elements that need to be in place to implement effective national sustainable development financing strategies?*
2. *What lessons can be learned from existing partnerships to support the implementation of the post-2015 agenda and sustainable development goals? What types of challenges lend themselves to being addressed with these modalities, and in which areas is this less so?*
3. *How can multi-stakeholder partnerships most effectively support the implementation of an integrated and holistic development agenda?*

[10] Barry Herman, "Towards a new global partnership for development: looking back to look forward," Background study for the Ethiopia High-Level Symposium of the United Nations Development Cooperation Forum, Addis Ababa, 5-7 June 2013.