Briefing

Mobilising all resources to meet the post-2015 goals

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Inputs to cluster one of the Committee of Experts on Sustainable Development Financing

Development Initiatives exists to end absolute poverty by 2030

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Introduction – the context

The world is entering a new era. The first 50 years of development cooperation from 1960 to 2010 were a phase when aid was given by a set of predominantly OECD countries and their civil society organisations (CSOs) to a defined group of, principally poor, developing countries.

We see the second phase of development from 2015 to 2030 as being quite different. We recognise the fact that North-South, rich–poor, donor–recipient classifications no longer reflect reality. As the High Level Panel and the Secretary General have made clear, the challenge is to develop a set of universal goals, applied in every country, to ensure that no one is left behind and to meet global challenges.

This needs a quite different mindset from all the actors concerned: one that recognises that the conditions causing and perpetuating poverty, vulnerability and exclusion exist in every country and contributions to reduce vulnerability and foster opportunity and prosperity also exist in every country. As such, the post 2015 agenda is a huge opportunity to build a better world. But every vision needs a plan and every plan needs a budget.

Investments to End Poverty

Development Initiatives' work on Investments to End Poverty is about all resources – official, commercial, private and individual, domestic and international – and how they can contribute to ending poverty in the context of social progress and sustainable development.

There has been massive growth in both domestic revenues and international financial flows in developing countries. A new financing agenda for the modern post-2015 world has to reflect the scale and diversity of resources, the very varying prospects for domestic resource mobilisation and the fact that many people are left behind, even in countries which have achieved high levels of economic growth and GNI per capita.

The centre of gravity on mobilising development finance after 2015 has to move from the traditional focus on official development assistance (ODA) to questions of how we harness the potential of all resources to contribute to poverty eradication, reduction of inequality and sustainable development. It needs to address how we create incentives for investment in international cooperation and global public goods.

Patterns of global interest and interdependence have also shifted decisively. The international institutional architecture, which will be vital to achieve and sustain the goals, is only slowly adapting.

Organisation of this briefing

The first section of this briefing lays out the resource landscape; the second sets out challenges and opportunities; and the third (the annex) provides a matrix on the characteristics of selected resources.

Challenges

1. Aim large: investments must be commensurate with ambition – that means all resources.
2. Mobilise domestic resources and capacity to deliver while curbing illicit finance.
3. Modernise international cooperation while holding onto the parts that are working
4. Use aid to mobilise other resources and to catalyse new instruments
5. Make data fit for making life-changing decisions

Opportunities

1. Harness the power of transparency and visibility
2. Make all resources visible so that a proper debate can be had about harnessing them to achieve the global goals
3. Get better results by using increasingly available sub-national data
4. Use aid to catalyse other resources
5. Actively promote a new model for international cooperation and a new universal burden-sharing measure

For more information see our *Investments to End Poverty* report: devinit.org/report/investments-to-end-poverty

Laying out the resource landscape

Different scenarios for economic growth and reducing inequalities result in very different projections for the number of people likely to be living in extreme poverty in 2030. The choices made about financing and priorities can have a major impact on the progress towards the goals.

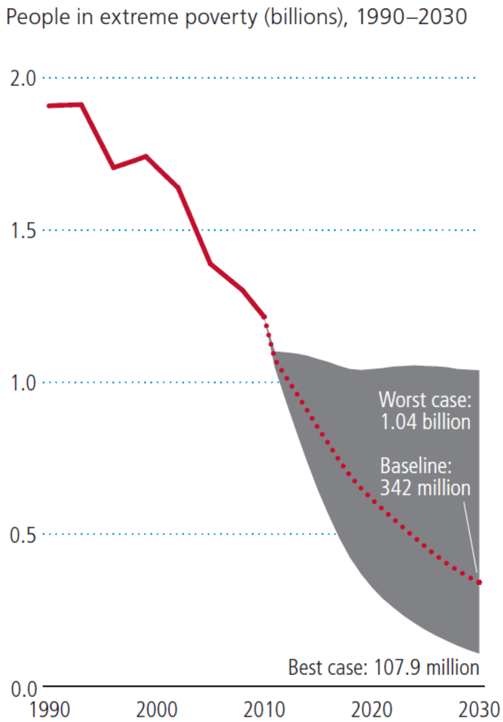


Figure 1: Trends in global $1.25 a day poverty, 1990-2010, and projections to 2030 under three scenarios (worst case, baseline, best case). Source: *The Final Countdown*, unpublished update, Chandy, Ledlie and Panciakova, Brookings, 2013

In order to use scarce resources efficiently and to mobilise the contributions of wider actors, institutions and resources, the financing plan for the post-2015 agenda must be built on a strong understanding of the resource landscape. This landscape has changed considerably since the Millennium Development Goals (MDGs) were agreed and is becoming increasingly complex.

Domestic resources

Domestic resources are growing in many contexts.
Total government spending across all developing countries almost tripled between 2000 and 2011, and more than 70 developing countries experienced growth in expenditure of 5% per year or more. Government resources are growing as a proportion of GDP, with median levels rising from 25% of GDP in 2000 to 29% in 2011.

But resources remain low for many countries: 380 million people living below $1.25 a day live in countries where annual government expenditure is less than PPP$ 500 per person.
Such low spending barely covers the costs of providing some of the most basic services that are normally considered the responsibility of the state. The World Health Organization (WHO) estimates that low-income countries need to spend an average of US$60 per person each year just on health to achieve basic healthcare coverage. And according to estimates from the Millennium Campaign, primary and secondary education costs between US$50–$100 and US$100–$200 per pupil. Governments are also expected to facilitate security and the rule of law; supply infrastructure for water, sanitation, energy and transportation; protect the environment; provide social safety nets; conduct foreign policy; formulate policies for growth; regulate the private sector; and reduce poverty. Within this framework, it is clear that many countries face significant domestic resource constraints.

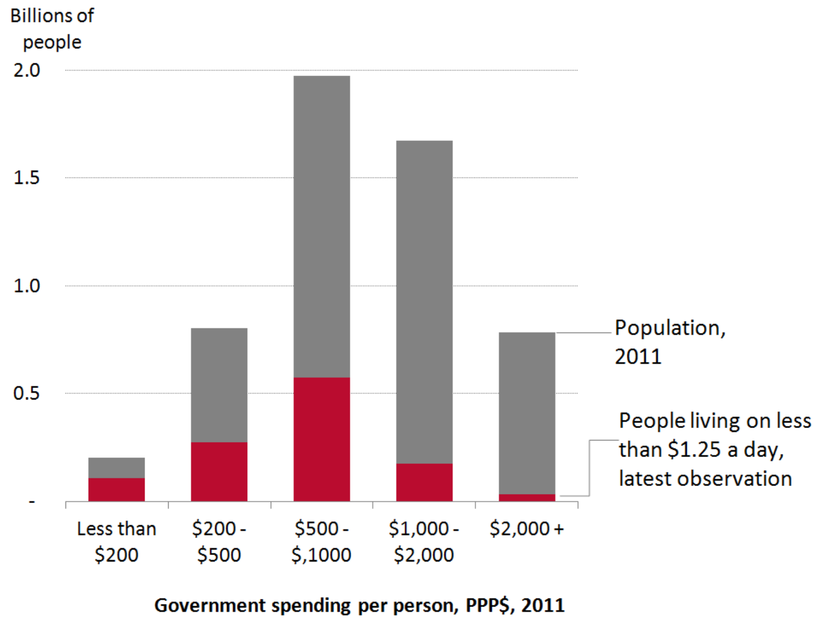


Figure 2: The population and number of people living in poverty in countries with varying levels of government spending per person, billions of people, 2011 (or latest estimate). Source: *Investments to End Poverty*, chapter 2, pp36.

