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SDG shadow implementation – hidden in plain sight

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The annual UN High-Level Political Forum (HLPF) has a unique role to review progress, define policies and flag priorities at national, regional and global levels for implementing the 2030 Agenda for Sustainable Development and achieving the SDGs. This agenda has also become the premier driver and justification for institutional, financial and data reforms and capacity development.

A number of decisions have been adopted during the twelve months since the last HLPF that are central to the implementation of the 2030 Agenda and the SDGs, particularly the measurement of progress towards the SDGs and strategies to finance them. They are complemented by or responsive to proposals of the UN Secretary-General on the funding and institutional architecture of the UN system.

However, these developments are not prominent in the HLPF review process itself and are cause for concern as the current trajectories are inadequate to achieve the 2030 Agenda and do not correct the undermining of multilateralism.

The 2030 Agenda is universal: its vision is inclusive of all countries, all policies, and all sectors of society. But evidence to date shows a pick-and-choose approach among some Member States, UN agencies, civil society and the business sector according to their priorities and interests. Efforts at implementation have not only privileged these diverse priorities and competencies but also have neglected accountability, deliberately or otherwise.

While this approach may be understandable as it defines constituencies, resources and capacities, the aggregate does not do justice to the purpose of the 2030 Agenda, and risks re-writing it to a pale reflection of its ambition.

The 2030 Agenda reiterates the need to progress beyond siloes and contains commitments aimed at addressing disparities in opportunities, wealth and power.

Some laud the interest and involvement of the major economies / G20 and the corporate sector in the search for the 'trillions not billions' needed to implement the SDGs, but closer attention suggests the trillions may serve the needs of institutional investors and mitigate against the transformation needed to bring justice for people and planet.

Currently the dynamics around measurement and finance are re-shaping the Agenda. Its bold vision is being undermined not only by what is and is not being measured and financed but also by a failure to focus on strengthening democratically accountable institutions as well as cross-goal, cross-pillar and cross-policy streams.

This briefing introduces some of the recent developments in the areas of UN reform, funding and financing, partnership promotion and the measurement of "progress" on SDG indicators.

Measuring progress to implement the SDGs

Three years into the implementation of the SDGs, the indicator set that is currently being used as the basis for measuring progress fails to capture the holistic and transformative agenda envisioned by the SDGs. Instead of trying to find a synthetic dashboard that could summarize the trends in all key areas covered by the SDGs (social service delivery, inequalities, protection of the planet, prosperity) and show their trade-offs (e.g., prosperity versus planetary protection) and complementarities (e.g., access to water reduces the unpaid workload of women) the statisticians adopted a 'count every tree' strategy, proposing indicators for each of the 169 targets,

without first assessing if a goal could be summarized by the sum of the indicators (which does not happen at all with, for example, SDGs 10 and 16) or data availability. The indicators have now been grouped into three Tiers, of which only Tier I has agreed methodology and sufficient data coverage; Tier II lacks sufficient coverage and Tier III still lacks methodological consensus.

The upgrading of indicators into higher tiers has been a cumbersome process, yet in 2017 the General Assembly was asked to approve its continuation, so that it eventually might lift all indicators to Tier I, the only ones that can legitimately be reported. This could take decades and it de facto leaves the HLPF assessment of the 2030 Agenda without the needed data to show progress or regression (see GPW briefings #22, #23 and #24 for a thorough discussion of these developments and their implications).

Financing the SDGs

Greater attention is needed to developments outside the UN that have the potential to marginalize or even reverse implementation of the SDGs, notably actions and initiatives of the G20, international financial institutions (IFIs) and multilateral development banks (MDBs), particularly in terms of financing and partnerships.

The current dialogue around SDG financing is snared among fault lines that favour big corporations. It assumes the conventional wisdom that public financing is played out without any attention to how resources are diverted from the public purse by tax avoidance, evasion and illicit financial flows. It avoids analysis of the quality of public spending, the distributive and multiplier benefits and increasingly advocates the shift of public resources to leverage private flows. Moreover, it accepts unquestioningly the assertion by the G20 and the MDBs that US$ trillions are needed without clarifying the costing basis. Who will benefit from the mobilization of these trillions? Certainly, the pension funds and institutional investors that are awash with liquidity and searching for a pipeline of guaranteed returns.

