

# ASSESSING AND EVALUATING THE ADDIS ABABA ACTION AGENDA

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Ajay Chhibber



**National Institute of Public Finance and Policy**  
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## *Assessing and Evaluating the Addis Ababa Action Agenda (AAAA)*

Ajay Chhibber<sup>1</sup>

### **Abstract**

The Sustainable Development Goals - SDGs with 17 goals and 169 targets were adopted by world leaders in September, 2015. This paper argues that if the world had problems monitoring the MDGs - with 8 goals and 21 targets, it will find it impossible to track the SDGs. It recommends focusing on 60 highest priority targets. It also highlights the synergies and trade-offs among the various goals - especially between growth, inequality and sustainability which countries and the world will have to navigate. The Addis Ababa Action Agenda (AAAA), ostensibly, the financing plan for the SDGs widens the scope of development financing to include private and domestic financing - moving from billions to trillions. But such an approach also dilutes global responsibility for development and climate financing. The paper suggests an evaluation framework for assessing the AAAA and ensuring that the synergies among the SDGs are exploited and the trade-offs confronted. The paper suggests a pathways approach with concurrent evaluation every five years to assess and adjust programmes and policies.

Keywords: Economic Development, Economic Impact, Environment, Growth, Sustainable Growth, Technological Change, Technology Adoption, Sustainability, International Environmental Policy, Environmental Economics, Alternative Energy Source

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<sup>1</sup> Ajay Chhibber is Visiting Distinguished Professor at the National Institute for Public Finance and Policy , New Delhi, India and Visiting Scholar at the Institute for International Economic Policy, Elliott School of International Affairs, George Washington University, Washington DC, USA. This paper has been prepared for UNDESA.

## 1. Introduction

2015 marks the year when the world agreed to a new set of goals and targets - the sustainable development goals - SDGs to replace the MDGs. The SDGs comprise 17 goals and 169 agreed targets to replace the 8 goals and 21 targets of the MDGs. The MDGs had some 60 indicators to monitor progress towards the targets. To ensure sufficient financing and policy coherence to achieve the SDGs, a Financing for Development framework AAAA has been agreed in July 2015 at Addis Ababa and followed up at the UN in September 2015 with an agreement on the SDGs. A climate change conference COP 21 concluded in Paris in December and hopefully will see more concrete agreement on approaches, targets and financing mechanisms to help create a more sustainable world by 2030 including a pathway to contain temperature increase by 2 degrees C.

Whether all these agreements will have real meaning in the lives of people – especially the poor, will help contain conflict around the world and set the world on a path of sustainable development will depend very much on how the world comes together to agree on more concrete implementation arrangements , mobilization of resources and coherent policies in country and globally. Actions on the ground in countries matter but actions globally also matter in an interconnected and intertwined world.<sup>2</sup>

Unlike the Monterey Conference to finance the MDGs in 2002 which came two years after the start of the MDGs, fortunately the Addis Ababa Conference to finance the SDGs has come before the start of the SDGs. The AAAA recognizes that there remains unfinished business from the Monterey Consensus and the subsequent Doha declaration in 2008 -where the global economic crisis affected resource mobilization for the MDGs. It repeats many of the declarations from the 2008 Doha meeting on issues related to trade, public finances, international assistance, private financial flows and philanthropic assistance, but moves forward in a few new areas – particularly on climate financing and blended finance. A mapping between the SDGs and associated targets and the text of the AAAA and shows that in almost all cases the targets and goals are included in the AAAA. This is reassuring – but by itself does not help in ensuring that adequate financing or specific implementation arrangements and accountability will be there to meet the targets.

In this paper in Section II we first assess the monitor-ability and evaluability of the SDGs given the difficulties we have had with a much smaller number of goals and targets during the MDG period. We suggest a method of prioritization for the SDGs. We then break up the problem of monitoring the AAAA into two parts – a) finance and b) policies and programs. While recognizing that finance and policy and programs are inter-related we believe a monitoring system which tracks finance separately will be needed given the complexity of the agenda. In Section III we try and assess the AAAA on what it promises by way of financing of the SDGs and what are the prospects of raising more resources. The AAAA moves away from the traditional North-South aid model and recognizes that financing for development requires many other channels for financing. But it also runs the risk of diluting the accountability and responsibility of any one financing source. In Section IV we assess what are the concrete programs and policies in the AAAA that will take the SDG agenda forward. We distinguish between those that are more

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<sup>2</sup> Kishore Mahbubani – the Singaporean diplomat and thinker – put it across the best in a blog when he said we are no longer 193 boats and ships in a global ocean but we are 193 cabins of various sizes in a global ship and need to manage our cabins but also need someone to steer the ship through turbulent waters.

concrete, from those that still need further definition. In Section V we try and provide the building blocks of an evaluation framework for the AAAA and the SDGs. The final section concludes.

## 2. Challenges of Assessing Progress on the Sustainable Development Goals

The SDGs came out of a deliberate consultative bottom up process. They reflect the collective thinking of many different constituencies summarized into 17 goals and 169 agreed targets. They have the enthusiastic endorsement of all 193 countries and regional bodies. Now comes the harder part of getting focus on their implementation and ensuring that the world can come together to implement the SDGs.

The comprehensive agenda will be much harder to monitor and keep track of as a substantial number of targets will be hard to measure and therefore will be hard to track. Just to give a few examples : Target 10.2 – By 2030 empower and promote the social, economic and political inclusion of all .....; Target 12.2 – By 2030 achieve the sustainable management and efficient use of natural resources; Target 12.8 – By 2030 , ensure that people everywhere have the relevant information and awareness for sustainable development and lifestyle in harmony with nature; Target 16.3 – Promote the rule of law at the national and international levels and ensure equal access to justice for all ; Target 16.12 – Promote and enforce non-discriminatory laws and policies for sustainable development .

The UN statistics commission has been tasked with finding ways to measure these targets. But even if they are able to come up with measureable indicators many countries will not have the capacity to be able to track and monitor so many targets. The Economist critiqued the SDGs by calling them the 169 Commandments and suggested reducing these to around 10. Kydland, Lomborg, Schelling and Stokey (2015) based on surveys of 82 of the world's top economists and 44 sector experts under the Copenhagen Consensus suggest that the number of targets should be reduced to 19 targets which will give the biggest return for the investment and effort.<sup>3</sup> These include child malnutrition, eradicating TB, freer trade, protecting coral reefs, eliminating fossil fuel subsidies and eradicating poverty. The High Level Panel on Sustainable Development suggested a more realistic 12 Goals and 54 Targets. But now that the world leaders endorsed and agreed on the 17 SDGs and 169 targets for 2030 the question is how we can find a practical and realistic way to move forward. Kenny (2015) has suggested tweaking the SDGs to make them more precise. Foster and Hatzimosoura (2015) have proposed a multi-dimensional framework for monitoring progress on the SDGs building on the methodology developed by Alkire and Foster on multi-dimensional poverty

One option maybe to create 3 target tiers: Tier 1 of 60 must focus Top targets which all countries can measure, report and monitor and which become the most critical global priorities. Tier 2 of 100 High Priority targets which would be desirable and could be the focus by at least 140 countries around the world and Tier 3 would be some reporting on all the 169 targets by a smaller group of countries – especially the OECD countries, all the G20 countries and key emerging markets. Such a tiered approach would also help decide on priorities for financing – with the Tier 1 targets getting priority financing.

How would one select the top priority target and might they be different across countries or regions. One approach would be to carry out stakeholder surveys to get a better sense of

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<sup>3</sup>It is however not clear how the returns to each intervention have been estimated and may simply reflect the biases of the experts surveyed.

priorities in each country.<sup>4</sup> The UN's My World provides the results of a survey done across the world to get people to vote on their priorities. The top seven global priorities so far are:

- A good education
- Better healthcare
- An honest and responsive government
- Better job opportunities
- Access to clean water and sanitation
- Affordable and nutritious food
- Protection against crime and violence

Some of the goals may be competing against each other. For example the goal of faster growth (at least 7 percent growth in GDP) and increasing share of industrialization will inevitably lead to higher carbon emissions. Better technology may reduce some of this tradeoff but the tradeoff will still be there. Similarly increasing access to energy for more than a billion people around the world who don't have access will also increase carbon emissions even if there is an effort made to supply some of it through renewable energy. But even with rising share of renewables as urbanization increases and rural areas get connected energy emissions will increase.