Looking towards 2030, domestic resources are likely to continue growing in some countries but will remain low in many others.

A number of countries, some of which have significant numbers of people living in poverty (including India, Indonesia, the Philippines, Viet Nam), are likely to experience continued rapid growth in domestic resources. But many of the countries with the lowest levels of domestic resources currently will experience much slower growth, and are likely to face continued resource constraints after 2015.

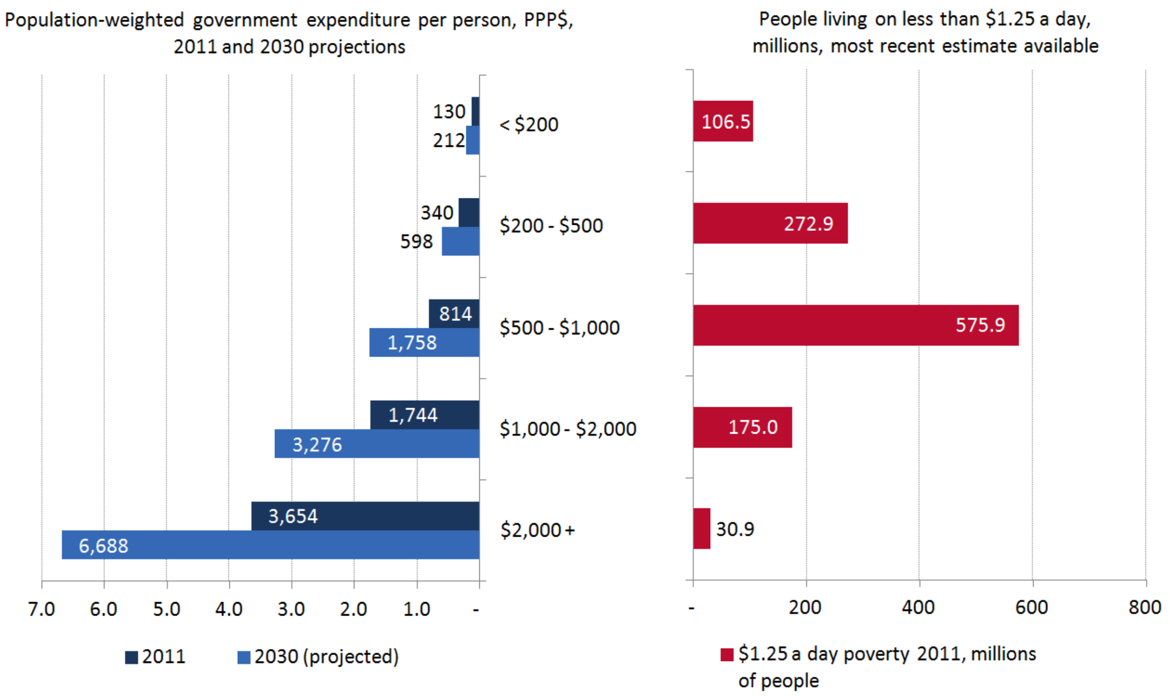


Figure 3: Government expenditure per person, 2011 and projections for 2030, and the number of people living on less than $1.25 a day (most recent estimates available). Source: *Investments to End Poverty*, chapter 2, pp38

The implementation framework for the post-2015 agenda should place primary emphasis on domestic drivers, but this must be balanced with a fair evaluation of the capabilities of domestic institutions.

Targeted international resources will clearly be necessary both to achieve and to sustain the eradication of extreme income poverty. In defining the balance between domestic and international efforts for implementing the post-2015 agenda, it is important that the resources and capacity of domestic institutions are well understood. While it is true that the majority of the world's poor people living on less than $1.25 a day live in middle income countries, it is also true that over 80% of the world's poor people live in countries where annual government expenditure is less than PPP$1,000 per person. Non-financial capacity must also be considered, and the post-2015 framework should recognise the challenge of rapidly scaling up the provision of basic services, even within a context of growing expenditure.

International resources

There has been rapid growth in the scale and diversity of international resource flows to developing countries over the past two decades.

In 1990, total international resource flows were estimated at around US$425 million; by 2011 this had grown to US$2.1 trillion. Much of this has been driven by rapid expansion in foreign investment in developing countries, by growing remittances, and by increases in lending.

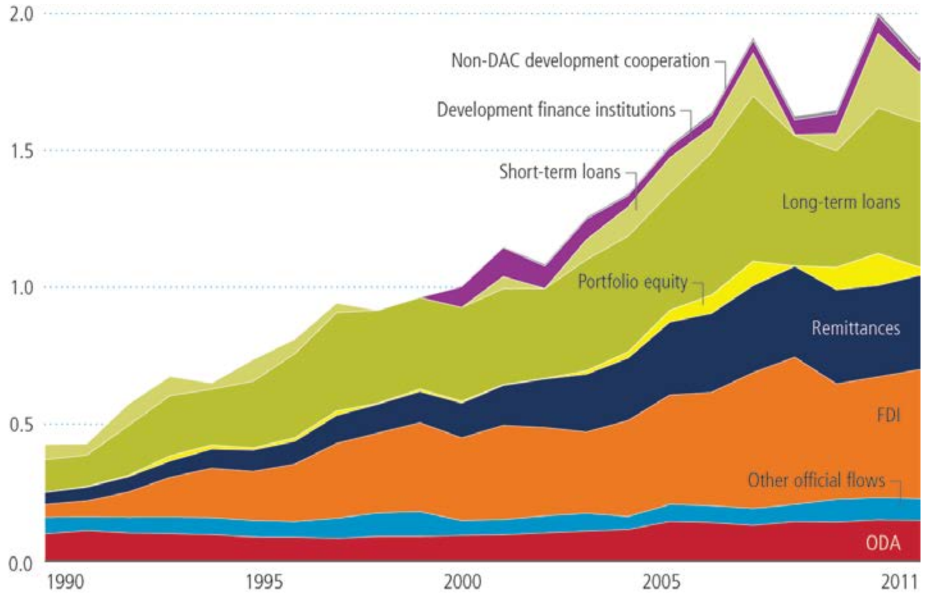


Figure 4: International resource flows to all developing countries (US$ trillions) [1]. Source: *Investments to End Poverty*, chapter 2, pp43.