As the Mr. Torben Möger Pedersen, Chief Executive Officer, Pension Denmark, explained at the UN in 2016:

"….Very optimistic in this area, there are unusually low interest rates, that will stay low for a long period of time looking for new investment and new asset classes, that have higher return than you can get on government bonds, but with new utility with listed equity market. Actually, when you look into the SDGs you can regard them as a big catalogue of interesting investment opportunities. We are proud to offer a green pension plan partnered with green power from their own savings account."

The urgency to attract the so-called 'trillions' – promoted under the call of Maximizing Financing for Development - has prompted a shift in the narrative from a focus on factors needed to create an enabling environment for states to implement the SDGs to a focus on promoting a business-favourable enabling environment, which often results in fewer regulations and oversight in relation to business activity. Modalities and innovations address how to incentivize private investment, including through the use of public finances. The UN is urged to convert development activities into a pipeline of bankable projects, embrace PPPs while avoiding the analysis of off-book liabilities that have turned this modality, on occasion, into a pipeline of debt creation and public service erosion.

In its 2018 report, "Financing for Development: Progress and Prospects 2018", the UN Inter-Agency Task Force on FfD provides key recommendations regarding the framework that is needed for private sector investment to be effective in advancing sustainable development. Chief among them is an acknowledgement of the critical need to shift from short-term to long-term investment horizons in decision-making. The report highlights that failure to do so could result in major risks, such as those from climate change, being left out of investment decisions.

The report also notes that "pension funds, insurance companies and other institutional investors hold around US$80 trillion in assets" but the majority of these resources are invested in liquid assets, such as listed equities and bonds in developed countries. Investment in infrastructure represents less than three percent of pension fund assets, with investment in sustainable infrastructure in developing countries even lower. The report emphasizes the need for analysis that takes into account the different stages of development of each country, recognizing that not all countries are equally attractive to investors and offers words of caution on the push to "securitize" infrastructure as an "asset class", being driven by the G20:

> "The expectation is that standardizing infrastructure as an asset class and creating a benchmark of performance will create liquidity and attract greater investment, particularly by investors who are

> constrained from buying illiquid assets. Developing this asset class has to be done with care, as it is creating liquid instruments on illiquid assets.
>
> This could attract investors with short-term investment horizons, with the potential of creating short-term bubbles that could impede rather than help long-term sustainable development. Indeed, many of the financial market crises over the past 25 years involved some form of mis-pricing of liquidity."

As in the Addis Ababa Action Agenda, the IATF report on FfD reiterates that "Countries need to strengthen enabling environments, thus reducing investment risks, and develop project pipelines and investable projects." This finding echoes the commitment of Member States in the outcome of the 2018 FfD Forum "to operationalize national financial frameworks into investable projects and pipelines."

This has been accompanied by increased attention to the role of 'blended' and 'catalytic' finance, or using public resources and ODA to leverage private investment. The 2030 Agenda emphasizes that "international public finance plays an important role in complementing the efforts of countries to mobilize public resources domestically, especially in the poorest and most vulnerable countries with limited domestic resources. An important use of international public finance, including ODA, is to catalyse additional resource mobilization from other sources, public and private."

What is lacking, however, is an analysis of the opportunity cost of diverting resources from the public purse – resources that are essential for achieving the SDGs.

Efforts towards global tax co-operation have stalled with the Platform for Collaboration on Tax (PCT), which has gained momentum and is being positioned on centre stage. This initiative reduces the UN to one of four players (alongside the World Bank, IMF and OECD) and is not accountable for SDG implementation. As noted by the Global Alliance for Tax Justice in a recent policy brief, "PCT statements have taken positions on issues where no UN agreement has been reached, including where a majority of the UN membership has expressed a different position". This diversion of policy-making and implementation into other fora only partially if at all accountable to UN norms and values is a well-used tactic, sometimes justified by claims of capacity and competence. However, the IMF, the World Bank and the OECD participate actively in inter-agency groups such as the FfD IATF and the IAEG-SDGs.

