Save the Children

Save the Children's Input to Cluster 3: Institutional Arrangements, Policy Coherence, Synergies and Governance Issues

AT THE INTERNATIONAL LEVEL:

Which are the main shortcomings, gaps and/ or overlaps in financing for sustainable development at the international level?

Declining ODA and neglect of Least Developed Countries and conflict-affected and fragile states

The Committee's report should:

- Make a clear case for the continued importance of official development assistance (ODA) within the wider development financing landscape.
- Make recommendations for ODA to be targeted more effectively for countries that have limited access to other sources, particularly least developed countries (LDCs) and conflict-affected and fragile states (CAFS).
- Make recommendations - linked to existing aid effectiveness principles – to maximise the impact of aid in CAFS, including by investing long-term in re-building public service delivery.
- Make recommendations on the use and purpose of ODA – its purpose is poverty reduction. There is therefore a continued role for aid in MICs, although its role and the modalities through which it is delivered may be different to in LDCs and CAFS

ODA continues to be a major source of financing for social and economic development in many low and middle-income countries around the world. Positively, aid spending rose for most of the MDG period, reaching a record high of $128.7 billion in 2010, when OECD countries gave 0.32% of their collective Gross National Income (GNI). Since 2010 though, as a result of the economic crisis and a series of austerity programmes, ODA has fallen to 0.29% of OECD countries' GNI, as of 2012. This represents the largest fall in real programme expenditure since 1997.[i]

Disconcertingly, aid to Sub-Saharan Africa and to least developed countries (LDCs) has fallen faster still, with a real terms decline of 7.9% in aid to Sub-Saharan Africa in 2011 alone, and aid to LDCs falling by 12.8% in the same year.[ii] The OECD DAC suggests that this trend will continue over the long term with donors shifting concentration from the poorest countries to middle income, in particular towards the Far East and South and Central Asia (especially China, India, Indonesia, Pakistan, Sri Lanka, Uzbekistan, and Vietnam). And, aid will increasingly take the form of soft loans rather than grants.[iii] Most likely, this shift is the result of evidence that suggests the majority of the world's poor live in middle-income countries, as well as geopolitical interests.[iv]

This is an alarming trend, given that low-income countries (and in particular the least developed countries) have access to few other sources of international finance, accounting for only 2.5% of FDI to developing countries and 7% of remittances (tantamount to only 1.6% and 4.9% respectively, of LIC's GDP). As such, ODA remains essential, currently accounting for an average of 10% of LICs' GDP.[v]

Particularly important is to maintain and increase aid to LICS that are conflict affected and/or fragile states (CAFS); 23.7% of LICs in 2010.[vi] According to the World Bank 8 out of 10 of the most aid dependent countries in 2008 were CAFS. In total, fragile states are home to one fifth of the population of developing countries but contain a third of those living in extreme poverty, half of those children not in primary school, and half of all children who die before the age of five.

And yet delivering ODA effectively in these contexts is both challenging and costly, as Save the Children has experienced first hand. Nearly half of all Save the Children's programmes are in fragile states. These programmes juggle three types of activities: disaster response, essential service delivery, and system strengthening. Common issues raised by our programme staff include:

1. Too many donors consider conflict-affected and fragile states to be too insecure and to have too many governance challenges to be provided with development funding. This results in a tendency to rely on short-term, humanitarian interventions at the expense of longer-term programmes, despite the fact that longer-term commitments are necessary to help people build resilience to future shocks. Our experience in Somalia and elsewhere shows that families would much rather receive long-term assistance, not simply handouts, to meet their immediate lifesaving needs.

2. Short-term programming can lead to gaps in services such as health, education, water and sanitation and social services. In this scenario, it is the people who desperately need these services that suffer. For example, pregnant women who miss out on antenatal care that could have identified life-threatening complications, or children who are deprived of the chance to go to school. This is because state- provided or -administered services tend to be weak or non-existent in fragile states. Service delivery is commonly subcontracted (in large part to non-governmental organisations), yet donors often prefer to fund short-term humanitarian contracts for service delivery rather than longer term programming, in part because of concerns about the risks to their funding in contexts of fragility.