But the mix of resources received varies considerably in different developing countries.

FDI and loan disbursements, the largest resource flows to developing countries in aggregate, flow primarily to countries with higher levels of domestic resources, or to those with natural resources. Remittances flow primarily to countries with large diaspora communities, only a few of which are at the lowest end of the domestic resources scale (although many of these countries have significant numbers of people living in poverty).

[1] Note: this figure excludes some international resource flows for which there is no historic data, so headline figures on the graph are lower than the total US$2.1 trillion in 2011.

ODA is the largest international resource for most countries with the lowest levels of domestic resources.

For almost three-quarters of countries where annual government expenditure is less than PPP$500 per person, ODA is the largest international resource flow. ODA accounts for almost two-thirds of resource flows to countries with government expenditure of less than PPP$200 per person, and 40% of flows to countries with expenditure of between PPP$200 and PPP$500 per person.

Figure 5: The mix of resource flows to countries in each government expenditure per capita category, 2011. Source: Development Initiatives

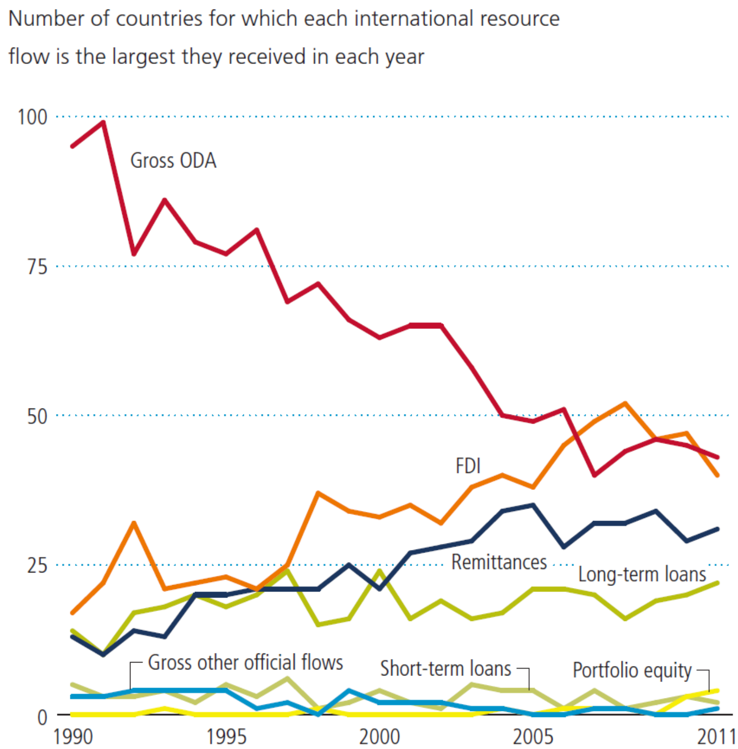


Figure 6: The number of countries for which each international resource flow was the largest they received in each year, 1990-2011. Source: *Investments to End Poverty*, chapter 2 pp44

Resources flow both to and from developing countries, and the financing framework should recognise and understand the impact of outflows.

There is a fluid mix of resources flowing to and from developing countries, and the bulk of resource flows from developing countries is not productive investments in other countries, but reverse flows such as capital and interest repayments on loans or profits on foreign direct investment (FDI) in developing countries.

The true value of resources is determined by how they are used, and large outflows are not necessarily detrimental to developing countries. FDI and loans can make important contributions by creating jobs, through providing basic goods and services, or by increasing public revenues. But the scale of outflows is substantial, and some outflows do drain resources from developing countries. Trade mispricing, for example, typically involves the movement of profits between international subsidiaries to reduce taxation. Conservative estimates suggest that this results in lost tax revenues for developing countries of US$160 billion each year[2].

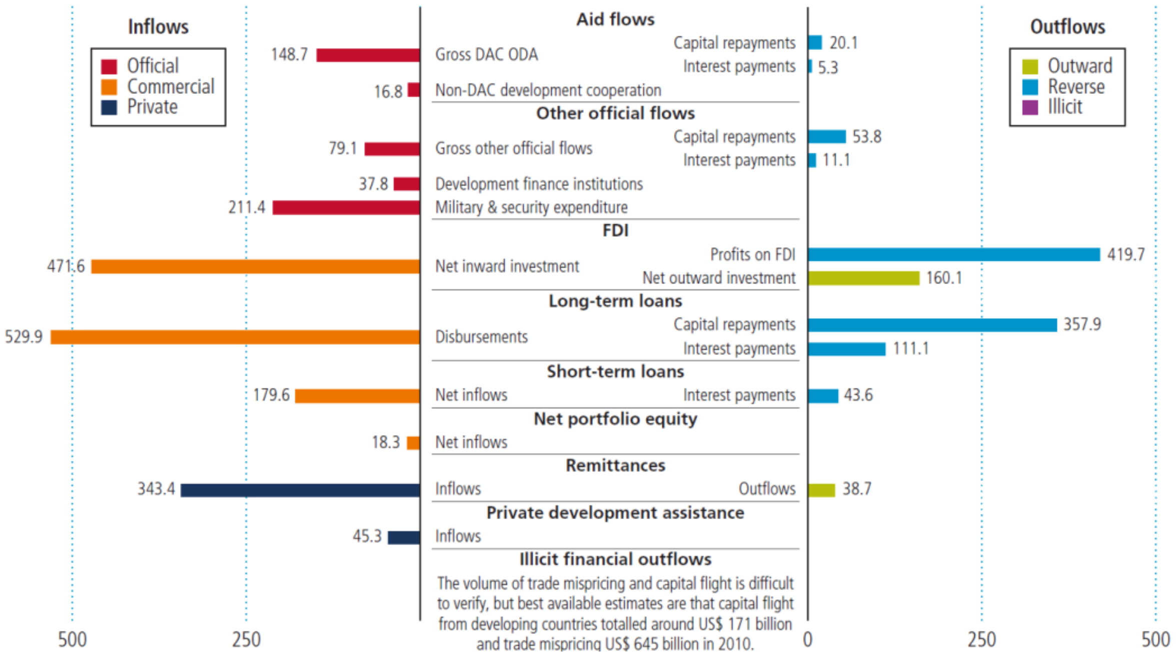
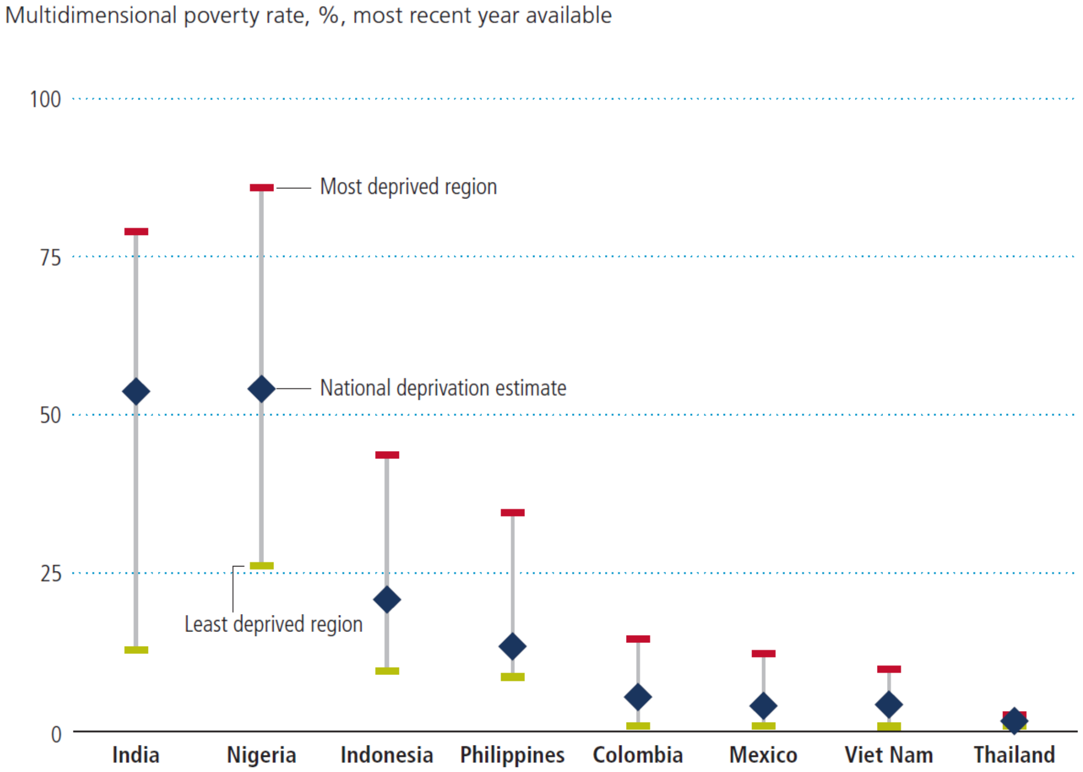


