

**Submission to the High-level Thematic Debate on Means of Implementation for a Transformative Post-2015 Development Agenda**

**1. What actions are needed to scale up mobilization of financial resources from all sources: domestic public financing, domestic private financing, international public financing (including ODA), international private financing (FDI and remittances), trade, and partnerships?**

While increasing available resources for development is fundamental for a transformative post-2015 agenda, even more important is that available resources are utilized in the most effective way possible. Evidence shows that budget transparency, expenditure monitoring, and accountability can contribute to increases in efficient and effective spending towards, and better results related to, development goals.<sup>1</sup> Whether or not this occurs crucially depends on data availability, space for civil society and citizen engagement, political incentives, and government capacity.

Governments have an obligation to use the maximum of available resources (MAR), which means that they must do all they can to mobilize resources within the country in order to have funds available to progressively realize economic, social, and cultural rights and achieve development goals. Governments must make every effort to collect all taxes and other revenue due to them, all the while complying with the obligations of progressive realization and non-discrimination, and ensuring that people have access to the relevant information.<sup>2</sup>

The following actions can scale up mobilization of financial resources:

1. Ensure expenditures are efficient. Governments should procure correctly priced, high quality goods and services, according to priority needs.
2. Ensure expenditures are effective. The government must ensure its plans, the design of its programs and activities, spending, implementation, and evaluation are aligned and deliver development results.
3. Ensure funds allocated towards development goals are fully spent. Problems such as under-spending can be overcome by strengthening capacity, improving planning and spending procedures, fulfilling people's entitlements, and ensuring the delivery of financial resources, such as aid and natural resource revenue.
4. Ensure funds allocated for development goals are not diverted to other areas. The MAR obligation means that, even when it is otherwise legal to move funds from one program, department or ministry to another, funds for ESC rights-related areas or development goals cannot be moved to pay for non-ESC rights-related programs, goods, and services.

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<sup>1</sup> <http://internationalbudget.org/wp-content/uploads/Budget-Brief-From-Numbers-to-Nurses.pdf>

<sup>2</sup> <http://internationalbudget.org/wp-content/uploads/Maximum-Available-Resources-booklet.pdf>

## **2. What is required of the different development players/actors to improve efficiency and effectiveness in the use of available resources for sustainable development?**

Evidence shows that governments with more transparent public finances demonstrate better fiscal performance, lower sovereign borrowing costs, and lower levels of corruption.<sup>3</sup> A report by the International Budget Partnership (IBP), Development Finance International, and Oxfam shows that countries with more transparent budgets tend to produce better information on millennium development goal (MDG) progress. A recent IBP paper<sup>4</sup> concluded that “increased budget transparency globally should be expected to improve our ability to track spending on development goals.”

But higher development spending and better outcomes depend on a complex web of factors: transparency is insufficient without accountability; and accountability depends on participation in governance from a broad range of stakeholders. Without information on how money is being spent, many can be left unable to meaningfully participate. Thus, a virtuous circle consisting of these three elements is needed.

The UN’s [My World global survey](#) – which has polled millions of people all around the globe – consistently ranks an “honest and responsive government” as being among people’s primary aspirations for the post-2015 agenda. In countries that score low on the Human Development Index, it ranks as the third most important concern.

The following is needed to improve efficiency and effectiveness in the use of available resources:

- Guarantee full transparency on government revenues, aid, and spending targeted to each of the development goals. All governments should publish annually eight key budget documents, as suggested by international good practices and standard setting bodies such as the International Monetary Fund, Organisation for Economic Co-operation and Development, and the International Organisation of Supreme Audit Institutions. Recognizing that not all governments are starting from the same point, a fiscal transparency target might use a graduated approach that starts with the timely, accessible publication of at least five budget documents (Executive’s Budget Proposal, the Enacted Budget, Year-End Report, the Audit Report and the Citizens Budget)
- Establish government commitments to increase space for public participation. This includes legislatures committing to holding public hearings during the budget cycle.

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<sup>3</sup> See Alt and Lasen (2006); Benito and Bastida (2009); Glennerster and Shin (2008); and Hameed (2005) <http://internationalbudget.org/wp-content/uploads/The-Political-Economy-of-Transparency-Participation-and-Accountability.pdf>

<sup>4</sup> <http://internationalbudget.org/wp-content/uploads/Transparency-for-Development.pdf>

- Monitor government spending towards each of the post-2015 goals. This includes establishing a global finance tracker to keep tabs on government spending toward development goals.

### **3. How can coherence and a common understanding for robust means of implementation in the post-2015 agenda and the Financing for development process be fostered and agreed? How can trade contribute to renewing the global partnerships for development?**

Effective institutions and partnerships contribute to sustainable growth and poverty reduction by ensuring that resources are well-managed, quality services are accessible, and development goals are achieved. Accountable, transparent and inclusive institutions build public trust and reinforce societal foundations. They are responsive to citizen demands and encourage participatory planning and decision-making.