3. Ideally, donors should fund service provision (by NGO or other development actors) at the same time as efforts are being made to strengthen national systems for service delivery, so there is a self-reinforcing cycle. This often entails strengthening state capacity, advocating for improved governance, and developing the demand for accountable public services.

How can greater coherence be achieved between the UN, the international financial institutions, multilateral development banks, global groupings such as the G-20, and bilateral actors? What specific proposals would you like the Committee to consider?

To reinforce their commitment to the post-2015 framework, each country should provide an accompanying national implementation plan and financial strategy. In some countries this may be a core part of the national development plan or medium term expenditure framework (MTEF). The financing plan should identify potential sources of funding for planned, costed progress on each goal; these are likely to include a mix of taxation, foreign and domestic private investment, and aid.

As well as identifying finance sources, the strategy should mention other proposed policy changes to support the finance strategy, such as a growth strategy, or a proposed strengthening of transfer pricing rules. Central to the financing strategy should be attention to equitable distribution of investment. Each country should identify the appropriate levels of investment per area, sector and target population. However, this must be done in such a way that does not encourage funding silos, but recognises that investments in one area can be critical to the achievement of outcomes in another, such as clean water and nutrition. This kind of strategy will also support a greater degree of policy coherence for development. It will help to identify and eliminate all types of policies that might harm prospects for the poorest and most marginalised people – not only policies labelled as 'development' in richer countries, but policies pertaining to trade, finance, agriculture and investment. The European Union's commitments to policy coherence for development (eg, the Council Conclusions of November 2009) provide a sound basis to build upon with a future global agreement.

Donor countries should also identify their planned aid contributions. These strategies should reach several years ahead, as do often-used MTEFs, in the context of a country's long-term development vision for the next generation. Potential national level commitments might include:

- a percentage of GDP to be spent on key sectors or population groups (including children)
- tax and domestic resource mobilisation targets such as the Abuja targets
- budget transparency and national-level donor targets (reaffirming Busan principles on effective development cooperation – eg, transparency/ harmonisation) and triangular cooperation
- targets from the private sector relating to aligned spending and transparency.

A further area to consider is South-South Cooperation and new sources of development finance. Growing South-South cooperation and new development cooperation agencies in a range of middle-income countries are creating more and greater resources for technical assistance, knowledge transfer and financial investments for development in low-income countries. There is potential for these approaches to reinforce nationally-driven development agendas and priorities and will be a key source of technical and financial support for sustainable development beyond 2015. In some cases, such resources lack transparency and it will be critical to a more ambitious, comprehensive and open global partnership to support the post-2015 sustainable development agenda that such flows are as open and accountable as other flows such as traditional ODA. The Committee should make clear recommendations for how development cooperation effectiveness principles should be upheld by new and emerging donors, and how to ensure alignment and coordination between the SDG financing agenda and the Global Partnership for Effective Development Cooperation.

How can international public finance for development and public financing for the global commons (climate change, forests, oceans, biodiversity) be better integrated and/ or aligned?

The distinct roles of development and climate finance

The sources and governance of climate finance have been widely debated since the 2009 climate change summit in Copenhagen, where industrialised countries committed to give US$100 billion a year in additional climate finance from 2020 onwards. While the agreement to provide up to US$30 billion by the end of 2012 has been met, there is no clear path for the delivery of the full US$100 billion per year by 2020.

In 2010, the UN Secretary-General's High Level Advisory Group on Climate Change Financing concluded that a combination of sources was needed, including aid-style government pledges, market levies and possible new sources such as a tax on international aviation and shipping or a financial transaction tax. A large share would also have to come from the private sector through mechanisms like carbon trading.