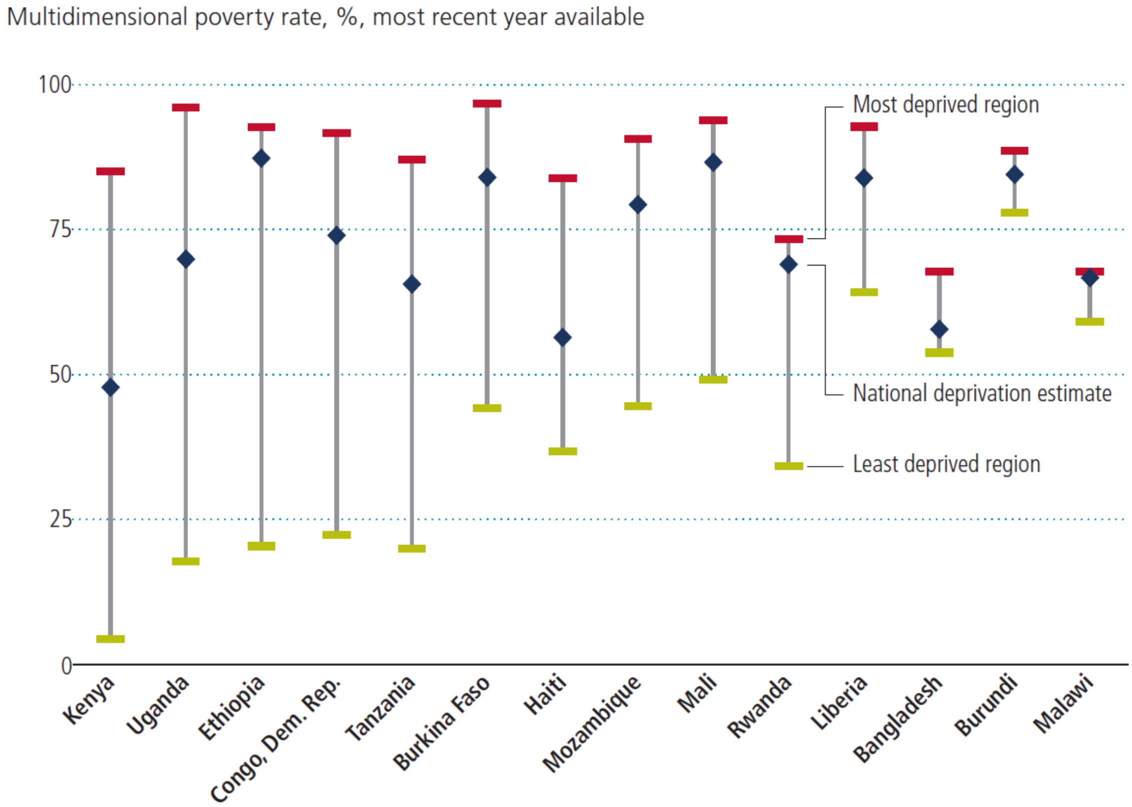
Figure 7: Inflows and outflows related to resource types, for all developing countries in 2011. Source: *Investments to End Poverty*, chapter 2, pp42.

The post-2015 financing framework should aim to mobilise the contributions of wider resources, and must be built on a detailed understanding of the resource landscape.

The growth in the scale and diversity of flows to developing countries presents significant opportunities (and challenges) to increase the resources employed towards realising the post-2015 goals. To achieve these, it is important that the framework for mobilising wider resources is built on a realistic understanding of the resource landscape. We must understand, in particular, how resources are distributed, both at the national and sub-national levels. Data at the national level can mask significant differences within countries in how resources are used, whether they generate a future burden of reverse flows, and the policy levers that may mobilise enhanced contributions of different flows towards the post-2015 agenda.