We also must be mindful of the likely tradeoff at certain levels of development between the goal of lowering inequality and economic growth. It is quite likely that at earlier stages of development inequalities will rise. Therefore countries may appear to be off track – because they are seeing rising inequality- in early stages of development, but this maybe an inevitable outcome of a development process in which some people get rich first, but that as more and more people join the middle class inequalities fall eventually. Extreme and institutionalized inequalities in any case must be addressed.<sup>5</sup>

More positively some of the goals may complement each other. At a simple level the target of universal education and universal health care also helps the target of gender equality. Universal access ensures that girls get the same as boys and catch up. But goals may also complement in other ways. For example, health outcomes will depend on access to health but will also depend on clean water and sanitation, education (especially for girls), clean air, transport, better housing and access to modern energy among some of the key factors. How well these are provided in a coordinated package at the local level makes all the difference.

### 3. The Financing Framework in the AAAA

The AAAA moves out of the North-South financing model that was the focus at Monterey and builds on the Doha meeting which began to recognize that ODA will form only a small part of the overall financing needs. To get some sense of the magnitudes involved – all of external funding for development (FfD) – which includes ODA, private financial flows, remittances and other private flows adds up to around \$ 1 trillion. In contrast, Domestic Resource Mobilization (DRM) provides over \$ 8 trillion in financing.

ODA makes up less than 15 % of external financing- but when we break up by level of development the picture changes. ODA makes up almost two-thirds of the financing needs of the LIC's, less than 20% for the LMICs and less than 5% for the UMICs. By 2030 these shares may

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<sup>4</sup> The UNDG helped carry out such a multi-stakeholder analysis under the My World Survey.

<sup>5</sup> See Doyle and Stiglitz (2014) on the goal of reducing extreme inequality.

be 50% for LICs, less than 10% for LMICs and none for UMICs. Private international finance forms almost 50% of the overall external financing – but is heavily concentrated in the UMICs. South- south financing and philanthropic financing is also rising to make a contribution to the overall financial picture of sustainable development.<sup>6</sup> It suggests that the title “Financing for Development” (FfD) – which has a top down, traditional north-south aid model connotation- should be changed to Financing of Sustainable Development (FoSD).

The financing plan for the SDGs follows the work of the Intergovernmental Committee of Experts on Sustainable Development Financing (ICESDF). It classifies funding into four broad categories – domestic public finance, international public finance, domestic private finance and international private finance, including remittances. Domestic public finance and domestic private finance remains the largest source of development finance. Among the sources of international finance, private flows and remittances have emerged over the course of the MDGs from 2000-2015 as the largest source of finance as ODA and OOF have increased at a much slower rate. For the LDCs ODA still remains the major source of international financing, but remittances also make a significant contribution. More globalized forms of taxation to finance Global Public Goods is not addressed in the AAAA.

### 3.1 Domestic Resource Mobilization (DRM)

Given that DRM makes up almost 90% of total development finance it is not surprising that AAAA devotes considerable focus on it. With growing trade liberalization – trade tariff revenues have declined in most developing countries, revenue from VAT has gone up. Collecting personal income taxes (PITs) is difficult and corporate income taxes (CITs) make up a sizeable (at least 10 and up to 20 %) of total revenue. Of course the pattern differs somewhat as one moves up the development scale – with LDCs getting more from CITs than PITs. DRM is also much more volatile in LDCs and fragile states than in LICs and MICs – partly because of conflict and partly because of heavier reliance on extractive industries.

Raising more from DRM and reducing its volatility must be a top priority of the AAAA. Getting tax revenues up to 15% of GDP for the LDCs and up to 20% of GDP for the LMIC's would be a reasonable target. For both categories of countries improved tax administration would be critical. For the LDCs as more countries shift to VAT with excise for public health reasons (such as on liquor and tobacco) and reduction on corporate tax avoidance, especially by multi-nationals –tax revenues could go up to 15% of GDP. For the LMIC's where in most cases VAT has already been introduced, the focus must be on expanding the tax base of the PIT and on corporate tax avoidance. A focus on PIT is critical given the difficulties of taxing small businesses and professionals in many LDCs and LMICs. Any monitoring system for DRM would incorporate these indicators, with the objective of reaching those revenue targets. Funding for capacity building of tax administration must be increased and is also highlighted in the AAAA.

The AAAA rightly focuses on the need to reduce illicit financial flows by 2030. It is hard to get accurate numbers on these but is estimated to be over \$1 trillion per year. So any reduction could raise substantial resources for SDG financing. Illicit financial flows make up three sources – commercial tax evasion, revenues from criminal activities (arms, drugs, human trafficking etc.) and corruption. The G20-OECD Action Plan on ‘Base Erosion and Profit Shifting’ (BEPS) is designed to improve the international tax system by helping reduce tax avoidance. The key measure here is requirement for multi-national reporting country by country to tax authorities and access to beneficial ownership by tax authorities. Universal and rigorous enforcement of such an

<sup>6</sup> It is interesting that the World Bank report from “Billions to Trillions” reflects not so much new finance but simply a redefinition of development finance to include all domestic finance, remittances and FDI and FPI.

agreement would go a long way in getting a better handle on this issue. But as this issue is very important for LIC's and many LMICs where CIT forms a substantial part of their overall revenue it is important that many more countries take part in this initiative.

As regards financial flows related to criminal activities and corruption, better coordination among tax authorities, tracking financial information (follow the money) will be important. This is an area that needs further work as much of this funding goes through well reputed financial institutions which get high returns on such transactions (and sometimes create mechanisms to encourage such transactions) but pay small penalty when they are found out.

The AAAA calls for a special focus on countries with Extractive Industries – especially as lack of transparency, corruption and tax avoidance lead to large losses to public revenues. The Extractive Industries Transparency Initiative (EITI) which has 48 members has established standards for public information on activity in oil, gas and mining sectors and also covers areas such as license transparency, transit and state oil sales. It does not cover commodity trading so far. 48 countries are now members of EITI of which 29 are now compliant. A measure of monitoring in this area would be numbers of countries who are compliant to the EITI standards – with the expectation of bringing all countries with extractive industries into compliance by 2030. Efforts to bring commodity trading into the ambit of disclosure should also be explored.

The AAAA also includes agreements on improvements in public spending. While much of these must take place at the country by country level – some broad areas of change are suggested. The most concrete of these is the suggestion to phase out fossil fuel subsidies and to tax public “bads” – such as tobacco. Total fossil fuel subsidies – direct and indirect- are estimated to amount to almost \$1.9 trillion per year.<sup>7</sup> Eliminating these will release revenue for basic public services – public health and water and sanitation. Tracking and setting targets for fossil subsidies and tobacco and alcohol taxes should be agreed upon. Gender and Green budgeting would also help reach expenditure priorities which will be inclusive and sustainable.

### 3.2 Private Financing: Domestic and International

The AAAA recognizes the growing role of private financing. Private financing, domestic and international and including remittances now forms the major share of development financing. Some have criticized this approach as an abrogation of the developed world's commitment to the world's poor – especially as the developed world faced fiscal constraints after the global economic crisis. While the IECSDF made a distinction between domestic and international private finance – the AAAA combines the discussion under one broad category. There are, no doubt, many similarities in the issues related to domestic and international finance there are important differences, which are not highlighted.

Stable and transparent regulatory systems, good investment climate and sound macro-economic and financial policies which were highlighted at Monterey and on which considerable progress has been made are emphasized again in the AAAA. The fact that despite this broader progress in the investment climate, FDI remains highly concentrated in only a few countries is an issue – especially if this concentration is due to weaker labor and environmental standards in some countries, or due to special exemptions in extractive industries. While not directly cited in the AAAA, the commonly used World Bank Ease of Doing Business Index to judge a country's investment climate has limitations.