In the context of the global financial crisis, the capacity for external financial assistance in developed economies has diminished and has led to some reclassification of ODA as climate finance. This is a concerning development which threatens the resources available for the achievement of the MDGs, and subsequently the SDGs. The Committee should consider potential sources of climate finance, how such finance should be governed internationally and the interaction of traditional development assistance and climate finance required to ensure resources for development objectives are maximised in a post-2015 sustainable development agenda.

Investment in low -carbon and climate -resilient development

Save the Children is deeply concerned about climate change. Children are particularly vulnerable to the impacts because of their life-stage and due to their dependence on others for protection and access to resources. Children and young people have the right to a safe future, but this will only be possible if action is taken to counter climate change through low-carbon and climate-resilient development.

Investment in infrastructure to deliver improved access to services is a critical support for the broader development and economic growth agendas of developing countries. In many countries the infrastructure required to meet development goals, for example, in water and sanitation and in energy, is yet to be built. The decisions taken will determine the degree to which countries are locked into carbon-intensive and environmentally destructive technologies, as well as influencing their vulnerability and resilience to future climatic change. There are therefore opportunities to put in place low-carbon and climate-resilient infrastructure, particularly in the energy, transport, water and building sectors. With the right kind of planning and investment to ensure that the needs of the poorest and most vulnerable people are met, infrastructure investment could deliver human development objectives as well as environmentally sustainable growth.

The energy sector is a good example of an industry that is critical for delivering reductions in poverty across many of its dimensions and is also critical to addressing climate change. Energy poverty significantly constrains economic development in many parts of the developing world and this is why Save the Children identifies the delivery of sustainable energy for all as a key objective for the next development framework. With electricity, people can study after dark; water can be pumped; food and medicines can be refrigerated. But access to energy needs to be achieved in ways which are equitable and environmentally sustainable. The energy sector is the largest and fastest growing contributor to global greenhouse gas emissions and in 2010 was responsible for 35% of all greenhouse gas emissions.

Transforming today’s fossil fuel-intensive global energy sector into one that is based on renewable energy could therefore have multiple benefits, including a net increase in employment within the sector; safer, less hazardous jobs; and lower carbon intensity.

Climate change impacts are already causing an increase in the number and severity of weather related disasters and are starting to undermine efforts to fulfil the human rights of vulnerable groups, such as children and young people. The scaling up of investment by both the private and public sectors in climate change mitigation and adaptation is therefore more urgent than ever.

However, the OECD estimates a global financing gap of $50 trillion in low-carbon and climate-resilient infrastructure to 2030. Closing that gap means that in many countries the public sector must take a leading role in driving the delivery of infrastructure that is socially inclusive and environmentally sustainable, by addressing key market failures and ensuring the needs of socially vulnerable people are catered for. However, the private sector also has an important role to play in supporting investment and in driving some of the required technological and financial innovations.

To facilitate mitigation all countries require a stable regulatory landscape. Securing a strong, legally binding global climate change framework in Paris in 2015 will be central to providing the necessary signal that countries need to adopt ambitious emission reduction targets. In developing countries, implementation will be dependent on the mobilization of the financial flows promised by developed countries. To facilitate adaptation, developing countries need access to predictable flows of finance at levels sufficient to close their existing adaptation deficit and to help them maintain their development trajectories in the face of a harsher climate. Vulnerable communities need direct access to support and finance to ensure that their specific adaptation needs are met and that national-level bottlenecks do not prevent support getting to those most in need. Civil society has a strong role to play in this process, including by ensuring that advanced economies and global agreements provide the necessary stream of finance to make the investments that are needed.

The Committee should consider how existing processes can be strengthened to ensure that investments being made (by the IFI's, regional development banks etc) support rather than undermine the objectives of low-carbon and climate-resilient development.

How can the coherence and consistency and effectiveness of the international monetary, financial and trading systems in support of sustainable development be enhanced? Is there a need for new institutional arrangements, such as to address sovereign debt distress or improve tax coordination?