[2] *Death and Taxes: The True Toll of Tax* Dodging, Christian Aid, 2008





Figures 8a and 8b: Multidimensional poverty rates in the least and most deprived sub-national locations of emerging economies and poorer developing countries. Source: Oxford Poverty and Human Development Initiative, Multidimensional Poverty Index

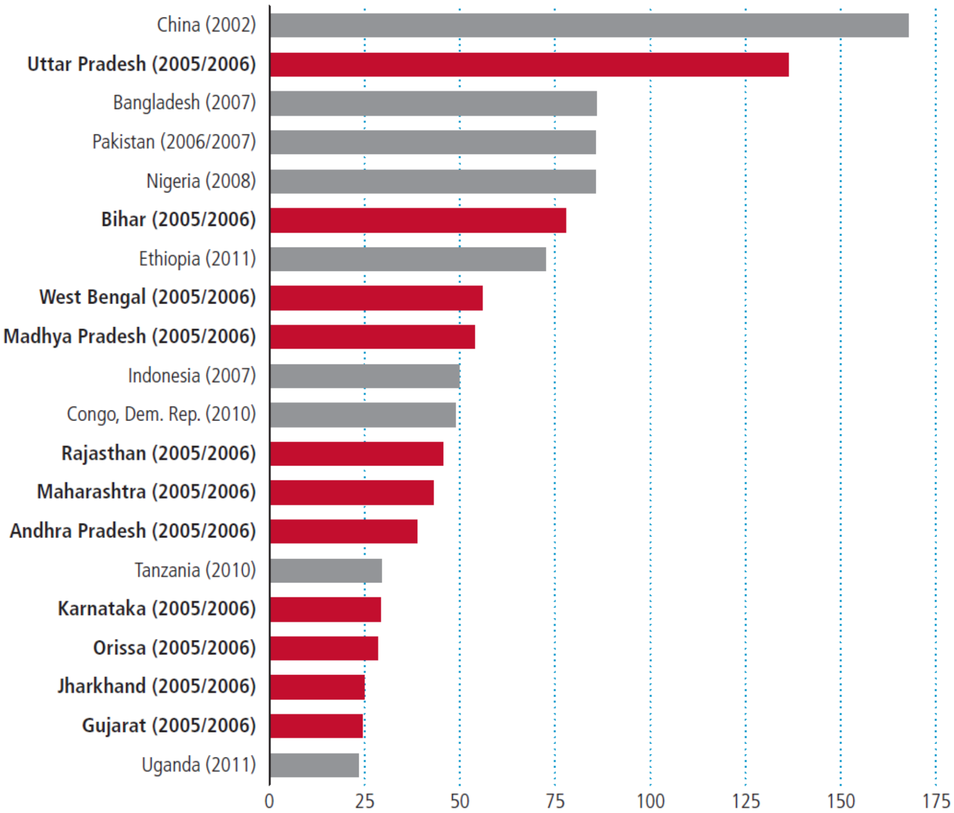


Figure 8: Estimates of the numbers of people living in multidimensional poverty for Indian states and other developing countries. Source: Oxford Poverty and Human Development Initiative, Multidimensional Poverty Index

Official development assistance (ODA) remains a vital resource for countries with the lowest domestic resources.

We know that FDI and remittances represent large volumes of cash going towards developing countries, and that these flows outweigh ODA by orders of scale. But the distribution of these flows is very different to that of ODA, and the majority of FDI and remittances go to countries with higher levels of domestic resources. For countries with the lowest levels of domestic resources – those that will need the most international support in the future – ODA is still the largest flow and remains vitally important.

Challenges and opportunities

Every vision needs a plan and every plan needs a budget (and it needs to reflect the next 20 years, not the past 50). The post-2015 financing framework needs a clear plan based on transparency and visibility of resources and the costs of achieving and sustaining the goals.

There are many more actors and institutions actively engaged in development now than when the MDGs were agreed, and that range and diversity is likely to continue to increase. The challenge is to encourage providers and users of all resources – commercial, official and private – to maximise their contribution to the goals.

This plan should create a framework for sharing responsibilities and financing. It should address the balance between domestic and international efforts, the roles of public, commercial and private actors, and identify where the binding constraints to progress are financial and where they relate to policy, technical capacity, politics or other factors.

Transparency and access to information on all resources create the environment for mobilising action and finance; they allow institutions and citizens to monitor progress and to press for accountability in the effective use of resources for issues that concern them. They also limit the scope for corruption and inefficiency, thus increasing value for money and improving results.

Challenges

1. Aim large: Investments must be commensurate with ambition. That means harnessing all resources – domestic and international, commercial, official and private

The first and most obvious challenge is that the ambition of the 2015 goals for equality: ending extreme poverty and sustainable development ('leave no one behind'[3]), will require a quantum change in the volume, type and distribution of investments needed. We do not **only** want to end poverty and protect the poorest, or **only** to deliver better services; the goals need complementary investments across the board for all countries.

There are two political challenges:

- to get national domestic commitments to invest in the goals so that every government and society commits to ensuring that all citizens are above the national poverty line and that no one is left behind. The data clearly shows that the volumes of domestic resources are wholly inadequate in many countries, so domestic commitments will need to be matched by international concessional finance.
- to get commitment to an international backstop that ensures that no one lives or falls below the international poverty line.

The financing challenge is to mobilise all resources, identifying their comparative advantage in achieving different objectives and maximising their contribution to the goals. A cultural shift is needed (and is already happening) so that achieving the goals is not only a matter for governments and aid agencies, but equally for the private and voluntary sectors.

2. Recognise the diversity of (often inadequate) domestic resources: key challenges are mobilising domestic resource, building capacity to deliver and curbing illicit finance

There is strong evidence that the domestic institutions that have a mandate to end poverty in many countries have only very low levels of resources within their control. This presents a

[3] http://www.post2015hlp.org/wp-content/uploads/2013/05/UN-Report.pdf

significant challenge, for domestic leadership, on implementing the post-2015 agenda, and should be addressed by the financing plan. Investment in **mobilising domestic resource** is a priority and must go hand in hand with transparency.

The financing plan should also address the challenge of **building capacity to deliver** services. Countries such as India, Indonesia, the Philippines and Viet Nam are likely to experience a doubling (or more) of per capita government resources between now and 2030. In the face of high demand, governments will have to expand and deepen the reach of existing services, to offer new services in areas where the state has been absent, and to do this at pace, developing the capacity to offer these services while using resources efficiently. Even within a context of growing domestic resources, the non-financial constraints to effective service delivery are a challenge.

A further challenge is to provide incentives and modalities to generate investment in global public goods that can underpin the transformations envisaged in the goals.

A top priority for investment in public goods is to curb illicit financial flows.
Illicit financial flows are mis-recorded or un-recorded outflows from developing countries. These include capital flight, transfers related to illicit activities (such as bribery, theft, kickbacks and smuggling) and trade mispricing (the movement of profits between countries through goods and services sold at manipulated prices). A primary motive for illicit finance is tax evasion, and conservative estimates suggest that this costs developing country governments US$160 billion each year – more than total ODA.

By reducing the resources available to developing countries, illicit finance directly affects many countries' ability to implement the post-2015 agenda.