Financial inclusion is given prominence in the AAAA – but surprisingly there is no target set in the SDGs for women's access to credit and banking services. Economic empowerment of

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<sup>7</sup>See Whitley (2013), IMF (2013).



women does not find strong targets in the SDGs and forms perhaps one of its key weaknesses – although it does appear quite strongly in the AAAA. But without clearer targets it is not clear how progress can be assessed. Remittances are accorded special attention in the AAAA – with numeric and monitor able targets of the average cost of remittances to below 3 % by 2030 and no corridor to have remittance costs above 5%.

The AAAA recognizes that short term capital volatility has been very costly for many emerging markets (EMs). The IMF has for many years pushed for more open capital accounts in EMs – despite evidence of the huge costs to many small economies from capital flow volatility. AAAA also gives due importance to high quality FDI and encourages policies that will encourage spillovers – especially to MSMEs in developing countries. Given that FDI is highly concentrated in only a few developing countries, for various reasons the AAAA's focus on this is obviously correct. Encouraging this by improving investment regimes and use of risk guarantees is appropriate. Linking small economies to global value chains is identified but no concrete measures are proposed.

PPPs are encouraged in the AAAA and are growing but their experience is mixed. With fiscal constraints in most developing countries – PPPs provide the logical way to tap into private finance by covering policy and implementation risks and incentivizing private capital, while keeping commercial risks. But getting this mix right is not easy and is sector specific. Badly designed PPPs either stall or lead to the public absorbing commercial risk. The AAAA promises to share experience, help build capacity to negotiate contracts and develop guidelines. MDB financing in these projects could help draw in more private capital and lead to better design of PPP's while meeting social and environmental standards. The proposed Global Forum for Infrastructure could be tasked to focus on this issue as much of the PPPs are in the infrastructure sector.

### 3.3 International Development Cooperation

The AAAA reaffirms the ODA goals of 0.7 % of GNI for all developed countries and 0.15-0.2 % of GNI for LDCs. These targets have not been met so far and there is nothing in the AAAA that would drive countries to meet those targets. There are a few notable European countries that have met the targets and have persuaded the EU to collectively meet the ODA targets. If this is achieved it will make a significant difference and may goad others – such as Canada, Japan and the USA to meet the targets as well. The AAAA also asks the developed world to at least meet the target for the LDCs and this may give many countries a way out by shifting more of their assistance to LDCs and thereby meet at least one of the targets, and thereby reverse the somewhat surprising decline in ODA to LDCs in the last decade.

Currently ODA is around 0.25% of GNI so if the target of 0.7% of GNI is met it would triple ODA as currently defined. This by itself would not close the financing gap for financing the SDGs but would go a long way towards it – especially as more ODA could be used to crowd in private finance and go a long way towards helping achieve the basic services goals of the SDGs – poverty, education, health, water and sanitation, and housing. We take up other options for financing global public goods in the next section.

Given the rising share of support for sustainable development coming in the form of south-south cooperation, the AAAA commits to modernization of the ODA definition to “total official support for sustainable development” but without diluting existing ODA commitments. The AAAA makes a call to strengthen south-south cooperation – including by adhering to the provisions of the Nairobi High Level UN Conference on South-South Cooperation. Two important issues on ODA are not fully addressed in the AAAA. First, ODA has been surprisingly volatile in



fragile states and in MICs – especially for LMICs.<sup>8</sup> Some of this comes from the lack of established and defined pool of resources for natural disasters – so that every time a disaster strikes there is a scramble to find funds to deal with it.

Second, ODA declines very sharply after countries cross LDC and LIC status and the rising tax revenue does not make up for the shortfall – leading to a missing middle in development finance. Remittance patterns also add to this problem as they peak at the LMIC level. So countries graduating from LIC levels face a sudden sharp drop in development finance – and are not yet creditworthy enough to get substantial commercial financing. Improving tax intake would be one solution but until such capacity increases – easing the graduation would be important if the ambitious SDG goals are to be achieved. One of the ways to do this would be to increase blended MDB finance to these countries – which has been remarkably stagnant. The new financial institutions – the BRICS Bank and the AIIB could play a contributory role and also show new ways of reducing the transactions costs for MDB financing – an important factor contributing to slow growth in MDB financing.

A fuller direction of climate financing is still being developed after the Paris COP 21 meeting – whose details are yet to be finalized. In this regard it is significant that AAAA commits to raise an additional \$100 billion by 2020 – over and above existing ODA per year from developed countries to help developing countries – especially for adaptation costs of LDCs, SIDs and Africa. Given a GNI of around \$40 trillion for the developed countries, this would amount to about 0.25% of GNI. But how to define the “new and additional”, was left somewhat open in the Copenhagen Accord. This needs to be given greater focus and precision so that it does not come at the expense of existing ODA or is recycled from other pledges made- especially as the distinction between development and adaptation projects on the ground is very little.

While traditional ODA appears small in comparison with other financial flows – its role is critical as well delivered ODA can be used more flexibly to meet different needs and can be used also to catalyze other financial flows. It must be noted that LDCs still rely on ODA to meet two-thirds of their international financing needs. Therefore, traditional ODA must increase from its current level of \$135 billion. With developed country GDP of over \$40 trillion if the target of 0.7% of GDP had been met ODA would have been close to \$300 billion. By 2030 developed country GDP will be over \$55 trillion. If we are able to see ODA rise to at least 0.5% of GDP – we should expect to see a doubling of traditional ODA to \$270 billion. Half of this would be needed for the LDCs and the other half to catalyze in private finance and meet the needs of LMICs.

Remittances have been growing rapidly – on an average around 4% per annum – and are now close to \$450 billion per year and could rise at that rate to around \$750 billion per year. It could go even higher if the targets of reducing the transactions costs of remittances – close to 8% today are reduced to under 5% and perhaps even to 3% - the SDG target. Total FDI to developing countries which has risen sharply in the last 15 years from less than \$200 billion in 2000 to over \$700 billion in 2014. These are sizeable but yet small amounts and highly skewed to a handful of countries. If these trends continue and the investment climate improves in more and more developing countries – we should expect to see the FDI figure to at least double to around \$1.5 trillion per year.

Portfolio capital and private equity flows have also grown sharply to around \$ 400 billion to developing countries. These flows are known to be volatile, make macro-economic management more complicated. South-south cooperation has grown rapidly but is still only financing around \$30-40 billion – based on available data. Even if it increased five-fold it would at best finance about \$150-200 billion of sustainable development finance. Illicit flows and tax

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<sup>8</sup>See Kharas, Priston and Rogerson (15) Financing the post 2015 Sustainable Development Goals: A Rough Road Map, ODI.

avoidance are estimated to amount to around \$ 1 trillion. With all the best efforts through BEPS and other initiatives if we could collect an additional \$ 200 billion per year from these efforts – it would make a small but significant source of financing for the SDGs.

The big missing players in development finance have been the MDBs – surprising as their main function is the provision of development finance. The most recent data for MDBs shows net official flows of negative \$45 billion. The MDBs were set up to leverage private financing – but they have largely become implementers of grant like assistance which could perhaps be better delivered by UN agencies with much better knowledge of local conditions. The MDB's must be recapitalized to much larger levels to raise much higher level of private finance – especially for climate change related activities. It is hoped that the new Asia Infrastructure Investment Bank (AIIB) and the New Development Bank (NDB) will demonstrate that an MDB can have good safeguards and still be quicker and more efficient. The MDB's must also focus to meet the needs of the LMIC's who see a sharp fall in ODA on graduation but are not yet attractive to private finance.

### 3.3 Spending Better

Better governance through improved procurement, strengthened auditing, reduced corruption and waste all mentioned in the AAAA are ways to reduce the cost of delivering sustainable development. McKinsey Global Institute<sup>9</sup> estimates that the global need of an additional spend of \$1.2 trillion per year could be reduced by 40% through better infrastructure practices alone. Subsidies alone cost about \$1.9 trillion annually world-wide, of which almost \$ 300 billion is in fossil fuel subsidies. Eliminating fuel subsidies and targeting other subsidies better – especially through cash transfer programs- could release at least \$500 billion per year. Many other spending programs – in health, education, water, sanitation and social protection could see improved delivery and transparency with better outcomes.