The international community has a crucial role to play to strengthen developing country tax systems and to get their own house in order, as recognised by Member States at Rio+20: first, by allocating resources towards improvements in developing country revenue collection capacity and administration, and second, by regulating the international financial architecture which permits tax evasion and illicit capital flight, for example by closing down tax havens where tax evaders and corrupt officials are able to stash their profits. Both at the Monterrey Conference on Financing for Development (2003) and more recently at Rio+20 (2012) it was recognised that tackling corruption and illicit financial flows at both the national and international levels is a priority and that "corruption is a serious barrier to effective resource mobilization and allocation, and diverts resources away from activities that are vital for poverty eradication, the fight against hunger and sustainable development."

This is not only a matter of global governance, but also presents a financial opportunity, as better regulation of financial secrecy has the potential to dramatically increase the resources available for development. Illicit financial outflows amount to ten times annual global aid flows.

This is not only a matter of good global governance, it also presents a financial opportunity, as better regulation of financial secrecy has the potential to dramatically increase the resources available for development. The OECD estimates that developing countries lose three times more to tax havens than they receive in aid each year.

The Africa Progress Panel, chaired by Kofi Annan, also details in its 2013 report five deals between 2010 and 2012 which cost the Democratic Republic of the Congo over US$1.3 billion in revenues through the undervaluation of assets and sale to foreign investors. This sum represents twice the annual health and education budgets of a country with one of the worst child mortality rates in the world and seven million school-aged children out of school.

Furthermore, in 2007, the World Bank and UNODC estimated that between US$20 and US$40 billion of funds has been looted by corrupt leaders in low-income countries and kept in safe havens abroad. An international transparency commitment – in which countries provide information to each other about their citizens' bank accounts, companies or other investments – would shine a powerful spotlight on illicit financial flows, and could encourage curbing the tax losses that are estimated to exceed aid receipts. Specific areas of focus for the sustainable development agenda include:

- **Normative Changes in the International Tax System:** Taxation has historically been seen as the prerogative of national sovereign governments and as such, there are wide variations between states. Under any system of taxation it is possible to shift or recharacterize income in a manner that reduces tax - most commonly this results in shifting income among commonly controlled parties or 'transfer pricing.' Multinational corporations, with armies of highly-paid taxation lawyers and consultants, are most able to exploit these rules resulting in a system whereby the poorest countries, most in-need of tax revenues, are the most hard done by. The Post-2015 agenda presents an opportunity for the global community to consider normative changes in the international tax system; examining national and international legal statutes to challenge complicated tax avoidance schemes.

- **A Global Transparency Agenda:** Corporates and all country governments need to work to facilitate better exchange of information, to give developing countries the information and power to enforce tax laws. Certain countries have recently taken a stand on beneficial ownership transparency, committing to create a public registry of who really owns and controls national companies. This approach should be replicated.

Which institutional and governance changes are needed at the international level to facilitate the mobilization of additional international public resources for sustainable development, including innovative sources of development finance?

A conducive atmosphere for action on global tax justice

There is currently momentum and a unique opportunity to take action on illicit financial flows, stolen assets and tax havens. As highlighted in 2013 by the Lough Erne G8, by the G20 Finance Ministers Meeting and in ongoing debate about a potential post-2015 development agenda, global tax justice is becoming an ever more pressing topic of discussion in various international forums. At the G8 leaders recognized global tax justice to be 'essential to fairness and prosperity for all.[vii]

The High Level Panel on Post-2015 gave specific recognition to the issues of illicit capital flight, tax havens and stolen asset recovery in their report, including a target in their illustrative goal framework on reducing illicit flows. African Panel Members were particularly supportive of this, recognising the substantial financial resources lost every year to illicit financial flows and to corruption and stolen assets, which are desperately needed for their social and economic development.

Some governments have taken bold steps of late to develop a public registry of beneficial ownership- the owners and controls of national companies. Those that have adopted this approach must work with other developed countries to ensure similar standards are implemented across the board and to ensure corporates do not move records to other jurisdictions.