The Millennium Declaration addressed another international issue: indebtedness. This led to debt levels being reduced in subsequent years, through coordinated international action involving both official and commercial institutions. In a similar way, the post-2015 financing framework should look to address and coordinate action around reducing illicit finance and the mechanisms through which these flows are able to move. Initial policy levers include country-by-country reporting and the automatic exchange of tax information.

3. Modernise international cooperation while holding onto the parts that are working

The continued traction of the 0.7% target and the fact that almost every country in the world is an aid donor at some level currently generates around US$161.5 billion of concessional finance. This is a scarce and precious resource that has the unique property that it can be targeted at ending poverty. The three main challenges are to:

a. Modernise the target so that it applies to all providers (not only to a group of OECD members) and incentivises investment in poverty reduction – because this is the comparative advantage of development assistance type flows.

b. Move the debate away from 'does it count as ODA' towards maximising the contribution of all resources to the goals. There is a strong current from both governments and NGOs that is focused on relative minutiae of the ODA definition. While more integrity in ODA and better measures of burden sharing are desirable, the more important issue is mobilising effective investments for the goals.

So the question is not how much security spending ought to count as ODA, but **how do we maximise the contribution of all security investments to global goals?**

Similarly, while the rules which determine whether loans can count as ODA are clearly perverse, we will achieve more by focusing on how these loans can be targeted to deliver the most.

Visibility on these resources is a critical pre-condition (see *Opportunities* section below).

c. At the same time, we have to protect the development assistance resources that can be targeted on poverty, building and applying public and political commitment.

4. Use aid to mobilise other resources and to catalyse new instruments that are effective and transparent.

In an increasingly complex resource landscape in which ODA accounts for a decreasing portion of total flows, there are opportunities to develop financing models that leverage the contributions of wider actors and resources. This creates considerable potential to mobilise large additional resources towards achieving the post-2015 agenda. But it is vital that a developmental focus is maintained and that the principles of transparency and accountability are maintained when new instruments are introduced, so that evidence can be built up about their efficiency and effectiveness. The EU and many development finance institutions (DFIs) have used blended finance increasingly in recent years to leverage loans from public and private sources with ODA. But recent research[4] has argued that the evidence base for this type of financing model is weak, that it may divert scarce ODA resources from more productive uses, and that such mechanisms may undermine developing countries' ownership while increasing support to companies in developed countries.

It is important that the post-2015 financing framework balances creating room to experiment with new and innovative financing models with the need to maintain principles of transparency and accountability.

5. Make data fit for making life-changing decisions

The information available on poverty and the resources available to address it are poor – we need a Data Revolution. Global poverty estimates are built on survey methodologies that are inconsistent across countries; they make weak assumptions that may not stand up to scrutiny and often change considerably with new information (for example on price levels). They are also untimely[5]. For most resource flows, only partial information on volumes to or from particular countries is available. We know little about how resources are used within countries, channels of delivery, modalities of finance, reverse flows generated or even bilateral flows between countries.

Even ODA – the resource about which we know the most – is not fully understood, as only partial data exists on the organisations delivering ODA on the ground and the locations (particularly sub-national locations) in which it is spent.

The quality of decision making is limited by the quality of the information it is based on, and the post-2015 implementation framework should aim to drastically improve information gathering systems. There is a need to reform the governance of country poverty data and to improve current methodologies, for example by harmonising survey design and by publishing provisional 'real-time' estimates. Over the past 15 years there have been significant improvements in ODA data and while there are still improvements to be made, the post-2015 agenda should aim for similar progress on other resources – i.e. on wider forms of official finance as well as private and on commercial flows such as remittances, private development assistance, FDI and loans.

A specific challenge is to build a widespread recognition that data and analysis at national level are not enough.

Poverty is no longer only concentrated in a set of countries: it co-exists with prosperity and growth at the national level. So data at national level masks inequalities within countries. Similarly, ensuring that no one is left behind is likely to mean focusing on marginalised and disadvantaged groups in many countries. So measures which only apply at national level do not provide the data needed to develop policies, allocate resources or measure progress.

[4] *A dangerous blend?*, Maria Romero, Eurodad, 2013
[5] Investments to End Poverty, chapter 6.

Opportunities

1. Harness the power of transparency and visibility

The transparency initiatives at international, national and local level empower people to both demand accountability and to make better decisions. At the simplest level this avoids duplication but for governments/institutions with scarce resources, access to information on the full picture of all investments can help them make better use of the resources they control.

The movement for transparency needs to be matched by true access to information which includes the ability to use and apply it. While providers of resources are often focused on the funds that they control, users are more interested in the total picture.

The opportunities that transparency offers for getting better value for money are huge – by reducing the opportunities for corruption and unmasking inefficiencies and transaction costs – but, more importantly, by giving people and institutions the tools to push for their priorities and to measure progress.

2. Make all resources visible so that a proper debate can be had about harnessing them to achieve the global goals.

Currently the contribution of non-ODA finance is invisible, so providers are not rewarded and the incentives to increase or improve it as missing. The total international contributions of all countries should be made visible and published (ideally to a common standard and in machine readable format).These should cover official, commercial and private contributions; in cash and kind; through all different instruments. This visibility could be transformational. It could both reward providers and stimulate political and public attention to the ways that those resources can be harnessed – not only to global goals but to particular priorities and interests.

Immediate opportunities to mobilise other resources

The international resources flowing to many developing countries have grown rapidly in scale and diversity since the MDGs were agreed. This presents many opportunities to harness the contributions of wider flows and the post-2015 financing framework should be constructed around the idea of combinations of resources.

Here are a few examples of mechanisms through which wider resources can be mobilised:

Foreign direct investment. The landscape of foreign direct investment in developing countries is such that the majority of flows go either to more economically-developed countries, or to those with natural resources. Among the countries with the lowest levels of domestic resources, it is primarily those with natural resources that receive significant volumes of FDI – therefore investments in the extractives industries are a priority.

FDI can have both positive and negative impacts, and there are a range of potential policy levers that can be explored to reduce the negative and enhance the positive impacts of this resource. Transparency initiatives that open up information about how revenues from the extractives industries are used can underpin mechanisms that hold the institutions managing natural resources to account. Responsible investment frameworks, such as the Global Compact, encourage firms (across all industries) to behave responsibly with respect to human rights, labour, the environment, and anti-corruption practices.

Remittances. Remittances are an important resource for many developing countries with large diaspora communities, many of which are home to large numbers of people living in poverty (such as India, Nigeria, Pakistan and the Philippines). While they are a person to person transfer, there are a number of policy levers that could be explored to mobilise the power of remittances and migration. For example, diaspora bonds that generate resources for national development institutions may be successful in some contexts. Some international institutions such as the Interamerican Development Bank have experimented with encouraging commercial banks to allow the use of regular remittances as collateral, thereby increasing access to credit. A number of governments have created official institutions or departments that are mandated to engage directly with the diaspora on a wide range of issues, including development and poverty reduction.