Improved governance and strengthened institutions are now included in a standalone SDG Goal 16. But they are difficult to measure across countries and even across time as they are based on perception based indicators and surveys (Hulme, Savoia and Sen 2014). The World Bank's Institutional and Governance Indicators(IGI), Transparency International Index (TII), International Country Risk Guide(ICRG) are often used to track improvements over time – but as these indicators improve very slowly, and are perception based, it is not clear that over the short and medium term whether any perceptible progress exceeds the margin of error. Of the 12 targets established under this goal, the first five targets deal with the Rule of Law. Five targets pertain to institutional strength and governance but are not easy to measure or track. For example, Target 16.6 - “develop effective and accountable and transparent institutions at all levels” and Target 16.7 – “ensure responsive, inclusive, participatory and representative decision-making at all levels” find a mention generally in the AAAA but will be very difficult to measure. The more practical definitions of good governance such as those of the World Bank – which focus on state capacity to deliver services more effectively are not included in the Targets and should be used in the indicators if some meaningful measurement across countries is to be achieved.

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<sup>9</sup>McKinsey Global Institute, Infrastructure Productivity - How to save \$ 1 Trillion per year, January 2013.

## 4. Programs and Policies in the AAAA

The AAAA breaks new ground in four areas:

- a) The call for establishment of a Global Infrastructure Forum to help coordinate the activities across a wide range of infrastructure funds set up by various MDB's and facilities to help fund the \$1.0-\$1.5 trillion infrastructure financing gap.
- b) The establishment of the Technology Facilitation Mechanism to facilitate technology transfer – especially for clean technology to help mitigate climate change and provide greater access to modern energy from renewables.
- c) The call to find ways to control tax avoidance and illicit financial flows and reduce the roughly \$ 1 trillion of tax avoidance globally- although the demand for a Global Tax Institution was not agreed to at the conference.
- d) Develop and operationalize by 2020 a Global Strategy for youth employment and implement the ILO Jobs Pact.

These are ideas which will need further development and tracking progress on them, with concrete targets will be important. It also endorses many areas where concrete agreements have already been reached and so will be easier to monitor.

For example, coping with climate change will be a major challenge for many cities in the developing world – already choking with poor air quality, congestion, poor quality housing. The AAAA recognizes these challenges and supports adoption of the Sendai Framework for holistic disaster risk management. There are 7 very sensible targets under the Sendai Framework – which have largely been incorporated into the SDGs. But given scarce resources – how do we prioritize, where should the focus be. While the framework is comprehensive in its scope and reach – there are about 50 high risk countries around the world which have much higher frequency of natural disasters and are hugely vulnerable. Going forward a special focus on these 50 high risk countries may increase development impact globally.

Another area where concrete agreements are in place are access to energy. The AAAA promises to support universal access to reliable and sustainable modern energy for all. It mentions the UN Secretary General's Sustainable Energy for All Initiative (SE4ALL). Over 1.5 billion do not have access to modern energy and estimates show that providing such access will make a very small contribution to the global carbon footprint – especially as some of it will come from off-grid renewables. The SE4ALL has 3 global targets (which are now included in the SDGs - a) ensuring universal access to modern energy services b) doubling the global rate of improvement in energy efficiency and c) doubling the share of renewable energy in the world's energy mix all by 2030. A Global Tracking Framework 2015 provides the links between energy and four key development areas food, water, health and gender. It provides analysis of the financial costs of meeting the SE4ALL objectives as well as the geographical and technological distribution of the investments that need to be made.

In some areas the AAAA marks existing agreements and also encourages further progress. The growth in global trade and trade liberalization played an important – some would say critical role in allowing so many developing countries – especially in East Asia to grow rapidly and reduce poverty. Trade and export led growth was the engine that helped poverty reduction. One of the major achievements of this period was that the world did not slide back into protectionism even after the global recession of 2008. To recover major world economies – came together at the G20 and ensured that there was no slide to protectionism. Global growth has since slowed down considerably and global trade is for the first time since 1990 growing even slower than global GDP growth. The opportunity for export led development that was utilized by

many countries – especially in East Asia to grow fast and reduce poverty is less likely in the coming decade. Nevertheless for many LDCs whose share in global trade is miniscule – opportunities to export exist but require major steps in their ability to exploit these opportunities. While pushing for progress on the stuck Doha round, the AAAA focuses on progress in smaller areas. It endorses the Bali Trade package with its 10 action points with a focus on trade facilitation and agricultural subsidies.

Whether implementation of the Bali agreement will help restart progress on the Doha Round remains to be seen. In the meantime regional agreements are gathering momentum. 12 Pacific Rim countries including the USA and Japan (but not including China) have reached agreement – subject to legislative approval – on a Trans Pacific Partnership (TPP). China is pushing for the Regional Comprehensive Economic Partnership (RCEP) which involves the 12 ASEAN countries plus the 6 countries with which ASEAN has Free Trade Agreements – Australia, China, India, Japan, South Korea and New Zealand. It is hoped that these regional agreements will eventually morph into a broader agreement on the Doha Round but there is no guarantee that this will happen, and some argue that regional agreements will make a global agreement much harder to achieve.

The AAAA flags many issues which are important, where concrete agreement is feasible but more work remains to be done. For example, the AAAA calls on reduction in fisheries subsidies – which have accelerated over fishing and for control over illegal trade in wildlife, over-logging and over-mining but no concrete measures are proposed. The flexibilities in the WTO agreement on TRIPS are endorsed and countries are encouraged to accept the amendments by the end of the year and welcome the extended period of transition for all LDCs. Aid for Trade is also encouraged to ensure that LDCs and SIDS can help build the capacity and overcome trade logistics to be able to participate competitively in international trade.

National and Regional Development Banks (NRDBs) play a vital role in the development process in many developing and developed countries. Independent evaluation findings show that where strong NRDBs operate the effectiveness and development impact of ODA and MDB financing, who often partner with NRDBs also increases. NRDBs have better knowledge of local implantation challenges and can reach retail and small enterprises at a lower cost and carry on development activities after MDB financing has been phased out. When strong local financial institutions are absent the effectiveness of public development programs and international aid suffers. Building and strengthening these institutions must be made a monitored indicator for the SDGs.

Sub-national financing is recognized as a key aspect of sustainable and inclusive development. Strengthening the capacity and financing of local administration and municipal bodies is vital for ensuring development is bottom up and not top down. The share of revenue in the hands of local government is one indicator that could be monitored. The number of cities that can issue bonds which can raise finance for basic facilities - transport, sewage, water systems would be another. The ability to raise local revenues must also be tracked.

#### **4.1 Debt and Debt Sustainability**

The AAAA devotes considerable space on debt and debt sustainability. Debt servicing takes resources away from achievement of the SDGs by a) having less resources for public expenditure b) debt overhang can deter private investment and c) hinder new and more productive borrowing. Evidence from the past shows that debt relief has been substantial not led to any substantial increase in net ODA. It has also had mixed results in affecting the pattern of expenditure: no marked shift in more spending on education, health or infrastructure. It has also

had no significant impact on crowding in private investment – but this may also be because institutional and regulatory weaknesses – which led to debt problems, are not easy to fix in the short term and are also making the country unattractive to private investors.

The AAAA endorses the IMF and World Bank debt sustainability analysis – but also asks these institutions to strengthen the analysis, which has come under some criticism for its rigidities. Debt forgiveness of the MDBs has been the most difficult part of the debt forgiveness process, given their fiduciary and institutional restrictions.

The AAAA calls for improvements in sovereign debt restructuring – including the recent discussion at the “Paris Forum”. But it does not discuss the concept of sovereign bankruptcy – needed in situations where a country suffers from debt overhang for long periods of time and debt write-offs are needed. It does mention the need to study more carefully the experience of debt for nature and debt for health swaps.

#### **4.2 Other Systemic Issues**

This section highlights all the global issues the world is grappling with – especially, the issue of global economic governance, but provides no agreements or yardsticks for progress. It mentions the need for IMF and World Bank quota reform – with no timetable. It talks about management of the global financial system but with no specific proposals. It talks about commodity price volatility – especially on food but it can only refer to FAO’s Agriculture Market Information System as a helpful step. It endorses the efforts to strengthen the Financial Stability Board, to reduce reliance on mechanistic credit ratings, address “too big to fail” financial institutions and cross border regulatory issues.