How can global partnership for development (MDG 8) be strengthened institutionally and deepened substantively? How global partnership foe development framework could be used to catalyze partnership with private sector?

Accountability is crucial to global development. A promise is only meaningful if it is kept and if its makers can be held to it. But the MDG framework has lacked a robust, effective accountability mechanism, making it difficult to ensure the fulfilment (or otherwise) of commitments in a transparent way. This in turn has meant that progress is inconsistent. For countries where there is strong political will, resources are put in place to ensure implementation, but countries that lack it are not adequately held to account. For example, MDG 8 on global partnership – with targets on issues such as finance and intellectual property – has particularly suffered from the absence of mechanisms to hold governments to account.

Trust between sectors is key to establishing an effective and lasting partnership for development. Corporate transparency is crucial to overcoming the concerns regarding multi-stakeholder partnerships and unlocking their potential and is a pre-cursor to achieving a more sustainable financial system. One institutional arrangement to support this objective would be to ensure that all large companies and financial institutions integrate material sustainability issues throughout their enterprises, something that can be realised through legislation on corporate reporting that requires companies to report on their social and environmental impact, including human rights.

It is important for large businesses to be transparent and accountable not just to investors but also to other groups including employees, consumers and citizens whose lives are impacted by their business activity. For business, due diligence processes and reporting are essential management tools that improve risk identification and long-term social, environmental as well as financial performance. Reporting requirements can drive better strategic understanding within individual businesses of the risks and impacts of its core activities in relation to the environment and human rights. The disclosure of these management tools allows investors to move capital towards more sustainable, responsible companies and strengthen the long-term sustainability of the financial system.

Which innovative sources are most suitable for mobilizing sustainable development finances at the national and international levels? What steps can you propose/your institution can take in undertaking the implementation in this regard?

Innovative finance

There is great potential for innovative sources of financing, including innovative taxes, to raise considerable sums to finance the future of sustainable development, as was highlighted by the discussion on innovative taxation at the 2011 G20 Summit.

The International Health Partnership's High-Level Taskforce on Innovative International Financing for Health Systems has estimated that innovative taxes could raise an additional US$10 billion annually for global health. In Gabon a new 1.5% levy on the post-tax profits of companies that handle remittances and a 10% tax on mobile phone operators' turnover raised the equivalent of US$30 million for health in Gabon in 2009.[viii]

Three forms of innovative taxation which we believe are replicable models, which the Expert Committee may wish to consider as key components for a future development financing plan, are:

Financial Transaction Taxes

A levy on foreign exchange transactions could raise substantial sums in some countries. India, for example, has a significant foreign exchange market, with daily turnover of USUSD 34 billion. A currency transaction levy of 0.005% on this volume of trade could yield about USUSD 370 million per year.[ix] Options for having the sector pay more include taxing Financial Transaction Taxes (FTTs); taxing profits and remunerations – the Financial Activities Tax (FAT); or taxing bank balance sheets, the Bank Levy. A minute tax of 0.05% (on average) on transactions such as bond and share sales could globally raise as much as USD409 billion annually. This additional revenue could alleviate as much as 84% of the global estimated resource gap for health, to an estimated value of USD 488 billion from 2009- 2015.[x]

The International Finance Facility for Immunisation (IFFIm)

The IFFIm uses pledges from donor governments to sell bonds in the capital markets. Funds raised by IFFIm are available for immediate use by the GAVI Alliance, a public-private partnership which aims to reduce the number of vaccine-preventable deaths and illness among children under five. So far IFFIm has raised more than US$3 billion for the GAVI Alliance's immunisation programmes. A total anticipated IFFIm disbursement of US$4 billion is expected to protect more than 500 million children through immunisation.