Partnership promotion

In the same way that the sought-for 'trillions' has been accepted into the discourse, so too has importance of multi-stakeholder partnerships for SDG implementation. Member States and the UN accept that a new approach is needed. What is missing from the current dialogue, however, is an assessment, before all else, of whether or when the partnership modality is relevant to SDG implementation.

Furthermore, if the partnership modality is deemed relevant, a new UN approach is needed in order to go beyond the narrow, or siloed, pre-2030 agendas of individual agencies to incorporate system-wide agreement on a set of rules and guidelines. These would be carefully designed to ensure the quality of any multi-stakeholder collaboration, such as those for inclusion or expulsion, conflict of interest and risk assessment, among others.

> "The Organization must do better to manage risks and ensure oversight in a manner that protects its values and yet allows space for innovation and expanded partnership arrangements. Due diligence standards and procedures are highly heterogeneous across the United Nations system and need to be streamlined. The lack of a system-wide approach to due diligence results in the inefficient use of financial and human resources, as multiple United Nations agencies often screen the same partners, and poses significant reputational risk to the Organization. It sometimes leads to contradictory decision-making across entities, undermining the integrity and increasing the vulnerability of the Organization. There is also a need for increased transparency with respect to the range and types of partnerships in which entities of the United Nations development system are engaged. Measures will be put in place to ensure the full transparency and accountability of United Nations partnership engagements."
>
> - Repositioning the United Nations development system to deliver on the 2030 Agenda: our promise for dignity, prosperity and peace on a healthy planet – Report of the Secretary General (A/72/684–E/2018/7, December 2017)

The Secretary-General's proposals on UN reform stop short of addressing existing institutional gaps that detract from the potential of UN-led partnerships to contribute to the successful advancement of the SDGs, and instead risk having the opposite effect. The establishment of an independent UN Office of Risk Management would go a long way to separating oversight from promotion functions. To avoid conflicts of interest, oversight and verification of due diligence and integrity measures cannot be performed by the same agencies and/or unit(s) tasked with promoting and engaging in partnerships (for a more detailed discussion of the pre-conditions for effective partnership engagement, see GPW Briefing 24, "The Semantics of Partnership").