It also talks of organized crime, international migration and policy coherence. But what is surprising is that at a time when the world recognizes that the major challenges facing the world are global – the solutions and suggestions offered in the AAAA and financing for global public goods looks like the weakest. It will most likely take further catastrophes and calamities to goad the world into stronger global action.

#### **4.3 Science, Technology, Innovation and Capacity Building**

The AAAA commits to capacity building for sustainable development: especially in LDCs, LLDCs, SIDS and Africa. Technology transfer is vital if the new challenges of climate change and poverty elimination are to be achieved. The AAAA introduces the Technology Facilitation Mechanism (TFM) which was launched with the SDGs and will be composed of an interagency UN task force, a multi stake holder forum for bringing together governments, civil society, private sector and specialized agencies and an on-line platform. The task team will be composed of UN agencies and 10 representatives of civil society and the private sector appointed by the SG for a period of two years. The forum will meet once a year under the auspices of the ECOSOC and the on line platform will serve as a gateway to information from the forum and around the world.

Whether the TFM will be just another talk-shop or lead to genuine technology transfer needs to be thought through with more concrete measures – such as a technology bank and a transfer fund to help fund the transfer of technology. How all this links to the Green Climate Fund’s mitigation funding is not clarified but if it genuinely helps transfer appropriate technology including from south to south it could accelerate progress towards meeting the SDGs.

#### 4.4 Data, Monitoring and Follow-Up

The AAAA and the SDGs devote considerable attention to the issue of data and monitoring. This is good given the slow start to monitoring the MDGs – but which eventually picked up momentum. The UN statistical commission is tasked with coming up with measurable indicators for the SDGs and has made considerable progress on reaching agreement on specific indicators that will be used to measure the 169 targets under the SDGs.<sup>10</sup> But without prioritization this could become a giant mechanical statistical enterprise. The fact that it's not easy to find agreed indicators for many of the Targets and even where indicators have been agreed upon its likely that many countries will not have the resources or the capacity to report on them for some time – even with a huge increase in international assistance for statistical capacity.

We have suggested in Section II a prioritization of the targets to achieve the SDGs and it would be best to make sure that data and reporting on the Highest Priority 60 SDG targets is a must for all the countries, with the next 40 targets considered desirable and the remaining 69 targets as voluntary. Trying to focus the same attention to get all countries to report on all the targets will be impossible – even if capacity development for statistics and data collection is increased hugely.

### 5. An Evaluation Framework for the AAAA

One of the big gaps in the MDG period was the lack of an organized evaluation system to assess what programs and policies helped achieve progress on the MDGs or why were there shortfalls in meeting targets. The limited evaluations done during the MDG period identified synergies across different goals as well as trade-offs. We discuss these later in this section – especially the inadequate focus on the role of infrastructure and the excessive but unbalanced focus on social programs. The MDGs were limited in their scope and missed important aspects of economic and social development and missed the synergies needed between different sectors to reach specific outcomes.

The AAAA recognizes these synergies by identifying 7 cross-cutting areas:

1. Delivering social protection and essential public services for all. To end poverty and finish the uncompleted MDG agenda.
2. Scaling up efforts to end hunger and malnutrition. By increasing agricultural productivity, improving social security systems, increasing market access and reducing post-harvest food loss and waste.
3. Establishing a new forum to bridge the infrastructure gap – highlight opportunities for investment and cooperation and work to ensure that investments are environmentally, socially and economically sustainable.
4. Promoting inclusive and sustainable industrialization.
5. Generating full and productive employment and decent work for all and promoting MSME's.
6. Protecting our eco-systems for all – especially with changing behavior.

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<sup>10</sup>Surprisingly a large number of indicators have been agreed upon as of Nov 4, 2015 in work underway under the UN Statistical Commission.



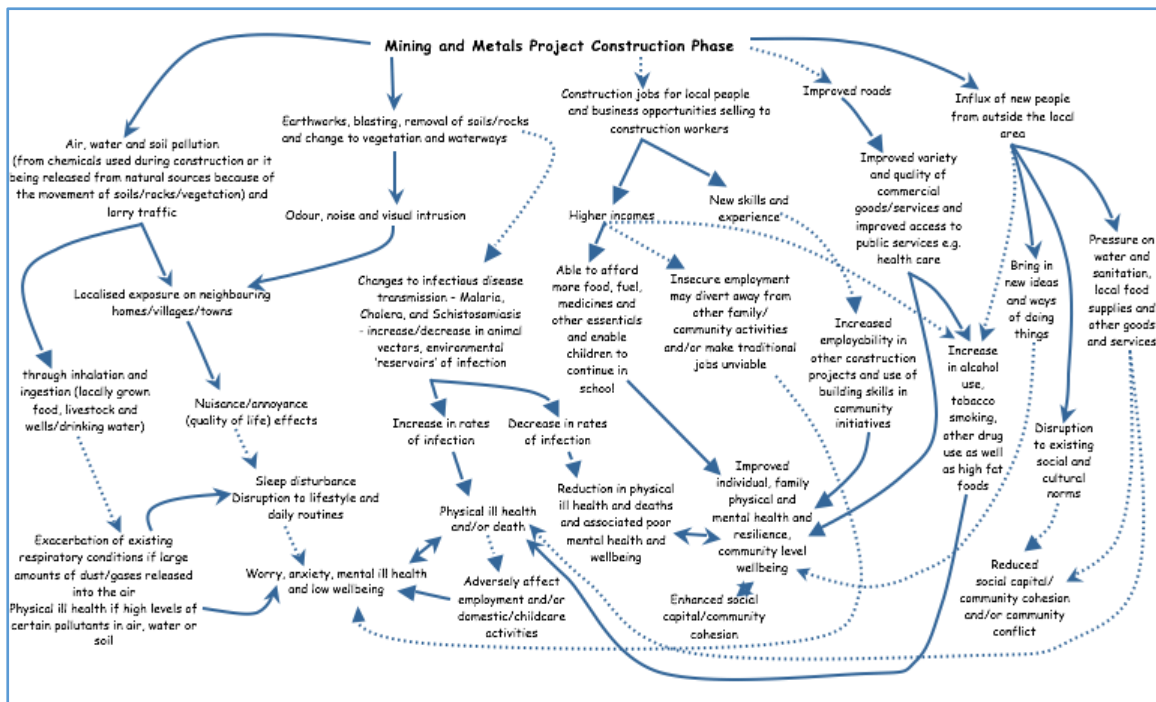
7. Promoting peaceful and inclusive societies: including combating corruption and curbing illicit financial flows.

But there is no further elaboration of how these synergies will be encouraged or organized in the AAAA. Nor are there any recognition of the trade-offs that must be recognized – that it’s not always a win-win. We need more comprehensive evaluation methods to understand these synergies and trade-offs better and the inter-linkages among the SDGs. Surprisingly the word “evaluation” is not mentioned at all in the AAAA although it was a major weakness of the MDG period. If monitoring is about “making sure that things are done right” then evaluation is about “making sure that the right things are done”. In a world of so many goals and targets, so many actors and limited resources, getting the right combination of inputs to produce the right outputs and outcomes is of vital importance.

A typical evaluation framework looks at a results chain from inputs – outputs – outcomes to impact. Such a log frame is not easy in assessing progress towards the SDGs for several reasons that have been mentioned in previous sections. These include the growing evidence that there is a multiplicity of paths to development progress, the interaction and synergy between different policies and programs that produce outcomes, the need to strengthen methods to evaluate private sector activities, better evaluation of policy choices and the uncertainty that climate change introduces into the future outcomes.

For example, a mining project being introduced in a new area has multiple impacts some positive – such as higher incomes, more employment and some negative - such as public health and environmental stress. A priori it is not clear which of these impacts will be triggered by the project, as it will depend on project design, choice of technology, safeguards, supporting policies and programs. Figure 1 illustrates some of these impact pathways for a generic mining project. Concurrent evaluation can be used to determine the strength and weaknesses of different pathways identified in this project.