Sin Taxes

At the national level, it is often easier for governments to garner political support for taxes on products that are harmful to health ('sin taxes'), although they cannot generate resources on the same scale as financial transaction taxes. Although support for these will vary by country and we are not advocating for them in all contexts, such taxes do, however, have the dual benefit of improving the health of the population through reduced consumption while raising more funds. For example, a

50% increase in tobacco excise taxes would generate US$1.42 billion in additional funds in 22 low-income countries for which data are available.[xi]

What would need to be done at the international level to enhance the private sector contribution to sustainable development financing (e.g. standards for investment, for financial intermediation, for corporations, partnerships)?

Private sector investment

The private sector is already a dominant source of development investment in most countries and the potential for the private sector to positively contribute to development objectives is huge. However, not all private sector investment necessarily contributes positively to economic, social and environmental objectives and more sustainable development outcomes, and companies should be encouraged in the sustainable development agenda to be responsible development partners. To maximise their impact on sustainable development, all businesses should:

- apply a 'do no harm' approach to their core business(through evaluating and disclosing social impacts of their products, such as breast milk substitutes); to practices (such as labour standards or tax strategies); and to indirect impacts (such as their environmental footprint);

- shape core business strategies to contribute to global and national sustainable development goals; and

- advocate for change at the national and global level.

A requirement for all large companies to include information on their environmental and social impacts, as well as their corporate governance, with their annual reports and accounts is fundamental to unlocking the resources of the investment community for sustainable development. Investors have a vital role to play in helping to develop a sustainable economy. The role of capital markets is to channel capital to the most productive uses. However, if the information available is only short term and thin, then these characteristics will shape investors' definitions of markets. To include sustainability in investment decisions, investors need information about the sustainability of companies. In addition, a well-managed, responsible business will perform better and create more sustainable value over the long term. The production of a sustainability strategy will create the right kind of discussions within boardrooms, throughout firms and encourage investors to think about the sustainability of the firm as well as analysing risks and opportunities presented by environmental, social and governance factors. This will help capital to be allocated to more sustainable, responsible companies and strengthen the long term sustainability of the financial system.

AT THE NATIONAL LEVEL:

What would be priority areas for reforms at the national level to improve the contribution of private finance to sustainable development objectives?

1. Legislation on corporate reporting that requires companies to report on their social and environmental impact, including human rights.

2. Domestic resource mobilisation

   A critical mechanism for harnessing private finance for investment in sustainable human development is taxation. Developing countries' capacity to finance their future growth has improved dramatically since 2000. Their tax revenue has increased substantially, from $1.5 trillion in 2000 to $7 trillion in 2011. Indeed in many developing countries, particularly in Africa, progress has been made in parallel with a movement towards self-reliance and domestic ownership. As Nobel Laureate President Johnson Sirleaf of Liberia put it "Liberia should not need aid in 10 years... we've got the resources... We're going to go from dependency to self-sufficiency."

A focus on self-sufficiency is a welcome trend, but it will take time as many developing countries still face considerable hurdles in expanding their national tax base. In many low-income countries tax revenue is still below 15% of GDP – the conventional threshold for satisfactory tax performance. And, on average the IMF predicts only a very small increase in tax revenues as a share of GDP in LICs, from 22% in 2010 to 23% in 2017.[xii]

Tax policy administration in developing countries is often hampered by lack of capacity, weak organizational structures, and lack of modern, computerized risk-management techniques, for example recent research by the Nigerian government estimates that tax leakages due to unpaid real estate rentals amount to about $ 250 million per annum.[xiii] While there has been progress in recent years, some developing countries' VAT "gaps" are estimated to be around 50-60% of expected revenues, compared to developed country estimates of about 13%.[xiv]

High savings rates in many emerging economies are another part of the domestic resource mobilisation picture, with the savings rate for developing countries as a whole projected to peak at 34% of national income in 2014 and to average 32% annually until 2030.

3. The leveraging power of ODA for domestic resource mobilisation

Developing countries have made considerable progress in raising domestic revenue since 2000 and political discourse, particularly in Africa, suggests an eagerness to change the development narrative, from poor countries as recipients of aid to emerging nations leading their own development.