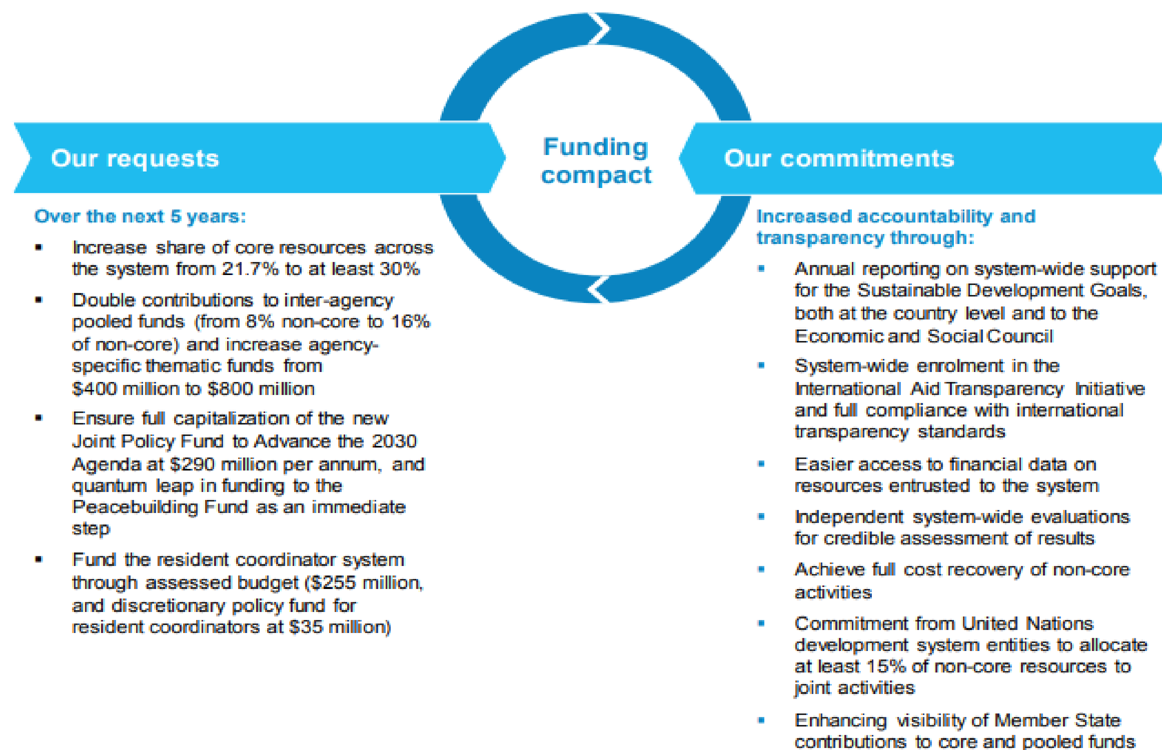
A New Funding Compact

The reform of the UN development system to make it "fit for (SDG) purpose" has been a major focus of the Member States and the Secretary-General's team. In 2017, the Secretary-General outlined proposed reforms aimed at enhancing alignment with the 2030 Agenda. These included a call for a new funding compact as a keystone to "bring better quality, quantity and predictability of resources, increased accountability and transparency and enhanced capacities of the system to deliver on the 2030 Agenda."

The UN system currently relies on just three governments (the US, UK, Germany) for 45 percent of all its funding. The past two decades have seen a marked shift from a more or less even split (50/50) of core and non-core resources to the current "pay-to-play" ratio of 20 / 80 core and non-core with 91 percent of non-core funds being strictly earmarked. To enable the UN to secure impartial and quality capacity to support SDG implementation necessitates a move away from this pattern of a strictly earmarked and donor-driven approach to funding. (For an analysis of UN Development System funding see "Fit for Whose Purpose? Private Funding and Corporate Influence in the United Nations," Global Policy Watch, September 2015).

The Secretary-General's reform proposals recognize that successful repositioning of the UN system to deliver on the 2030 Agenda will require a transformation in current funding patterns

Proposed parameters for a funding compact



- From the Report of the Secretary-General, "Repositioning the United Nations development system to deliver on the 2030 Agenda: our promise for dignity, prosperity and peace on a healthy planet" [A/72/684-E/2018/7] – December 2017.

A thorough process of consultations and deliberations resulted in the adoption of resolution A/RES/72/279 on 31 May 2018. Although Member States "welcomed the Secretary-General's call for a funding compact" and "took note" of his proposals to bring core resources to a minimum 30 percent level in the next five years, to double both interagency pooled funds to $3.4 billion, consensus could not be reached on his proposals for assessed contributions, due to the opposition of a few states. As explained by the USA: "Todays resolution limits increases in assessed contributions for UN Member States. That is critical, as we avoided a more than US$200 million increase in the UN's regular budget compared to what was first on the table."

After the adoption of the resolution the Secretary-General expressed his disappointment, saying:

> "As you know, my preference would have been to fund the Resident Coordinator system through the regular budget of the United Nations, to ensure predictability, sustainability and ownership from all Member States. The hybrid funding solution put forward by the co-facilitators is the best possible alternative. By combining different sources, it diversifies the funding base and enhances the prospect of adequate and predictable funding."
> (http://statements.unmeetings.org/media2/18560047/sg.pdf)

How to balance diversification to reduce the influence of a few big-state donors without adding only a few big corporate or philanthropic donors?

Conclusion

The HLPF has become a magnet and a marketplace for all manner of initiatives.

It will meet in 2019 at summit level and will be confronted with the growing evidence of being off-course for 2030. This is an essential occasion to address the obstacles to achieving the SDGs. If the Heads of State and Government do not chart a correction course, it is time to consider what really lies behind their championship of the SDGs.

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