Figure 1: Impact Pathway Analysis Illustrative Mining Project



Source: [PublicHealthbydesign.com](http://PublicHealthbydesign.com)

Any new evaluation framework must also recognize that change will not be linear. We saw this already with the MDGs where for many LDCs initial progress was slow but once a critical mass was achieved progress was much faster. Some of this was a statistical artifact – where targets were set in “proportion of the population” the starting point made a statistical difference.

But progress was also not linear because we now recognize better the synergies between different programs. Progress on health will come from more and better expenditure on health – but much greater progress comes also from higher incomes, better roads, provision of modern energy, and education – especially girl’s education. If we only try to achieve better health outcomes through more health spending progress will be slow because health outcomes may depend even more on other factors – such as lack of electricity, roads or education.

A new factor introducing non-linearity is the rising impact of climate change whose impact is not yet fully understood. We do not yet know, and are unlikely to know how climate change effects will play out on the economy, on society and what their regional and national impacts will be. We are in uncharted territory as well on new less carbon intensive development pathways. The past is not necessarily a good guide. So an evaluation system which focuses heavily on typical post project or program analysis will not be most useful as we move forward.

We must recognize that the SDGs and the associated targets need to be more dynamic and even the indicators may need to be assessed every five years. This is because of the uncertainty related to climate change and its impacts – which may throw up surprises as we go forward towards 2030 as we don’t fully understand the assimilative and regenerative aspects of our eco-systems (Daly, 1990). The linkages between climate change and agricultural productivity in different parts of the world is still evolving. So is the link between climate change and natural disasters where the links are evident but the precise impacts are not yet certain. Concurrent evaluation maybe useful in getting quicker feedback on what is working and how improvements can be made mid-course. Such quick and dirty evaluations maybe needed but must be built into subsequent financing for the ongoing programs.

Concurrent evaluation can only work if it is built into the programs ex-ante. Many existing programs start with laudable objectives but have not built in the information base that would be needed even to monitor progress let alone do basic evaluation. Feedback loops from concurrent evaluation to funding for the next phase of the program will be vital to ensure that every five years or so we can course correct to achieve better outcomes (Figure 2).

With so many goals, multiple actor and the complementarities and trade-offs between goals building an evaluation system for the various programs in the AAAA will not be easy. One approach is to cluster the SDGs into three broad categories – those that deal with the quality of human wellbeing<sup>11</sup> – SDG 1,2, 3, 5, those that deal with the resource and institutional base – SDG 4, 6, 7, 8, 9, 11, 12 and a third category that deals with global public goods – SDG 13, 14, 15, 16, 17. We could then try and develop pathways from programs in the AAAA to meet certain goals and try and see what would be the synergies or trade-offs between different goals. Such a clustering also helps analyze more clearly the synergies and trade-offs between different groups of SDGs.

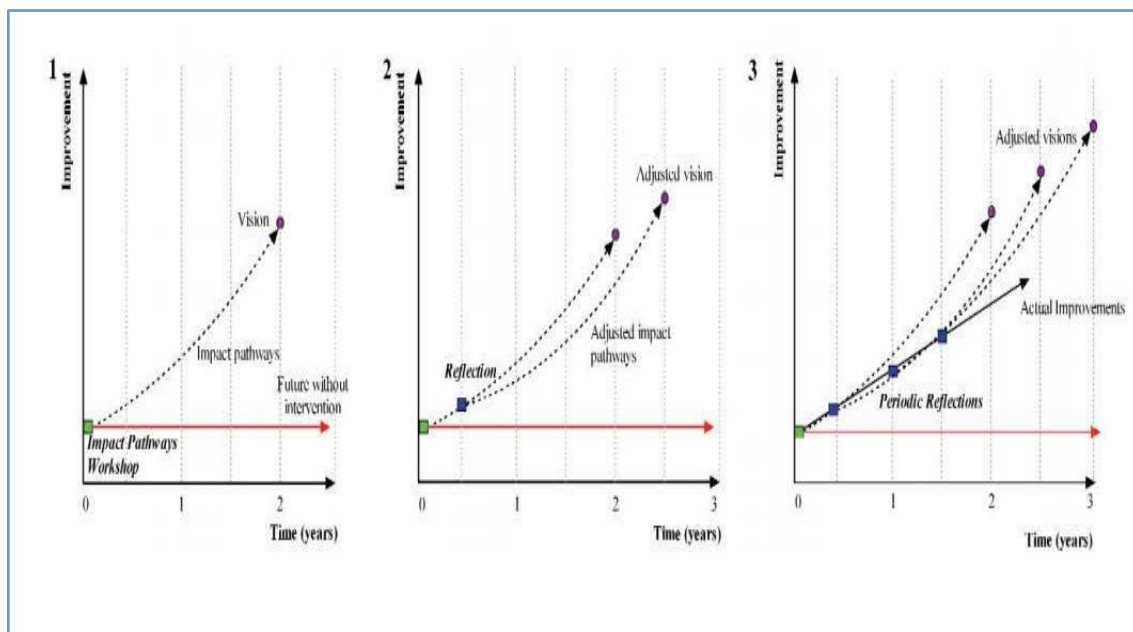
We could consider pathways where we devote resources to meet certain SDGs – such as water or energy which will produce positive impacts on SDG 1 – poverty or SDG 2 - hunger but could also have negative impact on the world’s climate through higher emissions and have a negative impact on SDG 13 or SDG 14 and 15. Pathways analysis originally developed to understand human biology has now been used in a wide variety of fields from understanding crop

<sup>11</sup>SDG 4 on education could come in the first category of human well-being on the ground that education creates well-being or it could be seen as an instrument for well-being. Health could also go either way.

yields, transport and energy systems and many other systems. It's best used to understand the predominant effects of certain actions with multiple effects, while also understanding co-variant effects among the actions taken.

For example the UN's SE4ALL initiative could be assessed using pathway analysis to see how best in different category of countries it would address energy poverty on one hand with positive impacts on health, education, poverty eradication, and elimination of hunger but would also contribute to higher CO<sub>2</sub> emissions. Pathway analysis could be used to assess how much would the developed world have to reduce CO<sub>2</sub> emissions – under different technology combinations - to accommodate the achievement of SE4ALL. Eliminating fossil fuel subsidies globally maybe enough to accommodate, and even fund the higher CO<sub>2</sub> emissions that will come from SE4ALL.

**Figure 2: Impact Pathways Analysis – With Concurrent Evaluation**



Note: Adapted from Flood (1999) and taken from Douthwaite et al.. (2008).

Pathways analysis could also be developed for other programs. A pathway analysis for the zero Hunger Goal – SDG2 would require concerted action on improving agricultural yields, better food management and distribution, income transfer programs and managing food price volatility. Improving agricultural yields would need better water management, fertilizer and energy. A pathways analysis could inform us of the necessary tradeoffs that would emerge in achieving this goal. Uncertainty would be introduced with climate change as the projected yields may not materialize, water availability may be affected and other unforeseen problems such as pests, crop diseases may affect productivity.

The nexus between unemployment, conflict and crime, and migration is another area where pathway analysis could be usefully applied – especially to get a better handle on the Global Youth Strategy by 2020. Such a pathway analysis could reveal the synergies between, education, manpower training, investment and job creation, financial inclusion and infrastructure. Evidence shows, for example, that education without jobs creates huge potential for social

conflict, migration and eventually political upheaval. A pathway analysis would identify the challenges ahead in creating the synergies among programs to address this global challenge.

The pathway analysis could also be used to better understand trade-offs and choices that must be made in the AAAA. For example the Goal of Zero Hunger would come into conflict with Goal 15 – and more specifically Target 15.4 and 15.5 which deal with loss of bio-diversity consistent with the Aichi Bio-diversity targets endorsed in the AAAA. These are further complicated by the need to limit CO<sub>2</sub> emissions to ensure that global temperature does not rise above 2 degrees C, and by the choices to be made in the rate of urbanization, management of food losses etc. Lucas et al. (2014) analyze the options through a pathways analysis, which examine three different pathways to achieve the targets.