3. Use increasingly available sub-national data on poverty, prosperity and resources

Access to information on resources is at country level. In countries with both a large absolute number of people in poverty and high poverty rate, this is relevant. But for a country like India, with over 300 million people living below the poverty line and 11 states in the global top 20 for the number of people in poverty, exactly **where** investment is focused is essential knowledge. It will not be possible to ensure that no one is left behind without using sub-national data on poverty and resources to drive better policies and more effective delivery. Neither will it be possible to measure progress or to get feedback which, in turn, can improve results.

Investments for public good should be clear about where, and on whom, they are expecting to have impact at sub-national level. This applies to both direct and indirect investments. Making choices requires knowledge about who is likely to benefit and when.

The power of information provided at sub-national level is being observed in many countries as people claim entitlements, challenge authority and demand accountability for resources.

New technologies and investments in geo-coding can transform information for decision making and accountability and release momentum in driving resources to priority places.

4. Use aid to catalyse other resources

Aid can play a catalytic role.
Aid has a unique mandate and there is potential to use this resource to mobilise and catalyse the contributions of wider actors in a way that other resources cannot. There are many mechanisms through which this can occur; the following present a few examples.

Partnerships with private and commercial actors. By partnering with private and commercial actors, ODA can leverage larger volumes of other resources and channel them towards developmental purposes. This model has had some notable successes, for example the initial investments in the M-PESA project in Kenya included both ODA and private philanthropic investments and this is now a commercially viable enterprise that has expanded rapidly across Africa. But as noted above, it is important that the principles of transparency and accountability are maintained with these models, to ensure that the development focus is sustained and that scarce ODA resources are used efficiently. Alongside financial partnerships, ODA can also play a softer role, for example by encouraging more development-friendly commercial practices or by strengthening domestic capacity to design and enforce policies that increase the developmental impact of international resources.

Supporting inclusive growth. In rapidly growing economies, aid can support increased inclusivity by strengthening the linkages between the drivers of growth and people living at the lower end of the income distribution.

Mobilising domestic resources. International aid can support the strengthening of domestic revenue systems and institutions to reduce the financial constraints that institutions in many countries face. Only a small proportion of ODA currently goes towards mobilising domestic resource[6], despite the low levels of domestic resources outlined above. Programmes in different countries have had varying degrees of success. Nonetheless, some programmes have succeeded in strengthening revenue systems and increasing the resources collected by public institutions (Tanzania is a particular example).

Domestic resource mobilisation is at the nexus of domestic and international collaboration towards achieving the post-2015 goals. As the primary emphasis for driving the realisation of

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[6] Development Initiatives, forthcoming

global goals increasingly shifts from the international community to domestic drivers, so domestic resource mobilisation and related areas should play an increasingly prominent role in the international community's support to domestic institutions. The post-2015 financing framework should recognise the importance of mobilising domestic resources and strengthening systems for raising and spending resources.

5. Actively promote a new model for international cooperation

Aid is a valuable resource that can evolve to meet future needs, rather than do itself out of a job.

It is clear from the data that aid will continue to be needed to end poverty. But an international architecture and financing mechanism will also be needed to sustain this and to protect development gains.

We should not see the role for aid as being finished once its objectives at individual country level have been realised; this would remove a valuable resource from the international toolkit of future generations. Aid is a unique international resource that can be used to drive progress towards global goals, and to meet needs that are not met by commercial flows or which are beyond the reach of national institutions. Looking towards the longer term, we should think about how aid can support the achievement of emerging global priorities. Key among these priorities will be supporting global public goods, particularly climate finance, and providing an international backstop during times of crisis or shock. While systemic poverty can be ended, there will still be a need for international responses to crisis that an international aid backstop can continue to meet.

To be fit for the next 20 years, international cooperation and aid have to reflect the modern world where most countries engage in international development cooperation and where achieving universal goals is a universal obligation. The old North/South or 'developed'/'developing' country classifications do not make sense now and will make even less sense as time goes on.

A new universal burden-sharing measure

A statement of intent for this new era for international cooperation would be agreement on a new burden-sharing method, applicable to all countries and maybe all organisations. This needs to go hand in hand with visibility on the whole range of contributions, from all countries and all of society.

One possibility is a global financing target in $, to which anyone can contribute – possibly to underwrite universal basic social protection. Then any contribution can be rewarded, but it can also set a standard for a minimum acceptable contribution. A model for this already exists in the UN consolidated appeals – where contributions are recognised but do not flow through a central pooled mechanism, and in the CERF – where contributions go into a central fund.

But a standard for each country's fair share that reflects the m odern world could also be set. The current 0.7% target would require the USA and China to contribute similar amounts. A method like the Scale of Assessment used to calculate UN contributions would apply to any country, bringing all into the same international endeavour.

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Annex: Typology of international resource flows

<table>
<tr><td>Official development assistance (ODA)</td><td>Total to developing countries:
US$ 148.7 billion (2011, gross ODA from DAC donors)</td><td>Trends: 60% increase since 2000, although total ODA fell in 2011</td><td>Associated outflows: Capital repayments on ODA loans totalled US$20.1 billion in 2011, interest payments US$5.3 billion</td></tr>
<tr><td colspan="2">Distribution: ODA is the main resource for which poverty is a criterion for allocations, and is the largest resource for many countries with the lowest levels of domestic resources
Institutional issues: ODA flows from donor governments to a variety of public, multilateral, NGO & civil society and private organisations</td><td>Channels through which impact is felt:
Social: provision of and support to services in health, education, water, sanitation, nutrition and other sectors; risk reduction
Environmental: around 3% of ODA goes directly to the environmental sector (the fastest growing ODA sector over the 2000s), many other ODA programmes have an environmental component
Economic: financial and capacity support to public institutions, to infrastructure, enterprise and other economic sectors; risk reduction</td><td>Potential policy levers:
Partnerships with private and commercial actors to mobilise additional resources or encourage developmental practices
Supporting inclusive growth
Domestic resource mobilisation</td></tr>
</table>

<table>
<tr><td>Foreign direct investment (FDI)</td><td>Total to developing countries:
US$ 471.6 billion (2011)</td><td>Trends: Grew from US$300 billion in 2000 (and less than US$100 billion in the early 1990s), but fell sharply during the economic crisis</td><td>Associated outflows: Outflows of profits on FDI of were US$419.7 billion in 2011; there may be links between some FDI and illicit finance</td></tr>
<tr><td colspan="2">Distribution: Most FDI is in more economically-developed countries, or countries with natural resources
Institutional issues: Flows from private companies to the private sector in developing countries (a combination of new investments, takeovers and expansions)</td><td>Channels through which impact is felt:
Social: job creation (quality and type of jobs, livelihoods, etc), provision of basic goods and services
Environmental: varies depending on nature and sector of investment – e.g. investment in renewables can have positive impacts, while investment in extractives may cause environmental degradation
Economic: linkages with domestic enterprises, payment of taxation</td><td>Potential policy levers:
Measures related to extractives, (e.g. transparency or responsible investment frameworks), may benefit countries with natural resources that receive high FDI (many of these countries have very low levels of domestic resources)
Encouraging responsible investment – e.g. UN Global Compact</td></tr>
</table>