There are considerable institutional and regulatory challenges to overcome if the bulk of LICs are to further increase their tax revenue and eventually finance their own development (as outlined above), but considerable opportunity lies in using ODA as a catalyst for building and strengthening tax systems. ODA can play a vital role strengthening developing countries' fiscal chains, including the capacity of their national revenue authorities to encourage greater tax compliance, and by supporting advances in public financial management, including budget transparency. Positive examples of ODA helping to strengthen tax compliance were cited at the 2013 Global Partnership for Effective Development Cooperation meeting, including a USD $15 000 project to support Colombia's tax authority on transfer pricing matters, which led to an increase in revenue of around USD 2.5 million. Advice provided to Kenya at a cost of around USD 10 000 led to a recent transfer pricing adjustment resulting in additional tax revenue of USD 12.9 million.[xv]

4. Cracking down on illicit financial flows and tax avoidance:

One of the most promising sources of additional finance, which could be harnessed through global cooperative action, is capital that is earned and transferred illicitly out of a country, either through tax avoidance, evasion or theft. This money is intended to disappear from any record in the country of origin, denying sovereign governments their rightful income and robbing them of their ability to improve their economies and the lives of their poorest people.

According to one estimate illicit financial outflows amount to ten times annual global aid flows[xvi] and may represent as much as 4% in developing countries' lost GDP.[xvii]
In 2007, the World Bank and UNODC estimated that between US$20 and US$40 billion of funds has been looted by corrupt leaders in low-income countries and kept in safe havens abroad.[xviii]
The Tax Justice Network has estimated that the value of assets held offshore could lie in the

range of US$11 - 12 trillion, whilst global revenue loss resulting from wealthy individuals holding their assets untaxed offshore may be as much as US$255 billion annually.[xix]

Protecting these resources could dramatically increase government revenues in many developing countries. Accessing these resources and recouping stolen assets will require concerted global cooperation. As the High Level Panel on Post-2015 recognized, developed countries will need to 'put their own house in order', shutting down tax havens and penalizing corporations known to partake in such activities. Similarly developing countries will need to strengthen their tax systems, particularly the capacity of their national revenue authorities to encourage greater tax compliance. And they will need to improve the efficiency and effectiveness of public spending, through domestic governance reform to help ensure that additional resources translate into equitable public investment that responds to the needs of citizens.

To capitalize on this opportunity and considerably scale up resources for development, urgent actions include:

- **Domestic policy reform:** Developing countries need to take concerted steps to strengthen their fiscal chains, including the capacity of their national revenue authorities, to encourage greater tax compliance. Donors should be ready and willing to provide the catalytic funding to support these reforms.

- **Strategically supporting civil society organizations** (CSOs) in developing countries to promote greater dialogue on tax-related issues. CSOs can demand greater transparency in the operations of tax authorities, require more accountability from government authorities on the use of tax revenues, and monitor performance indicators to assess the progress of their national revenue authorities.[xx]

Developing countries are eager to raise more tax revenue to fund their own development, but to do so they need to:

- strengthen fiscal chains, including the capacity of their national revenue authorities to encourage greater tax compliance;

- consider the progressivity of their fiscal policy, for example, what forms of taxation are most effective for raising revenue, whilst also being pro-poor and equitably applied, and what forms of taxation best help to alleviate poverty and growing inequality; and

- consider measures required to move towards more open, accountable and inclusive governance to help ensure that domestic resources translate into equitable public investment that responds to the needs of citizens

Who, nationally/regionally, should be considered as the constituent in the achievement of the sustainable development goal? Is there any difference between national private sector and national public on Sustainable Development Goal?

To improve the incentive to implement the MDG successor framework, it needs to be accompanied by a formal global accountability and reporting mechanism, which provides a channel for accountability to poor and vulnerable people. The mechanism should reflect that governments are the duty bearers, citizens the beneficiaries and rights holders, and private sector and civil society partners in the delivery of the goals.