The following three pathways that meet these goals are distinguished:

*Global Technology:* Focus on large-scale technologically optimal solutions, such as intensive agriculture, and a high level of international coordination

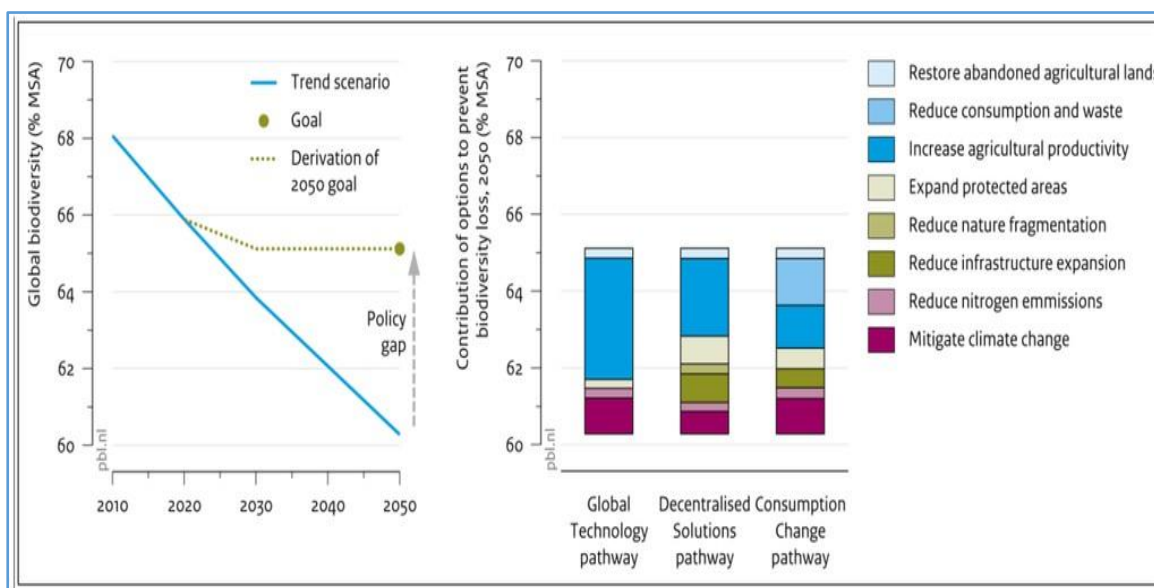
*Decentralized solutions:* Focus on decentralized solutions, such as agriculture that is interwoven with natural corridors and national policies that regulate equitable access to food

*Consumption Change:* Focus on changes in human consumption patterns, most notably by limiting meat intake per capita and by ambitious efforts to reduce waste in the agricultural production chain

The analysis addresses the level of effort required to achieve the above SDGs taking into account social, economic and technical constraints, and concentrates on the bio-physical changes required to achieve the goals. Figure 3 presents the contribution of different measures for achieving the biodiversity target, taking into account the other targets, including the eradication of hunger. The pathway analysis points to important elements—included to different degrees—to eradicate global hunger and maintain a stable and sufficient food production, while reaching the biodiversity goal: alter demand for agricultural products including consumption change and reduction of losses and waste; increase agricultural efficiency; change agricultural land allocation and management, including fragmentation; and protect the most important ecosystems and their goods and services. The analysis also points to important synergies with other environmental issues, including climate change and nitrogen deposition. Finally, although not shown, improving access to food by specifically targeting food prices for the poorest households decreases the challenges arising from the elements discussed above.

All three pathways eradicate hunger and reach the global biodiversity target, but the use of different strategies to reach them varies significantly. The analysis shows that long term terrestrial biodiversity goals can be met as part of an integrated agenda of land use, food production, hunger and biodiversity protection, that also provides for access to drinking water, sanitation and modern energy while mitigating climate change. It also shows that achieving the long-term biodiversity goal constrains the development of the agricultural sector and how the eradication of hunger can be achieved.

Once the pathway analysis is completed, a concurrent evaluation system could be used to periodically monitor progress along these pathways with timely intervals to check on progress, and make course corrections in the programs (see Figure 2). These concurrent evaluations must be built into the programs ex-ante so that the data needed for the analysis is available. Every program would have a pathway analysis – which could be updated every five years as we understand the variance and co-variance between different parts of the program and its interaction with other programs.

**Figure 3: Illustrative Pathway Analysis for Zero Hunger and Bio-diversity Loss**


In the above figure are shown different pathways to prevent global biodiversity loss. Biodiversity is indicated by the mean species abundance (MSA) of the original species, with a value of 100% implying that the abundance equals the natural state and 50% implying the average abundance of the original species deviates by 50% from the undisturbed state.

Source: Lucas, P. L. et al. (2014)

We will still need the traditional ex-post evaluations to better understand fuller impacts, but these must be nested with more quick and dirty concurrent evaluation for dealing with the non-linearity and uncertainty in our knowledge of progress in a world of rapid climate change. There are also important new players – private sector, civil society whose activities have so far not been subjected to rigorous evaluation. But if they are expected to play a vital role in the AAAA they must come into the ambit of the new evaluation framework. In developing the new evaluation framework we need to keep in mind the following gaps and priorities.

First, we need a better understanding of the synergies between interventions that produce better outcomes. The few good evaluations and simulations show that context is very important and generalized solutions – especially in poverty related and social outcomes. The World Bank has developed a tool for analysis of the effects of policies and programs on MDG outcomes called MAMS (Marquette for MDG Simulations). The CGE model underlying this tool kit of course relies on assumptions inputted into it – but it can give surprisingly results. For example, in Uganda the MAMS simulations showed that Uganda’s poverty reduction had less to do with delivery of public services on education and health instead household income growth was a key driver of poverty reduction along with more spending on physical infrastructure like rural roads which helped drive rural incomes and from which households increased their spending on education and health.

In another interesting impact evaluation White (2006) found that in Bangladesh social outcomes – under-five mortality and the total fertility rate, improved rapidly. While income growth had a lot to do with improved outcomes, Bangladesh’s social indicators improved much faster, because of a strong immunization program, the training and use of traditional birth attendants, rapid expansion of female secondary schooling in rural areas – using stipends and rural electrification. Rural electrification alone reduced under-five mortality rates by 25 per 1000 birth. Another study on Bangladesh showed that its Integrated Nutrition Program (BINP) had no impact



on nutritional outcomes. Nutrition did improve but this was largely because rice prices fell due to improved agricultural productivity. And in Ghana school repair did more for school attendance than expenditure on teacher training and school materials. Skilled birth attendance is considered a key factor in lowering maternal mortality – but increasingly evidence shows that in many situations if other complimentary factors and facilities – such as electricity, clean water and post-natal care are not available. As a recent IEG evaluation<sup>12</sup> on maternal mortality notes -

*“What matters is*

*- Formal education and community-based delivery of service packages with interventions affecting mothers’ knowledge and information for neonatal mortality*

*-Energy and air pollution, water and sanitation, education, and governance interventions affecting strategy and planning to affect child mortality, especially infant and under-five Mortality*

*- Conditional cash transfer or voucher interventions that affect mothers’ ability to pay to improve skilled birth attendance rates*

*- Health worker training in conjunction with providing family services and increasing household*

*Health knowledge to improve infant mortality.”*

Second, a common theme that emerges from many of the MDG era evaluations is that there was insufficient focus on infrastructure spending and too much focus on social sector spending. One of the major criticisms of the Poverty Reduction Strategies (PRSP’s)<sup>8</sup> - the main instrument for providing the framework for aid to support economic development and poverty reduction has been its excessive focus on the social sectors at the expense of the infrastructure sector. In Africa, more than three-fourths of the funding has been on the social sectors at the expense of the infrastructure funding and has hurt growth. In contrast, in Asia the balance between social and infrastructure sectors has been better and has helped spur growth as well as better social outcomes. The SDGs attempt to correct this neglect of infrastructure with the inclusion of Goals 6 (water and sanitation), Goal 7 (energy) and Goal 9 (infrastructure). A more balanced focus on social sector and infrastructure in the SDGs may eventually lead to better development outcomes. But many of these choices must be set at the country level with a better understanding of context, level of development, local capacities and social mix. Global fads and donor preferences must not drive this balance.

