“The Development Effectiveness Agenda: approaches from the South”

Mexico City, Mexico
December 3-4, 2014

1. Context

Southern providers have been an active constituency of the Global Partnership for Effective Development Cooperation (GPEDC) since its foundation in 2012. Following the paradigm shift consolidated at the Busan High Level Forum, from aid effectiveness to effective development cooperation, the GPEDC has worked towards a complete inclusion of these actors into the agenda. This has translated into efforts to transcend the donor-recipient dichotomy that had long framed the development cooperation architecture.

After deciding to host the First High-Level Meeting of the GPEDC, Mexico actively sought for its agenda to also reflect the interests of emerging countries. In this spirit, building on previous work within and outside the GPEDC, the Mexican government proposed the integration of two additional topics for the HLM: the effectiveness of South-South Cooperation (SSC), and effective development cooperation with Middle Income Countries (MICs). With this proposal, Mexico intended to voice a growing demand by numerous actors: for the GPEDC to address the main issues concerning Southern partners within the development effectiveness agenda from a dual perspective, both as recipients and providers.

At the HLM, representatives from more than 130 countries agreed that SSC could indeed follow the principles for development effectiveness. They also recognized that development cooperation flows directed towards MICs can be better targeted, and thus more effective, by complementing the income-based country classification mechanism with more comprehensive methodologies and criteria. Both notions were duly crystallized into the HLM’s final Communiqué.

As Co-Chair of the GPEDC, Mexico wishes to take this agreed framework forward, by providing it with concrete contents. As a first step to begin exploring a course of action, the Mexican Agency for International Development Cooperation co-organized, together with the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), organized a technical workshop in Mexico City on the 3rd and 4th of December 2014 on the development effectiveness agenda, from a Southern perspective.
2. The Workshop

The workshop convened a total of 52 experts from a multi-stakeholder background, who were invited to participate on account of their previous and/or current engagement with this subject within the GPEDC. This set of invitees was not intended to represent an exhaustive list of relevant stakeholders, but rather a group of actors who had shown interest in the matter and could bring a valuable perspective to the discussions.

Conducted under Chatham House Rules, the workshop provided the context for candid discussions and exchange of ideas on the challenges facing Southern providers engaging in the development effectiveness agenda. This exploratory dialogue focused on two main issues:

- How can the effectiveness of SSC be maximized under the principles of country ownership, focus on results, inclusive development partnerships and mutual transparency and accountability? To what extent can such effectiveness be measured by the GPEDC Monitoring Framework, or must it be adapted to better reflect the ways of operating of SSC?

- How can MICs make more effective use of the increasingly scarcer development cooperation flows they receive? How can alternative methodologies, such as the measurement of multidimensional poverty and the structural gaps approach, support better/more targeted ODA allocation that goes beyond country averages and addresses inequality? How can the capacity to apply such methodologies be built through SSC?

These two tracks, which are complementary, were discussed both in plenary and separately, through split-up sessions. The debates provided a broad perspective on the challenges and opportunities Southern providers face in their engagement with the GPEDC. More importantly, they set the grounds for further discussions on advancing the development effectiveness agenda from a Southern approach.
3. Southern partners as providers: adapting the GPEDC Monitoring Framework for more effective SSC

The need for more effective and transparent delivery of SSC has been increasingly pointed out not only by recipient countries, some of whom have raised a demand for emerging providers to engage in the effectiveness process, but also by Southern providers themselves. Many countries with a dual character are interested in improving their processes, generating information and maximizing the quality and impact of their cooperation. However, there is still much work to be done in terms of developing tools and mechanisms to assess their progress. In this context, some of them have found that the standards of the GPEDC Monitoring Framework do not fit comprehensively with their particular realities.