CROSS-CUTTING:

Which measures at the international level would most effectively contribute to domestic resource mobilization for sustainable development? Which measures at the international level would most effectively facilitate the implementation of a coherent financing strategy at the national level?

The rules and architecture of the international tax system also undermine the potential for domestic resource mobilization to raise funds for sustainable development. The system needs urgent reform. A major challenge is multinational firms 'transfer pricing' - assigning profits to branches located in lower tax jurisdictions. Although this is a challenge for both developed and developing countries, transfer pricing schemes can result in larger tax revenue losses for developing countries because of their to weaker tax administration capacity.

Is there any conflict between international public and national public sustainable development goals?

Shared responsibility

All members of the international community have a shared responsibility to manage sustainable economic, social and environmental development, both in their own jurisdictions and at the global level. The SDG framework ought to include a series of universal targets that will serve to unite and focus international energy and partnerships towards the achievement of common goals. These could include targets to strengthen multilateral institutions to support a fair, rules-based and representative global governance system. Additionally, in recognition that national sustainable human development processes must be owned and driven at the country level, targets should be identified and tailored to meet each individual country's unique circumstances and needs, to be defined by governments and citizens together through collective partnership.

[i] Alex Evans (2013, Delivering the Post-2015 Development Agenda: Options for a New Global Partnership) http://cic.nyu.edu/sites/default/files/delivering_post_2015_agenda.pdf points out that there was also a sizeable fall in 2007, when major debt relief operations ended; OECD DAC (2013). "Aid to poor countries slips further as governments tighten budgets". News release, 3 April 2013. Available at: http://www.oecd.org/dac/stats/aidtopoorcountriesslipsfurtherasgovernmentstightenbudgets.htm

[ii] Evans (2013, Delivering the Post-2015 Development Agenda)

[iii] IBID

[iv] Sumner, A. and R. Mallet (2012) See a summary of their book at The Guardian: http://www.theguardian.com/global-development/2012/dec/31/international-aid-book-extract-sumner-mallett

[v] Evans, A., (2013 forthcoming); Aidwatch (2012) Global Financial Flows, Aid and Development, Concord.

[vi] Gertz and Chandy (2011) http://www.brookings.edu/research/papers/2011/01/global-poverty-chandy

[vii] Lough Erne G8 Leader's Communique: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/207771/Lough_Erne_2013_G8_Leaders_Communique.pdf

[viii] WHO (2010) World Health Report: Health Systems Financing: The Path to Universal Coverage, WHO: Geneva.

[ix] WHO (2010) World Health Report: Health System Financing: The Path to Universal Coverage, WHO: Geneva.

[x] *Globalizing Solidarity: The Case for Financial Levies*. Leading Group on Innovative Financing to Fund Development, 2010.

[xi] WHO (2010) World Health Report: Health Systems Financing: The Path to Universal Coverage, WHO: Geneva

[xii] International Monetary Fund (2012) World Economic Outlook Database, accessed February 2013 (http://www.imf.org/external/pubs/ft/weo/2012/02/weodata/index.aspx).

[xiii] Dr. Ngozi Okonjo-Iweala (2013) Concept Note on Domestic Resource Mobilization and Stolen Asset Recovery, A *background paper for the Steering Committee meeting of the Busan Global Partnership for Effective Development Cooperation (GPEDC) held on 23 March 2013 in Bali, Indonesia.*

[xiv] Dr. Ngozi Okonjo-Iweala (2013) Concept Note on Domestic Resource Mobilization and Stolen Asset Recovery, A *background paper for the Steering Committee meeting of the Busan Global Partnership for Effective Development Cooperation (GPEDC) held on 23 March 2013 in Bali, Indonesia.*
; GPEDC (2013) Domestic Resource Mobilisation and Global Partnership for Effective Development Cooperation, http://effectivecooperation.org/wordpress/wp-content/uploads/2013/09/DRBackground.pdf

[xv] http://effectivecooperation.org/wordpress/wp-content/uploads/2013/09/DRBackground.pdf

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