Third, we know that better governance and institutional strength matter for development outcomes. There is also evaluated evidence that improved institutions help reduce corruption, deliver better services and improve the climate for investment. But improving institutional strength takes time and measuring progress on it is not easy – especially as most existing measures are based on perception surveys. We, therefore, need more intermediate indicators that will both help measure progress but also provide more concrete programs and policies-better procurement, e-governance, transparency and auditing are all toolkits that can be financed and measured to attribute outcome, even if the broader outcomes are not easy to measure and monitor.

Fourth, we need better and more updated tool kits for being able to assess better development outcomes (Heider, 2015). Social cost benefit analyses was a useful tool for analysis – as it can handle externalities , but what discount rate to use, pricing of natural resources remains a key issue especially with uncertainty created by our lack of understanding of climate change dynamics. If we thought for example that global forest cover is already severely depleted, the price of forests should be close to infinity. If we are already at a tipping point on water in some parts of the world then the price of water in projects there should be very high. In the transport sector how much value to put on noise or landscape in addition to congestion, air-pollution and safety remains an issue. But given the uncertainties we end up using some premiums on market

<sup>12</sup>IEG, (2015). “Transforming Our World: Aiming For Sustainable Development Lessons from Recent IEG Evaluations”.



prices best reflecting judgements on value. Finally, how to control excess consumption may itself be an issue which has not been directly addressed in the SDGs except by looking at rising inequality and some very broad mention of sustainable consumption.

There has been a huge expansion in randomized control trials in a variety of sector by many MDBs and civil society, academics and research institutions - 3ie, DIME (World Bank, 2013), JPAL etc. These are useful evidence based experiments to understand better why some interventions work, but they may prove of limited use when we need a better understanding of the synergies among interventions and policies to produce certain outcomes, or when we need to assess large interventions which cannot be randomized such as major infrastructure projects. Nevertheless it would be useful to conduct a set of meta-evaluations which collect, collate and identify the lessons from these micro experiments to be readily available to make more informed spending and policy decisions.

Sustainable cost- benefit analysis can be a useful tool in addition to impact evaluations in going forward – but we need better valuation of natural resource use reflecting their true scarcity. Mispricing of natural resources can produce harmful decisions with faster depletion of natural capital than is sustainable. Environmental taxes can be used to correct such market failure – but where these taxes do not exist shadow pricing for the intrinsic value of natural capital must be used.

Most project financing is still using market interest rates as the discount rate – but if we are more concerned about future generations then a much lower social discount rate must be used ( Stern, 2006). But this approach is opposed by others who argue that we are asking poor people today to give up consumption for future generations whose incomes would be much higher (Dasgupta, Nordhaus, 2006). One way forward is to use higher discount rate for projects in LDCs and LMICs (where poverty is still substantially prevalent) but use lower discount rates for projects in high income countries and UMICs. This issue needs further study and consensus.

Fifth, as the AAAA puts heavy emphasis on private sector financing for meeting the SDGs the issue is how best can we assess the private sector's contribution not just to growth and job creation, tax contribution, foreign exchange earnings, skill creation, technology transfer but also to social and environmental targets and to spillovers to ancillary investments. Many private companies have Corporate Social Responsibility (CSR) programs<sup>13</sup> which they consider takes care of their social responsibility, by building schools, health centers, or other programs that help local communities.

But given the scale of transformation needed in production systems this issue goes well beyond having good CSR programs. One of the ways in which this could be encouraged is to use the World Bank's IEG methodology for private sector projects: which rate projects not only on financial return – but also on social and environmental contribution and towards broader private sector development. But how to incentivize the private sector to be assessed against such yardsticks still remains to be determined. Such an approach would need to be taken up with all the national and international chambers of industry and commerce.

Sixth, philanthropic foundations have grown in size and are likely to play a bigger role in future. But their work and role has not been independently evaluated. Many of them have played a vital complementary and catalytic role in areas like health and vaccines as well as in finance and IT connectivity but we need more rigorous evaluation of their work and contribution. It is not enough for them to fund useful projects and program but they must be assessed also on the policy advocacy they are willing to take on to address the inequities and unsustainability of the system that produces their funding. Martin Luther King said it best, "Philanthropy is

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<sup>13</sup> India even has a CSR Law which requires private companies to set aside 2% of profits mandatory for CSR activities.

commendable, but it must not cause the philanthropist to overlook the circumstances of economic injustice which makes philanthropy necessary".<sup>14</sup> They must be judged against the objectives of the SDGs and through their commitment to the principles of the AAAA. For example they should not be making extraordinary profits through BEPS and using part of that money for financing development programs.

Finally, if the SDGs are to succeed it will not be through just more resources but also through better policies – at the national and international level and through more coordinated approaches. Food, fuel price swings can have huge effects on social outcomes but we don't yet fully understand their causes. Similarly the effects of loose monetary policies to manage the global crisis are still being worked through and many of their side effects are unknown. The impact of policy change on sustainability is also an area that needs much greater attention.

## 6. Conclusions

The way forward from the AAAA will not be easy. Progress will require more precision and prioritization. But prioritization is also not easy because of the huge uncertainties introduced by climate change: so we need a system which progresses in smaller steps but with a longer term set of goals. This paper has tried to provide some ideas on how to go forward.

It has identified ways to prioritize. While laudable in the scope and coverage the SDGs with 169 targets are not easy to monitor or evaluate. One option is to introduce greater precision in them – but on many issues – such as governance, institutional strength, or even inequality this is not easy. Another option is to focus on the 'Highest Priority' 60 must achieve targets for all countries and a 100 desirable targets. The paper suggests ways in which this could be achieved.

The AAAA widens immensely the concept of "FfD" to include all sources of financing – domestic and international and shifts the conversation from "billions" to "trillions". The term "FfD" has now become less meaningful and we may instead shift to a new terminology – Financing of Sustainable Development "FoSD". This shift dilutes the responsibility of the international system to help finance development. This paper suggests that while it is important to help developing countries improve their ability to finance development domestically it is important to monitor the commitments on international sources of finance.

The AAAA endorses a wide range of programs and policies to support the SDGs. In some cases there are concrete programs with specified targets – such as the Aichi Biodiversity Goals, the Sendai Framework for Disaster Management, the SE4ALL program for sustainable energy for all. In some cases there is partial agreement such as in trade where the Bali Accord has more precise agreements but there remains much work to be done for a Doha Accord. The AAAA also introduces new promising initiatives – such as the Global Infrastructure Forum, the Technology Transfer Mechanism, the focus on illicit financial flows and BEPS, and the Global Youth Employment Plan. But these will require further work and concrete financing. The AAAA recognizes the cross cutting aspect of various targets and lists several cross cutting themes. But our knowledge of the way these synergies work remains weak as the MDG period had no organized evaluation system to better understand them.

This paper has proposed an evaluation framework to supplement the monitoring of the AAAA. Monitoring will help to do things right but evaluation will help do the right things. This is important to better understand the synergies across different goals and to be able to use resources more effectively. Developing an evaluation system will not be easy as many of the

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<sup>14</sup> This is taken from Walker, Darren, "Why Giving Back isn't enough", New York Times, Dec 17, 2015.

targets are not evaluable. We need more precision in the targets and fewer targets. It will also be difficult because of the uncertainties introduced by climate change. Progress will be in many cases non-linear. The paper suggests more use of impact pathways analysis with concurrent evaluation – with intermediate targets and feedback mechanisms for course correction. The paper has illustrated how such pathways analysis could be put together for particular interventions – such as mining or to understand better the trade-offs between different goals such as Zero Hunger and Biodiversity loss.

Updating and improving the tool kit of evaluation, bringing the private sector, civil society and the work of philanthropic foundations under the ambit of evaluation is also proposed in the paper. It will not be enough to focus on monitoring – doing things right but on a strong evaluation system – doing the right things and understanding how they interact with each other to produce better outcomes.

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Ajay Chhibber is Visiting Distinguished Professor at the National Institute for Public Finance and Policy, New Delhi, India and Visiting Scholar at the Institute for International Economic Policy, Elliott School of International Affairs, George Washington University, Washington DC, USA.

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National Institute of Public Finance  
and Policy,

18/2, Satsang Vihar Marg,  
Special Institutional Area (Near JNU),  
New Delhi 110067

Tel. No. 26569303, 26569780,  
26569784

Fax: 91-11-26852548

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