<table>
<tr><td>Remittances</td><td colspan="2">Total to developing countries:
US$ 343.4 billion (2011) (note: true total may be much higher)</td><td>Trends: Volumes have tripled since the late 1990s</td><td>Associated outflows: Remittances from developing countries totalled US$38.7 billion in 2011</td></tr>
<tr><td colspan="2">Distribution: primarily to countries with large diasporas, many of which are in the mid- to upper- range of developing countries when looking at domestic resource availability (or income)</td><td colspan="2" rowspan="2">Channels through which impact is felt:
• Social: increased household income, allowing for increased consumption, security and protection against risk (although international remittances are likely to be channelled to higher-income households)
• Economic: is dependent on use of remittances; impact may be felt through investment in enterprise or physical/human capital; remittances are often counter-cyclical</td><td rowspan="2">Potential policy levers:
• Cost interventions that reduce the cost of sending remittances (e.g. L'Aquila 5 x 5 commitment)
• Diaspora bonds – may release additional resources to public institutions with a developmental mandate
• Remittances as collateral – e.g. IDB have experimented with encouraging banks to allow the use of regular remittances as collateral, to improve access to credit</td></tr>
<tr><td colspan="2">Institutional issues: Remittances are a person-to-person or household transfers</td></tr>
</table>

<table>
<tr><td>Other official flows (OOFs)</td><td colspan="2">Total to developing countries:
US$ 79.1 billion (2011)</td><td>Trends: Gross OOFs have grown 46% since 2000</td><td>Associated outflows: Capital repayments totalled US$53.8 billion in 2011, interest payments US$11.2 billion</td></tr>
<tr><td colspan="2">Distribution: Most OOFs go to more economically-developed countries (Brazil, Mexico, China, India and Turkey were the largest recipients in 2011)</td><td colspan="2" rowspan="2">Channels through which impact is felt:
• Social: 12.5% of OOFs went to water & sanitation, education and health sectors in 2011
• Environmental: 2.1% of OOFs went directly to the environmental sector in 2011, other OOFs may have an environmental component
• Economic: provision of finance for private sector development, support to state institutions, international trade promotion, financial sector development</td><td rowspan="2">Potential policy levers:
• Partnerships with private and commercial actors
• Further evidence is needed on the role of OOFs in poverty reduction</td></tr>
<tr><td colspan="2">Institutional issues: OOFs flow from donor governments to public and private institutions</td></tr>
</table>

Loans	**Total to developing countries:** Gross long-term loan disbursements: US$ 529.9 billion, net short-term loans: US$ 179.6 billion (2011)[7]	**Trends:** Long-term loan disbursements have grown 50% since 2000, net short-term loans grew from less than US$100 billion in the 1990s, peaking at US$272 billion in 2010	**Associated outflows:** Capital and interest repayments on long-term loans totalled US$357.9 billion and US$111.1 billion in 2011; interest repayments on short-term loans totalled US$43.6 billion
Distribution: Loans flow primarily to more economically-developed countries **Institutional issues**: Loans are disbursed from foreign public and commercial lenders: around three-quarters go to the private sector, the rest to public institutions	**Channels through which impact is felt:** • Economic: access to foreign currency, provision of finance to economic sectors and public institutions; conversely heightened vulnerability to risks in international markets		**Potential policy levers:** • Frameworks that encourage responsible lending, such as UNCTAD's principles on promoting responsible sovereign lending and borrowing or Eurodad's responsible finance charter, or the Equator principles on risk management in environmental and social sectors
Development finance institutions	**Total to developing countries:** US$ 38 billion (2011)[8]	**Trends:** Flows have grown since the early 2000s, with large increases during the global economic crisis	**Associated outflows:** Loans are the primary modality for DFIs, but little data exists about capital and interest repayments
Distribution: Most loan approvals go to more economically-developed countries (the largest recipients in 2011 were India, Turkey, Brazil and Vietnam) **Institutional issues:** Loan approvals and other modalities from multilateral and bilateral DFIs to public and private institutions	**Channels through which impact is felt:** • Social / environmental: support for public and private investments in social and environmental sectors • Economic: investment in infrastructure and other longer-term sectors; support for regional development issues; support to state institutions; finance for private sector development		**Potential policy levers:** • Transparent blended finance models to leverage wider commercial resources • Frameworks that encourage responsible lending, such as UNCTAD's principles on promoting responsible sovereign lending and borrowing or Eurodad's responsible finance charter, or the Equator principles on risk management in environmental and social sectors

[7] Excluding loan disbursements reported as ODA or OOFs
[8] An estimate of disbursements by DFIs in developing countries that are not reported as either ODA or OOFs (Source: *Investments to End Poverty*, chapter 7, pp128)

Private development assistance (PDA)	**Total to developing countries:** US$ 45.3 billion (2011)[9]	**Trends:** Data are partial, but suggests PDA has grown rapidly over the 2000s	**Associated outflows:** N/A
Distribution: Varies depending on the type of giving; the largest foundation flows went to India, China and Kenya in 2011; for flows from NGOs the largest recipients were Pakistan, Haiti and DRC **Institutional issues**: Three types of PDA: NGOs and civil society, foundations, and corporate giving	**Channels through which impact is felt:** • Social: numerous, including provision of healthcare, education, access to water and sanitation; support for human rights and gender equality, strengthening of accountability mechanisms, public awareness and engagement • Environmental: support for adaptation and mitigation projects • Economic: support for small and medium enterprises, agriculture and rural livelihoods programmes		**Potential policy levers:** • Domestic legislation regarding the ease of registering NGOs, making cross-border donations and tax incentives for private giving

Illicit financial outflows	**Total outflows from developing countries:** Trade mispricing estimated at US$ 645 billion (2010) Capital flight estimated at US$ 171 billion (2010)		**Trends**: Estimates suggest that both types of illicit outflow have grown through the 2000s
Distribution: Illicit financial flows come primarily from larger economies; China accounts for the majority of outflows from developing countries	**Channels through which impact is felt:** • Economic: significant loss of tax revenue to developing countries' governments, conservatively estimated at US$ 160 billion each year		**Potential policy levers:** • Transparency initiatives such as: o Country by country reporting: requiring multinational organisations to report their activities in every country in which they work o Automatic exchange of tax information between authorities in different countries • Measures to disincentivise the declaration of profits in tax havens, such as the UK's controlled foreign companies legislation

[9] Source: *Investments to End Poverty*, chapter 7, pp132