In order to enable such institutions to take hold and contribute to sustainable development, new approaches are needed beyond traditional technical assistance and the introduction of reform processes that are not adapted to country contexts or needs. Instead learning from peers and drawing on innovative experiences across countries and organisations is critical to the enabling of accountable and transparent institutions. Multi-body and cross-sectoral networks, platforms, and initiatives such as the Global Initiative for Fiscal Transparency, the Effective Institutions Platform and the Network of Stakeholders for the Development of Indicators for Sustainable Development can help build coherence and a common understanding for robust means of implementation in the post-2015 agenda and the Financing for development process.

Studies have found that trade openness, presumably operating through increased economic competition and economic growth, is associated positively with transparency to a significant degree.<sup>5</sup> Open financing, including the timely, accessible, and comprehensive disclosure of fiscal reports; strong oversight institutions; and opportunities for the public to engage in the budget process, enhance planning, spending, monitoring, and evaluation to achieve development goals.

### **4. What measures can be taken to develop a financial architecture/system that incentivizes the direction of global public and private savings towards sustainable development investments, including provision of long-term financing to fill critical investment gaps?**

Over the past decade or so there has been growing evidence that the best way to improve the allocation of public finances is through budget systems that are transparent, open to public engagement and scrutiny, and that have robust oversight institutions and mechanisms. Such fiscal practices can positively impact growth, efficiency, and equity. Indeed, there are sufficient public resources available globally to make substantial progress on eradicating extreme poverty and creating sustained economic development, but only if these funds are managed effectively and allocated equitably.

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<sup>5</sup> <http://internationalbudget.org/wp-content/uploads/The-Political-Economy-of-Transparency-Participation-and-Accountability.pdf>

The new evidence on the impact of fiscal transparency and accountability indicates:

1. Transparency can help attract cheaper international credit: Research commissioned by the International Budget Partnership finds that, after controlling for various economic variables, countries with higher levels of fiscal transparency have higher credit ratings and lower spreads between borrowing and lending rates, thus reducing governments' borrowing costs.<sup>6</sup> Even for countries with similar credit ratings, higher transparency is associated with lower spreads.

2. Openness in fiscal matters can strengthen fiscal discipline: An International Monetary Fund (IMF) study finds that an important predictor of a country's fiscal credibility and performance is the level of transparency in its public finance systems and practices. In looking at the recent global economic crisis, the IMF study attributes almost a quarter of the unexpected increases in government debt across the countries studied to a lack of available information about the government's fiscal position.<sup>7</sup> In other words, opacity in fiscal matters contributes significantly to the suffering being felt directly by the citizens of the crisis-stricken countries in Europe.

Measures to be taken include<sup>8</sup>:

- Guarantee full transparency of global public and private financial flows, and spending targeted to each of the development goals. This includes governments committing to publishing a minimum of five key budget documents.
- Establish government commitments to increase space for public participation. This includes legislatures committing to holding public hearings on finances.
- Monitor government spending towards each of the post-2015 goals. This includes establishing a finance tracker to keep tabs on spending toward development goals.

**5. What measures and actions need to be undertaken to further build and strengthen capacities of developing countries, in particular to ensure an effective domestic enabling environment and enhance their ability to effectively implement the post-2015 development agenda?**

Capacity is critical to ensure effective planning, spending, implementation, and evaluation to achieve development results. This includes the existence of strong parliaments, public sector procurement, and auditing agencies; and procedures and skills for planning, budgeting and delivering on the basis of performance

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<sup>6</sup> See <http://internationalbudget.org/wp-content/uploads/IBP-Working-Paper-1-Budget-Transparency-and-Financial-Markets.pdf>

<sup>7</sup> See <http://internationalbudget.org/wp-content/uploads/IMF-Fiscal-Transparency-Accountability-and-Risk.pdf>

<sup>8</sup> See <http://www.un.org/esa/ffd/wp-content/uploads/2015/01/11Dec14-TAP-statement-data.pdf>

goals.<sup>9</sup> It also includes mechanisms for public participation, such as legislatures conducting public hearings during the enactment and evaluation of the budget, and the government publishing feedback on how public inputs have been used in budget preparation.<sup>10</sup>

The first steps toward improvements in fiscal transparency and participation can be achieved at minimal cost and time simply by publishing documents that governments already produce for internal use. It can be improved without burdening governments with additional and parallel reporting requirements by simply adapting existing country budget and policy reporting systems. Independent, objective, regular, and reliable measures of progress on fiscal transparency have been developed and are undertaken periodically; therefore, new assessments are not needed.

More systematic reporting and analysis is now possible due to new and recently updated datasets such as the Open Budget Index, Government Spending Watch and the Statistics of Public Expenditure for Economic Development (SPEED) database. The organizations that produce these datasets, as well as initiatives such as the Global Initiative for Fiscal Transparency, support peer learning and review, technical assistance and context-specific analysis and recommendations that contribute to achieving development goals.

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<sup>9</sup> <http://internationalbudget.org/wp-content/uploads/Budget-Brief-From-Numbers-to-Nurses.pdf>

<sup>10</sup> <http://fiscaltransparency.net/2014/10/incorporating-indicators-for-public-participation-in-the-pefa-indicator-set/>