Participants agreed that, although the principles for effective development cooperation are fully applicable to SSC, their implementation can differ from partner to partner. Therefore, the tools employed to evaluate their application cannot be exactly the same as those used for North-South cooperation, since they operate differently. Thus, the goal of the discussions in this track was to unpack the generalizations usually made when comparing SSC with traditional schemes, and explain the technical specificities in its implementation that suggest the need to adjust the indicators of the GPEDC Monitoring Framework to measure progress.

The workshop began with a review of the workings and current state of monitoring efforts, presented by the GPEDC Joint Support Team (JST), and a discussion on inputs presented by former heads of the Working Party on Aid Effectiveness and the Task Team on South-South Cooperation. Building on these presentations, participants analyzed the current Monitoring Framework and discussed different types of information that Southern providers might be able to report in order to comply with its overall assessment of development effectiveness.

Out of the ten indicators that integrate it, three were excluded from the discussion since it was deemed that they refer more to the enabling environment within recipient countries than they do to the actions and modus operandi of providers. The three excluded indicators were:

- Indicator 2: Civil society operates within an environment which maximizes its engagement in and contribution to development
- Indicator 3: Engagement and contribution of the private sector to development
- Indicator 8: Gender equality and women’s empowerment
Participants commented the need for further discussions on indicators to measure progress beyond the existence of an enabling environment; the actual level of engagement between governments and non-traditional actors should be assessed in terms of the establishment of functional and inclusive partnerships for the execution of cooperation initiatives. Such a methodological development should be based on the exchange of domestic examples and best practices regarding the involvement of non-State partners in development cooperation, including the private sector and civil society, and should be applicable both for SSC and traditional cooperation schemes.

Following that short discussion on indicators 2, 3 and 8, participants decided to focus on the remaining seven indicators. To facilitate a dynamic dialogue, these indicators were discussed in clusters, according to the principle for effective development cooperation they refer to (see summary chart below).

**Indicator 1**

Development cooperation is focused on results that meet developing countries’ priorities

The current Monitoring Framework states that this indicator should be measured by the extent of use of country results frameworks by cooperation providers, based on a) the use of objectives and targets from national development strategies as a reference for delivery and performance assessment; and b) the use of the country’s own indicators, national statistics, and monitoring and evaluation systems to monitor progress.

The indicator was piloted in eight countries, an exercise that led to the identification of a number of challenges in its implementation, namely the difficulty of arriving at a common definition of country results frameworks, the inherently different standards and approaches in the design of country results frameworks as well as in their implementation plans, and the complexity of quantifying the level of alignment and use of country results frameworks.

Participants in the workshop discussed these challenges, and agreed that it was necessary to wait for the outcome of the pilot refining process, which the JST is currently engaged in, to better evaluate its applicability to SSC. However, they did agree that compliance with this indicator in the case of Southern providers could be measured in terms of the alignment of the projects’ design to specific demands and/or national policy priorities of the partner countries. Such alignment could be
assessed with regards to the percentage or number of development cooperation plans and actions that have a clearly identified link to partner countries’ development priorities. This type of information can be drawn from both quantitative and qualitative evaluations, including joint planning and reviewing mechanisms (see the discussions on Indicator 7 below).

**Indicator 6**

**Aid is on budgets which are subject to parliamentary scrutiny**

In the Monitoring Framework, this indicator is measured with regards to the percentage of development cooperation funding scheduled for disbursement that is recorded in the annual budgets approved by the legislatures of developing countries.

The main issue discussed by participants was that SSC, particularly technical cooperation, is usually provided by experts from line ministries who are not specifically paid by a previously defined budget to engage in SSC initiatives. The exact amount of SSC that is provided is more difficult to assess, since it is mostly of an in-kind and/or knowledge sharing nature, and there are usually some expenses that cannot be fully reflected in the project’s estimated costs, such as laboratory samples and equipment.

At this point, participants discussed the question of whether monetizing the value of these contributions could help solve this issue; however, most of them agreed that monetizing is not enough to comply with this indicator, since most of the actual costing assessments happen ex-post to the actual projects.

On the other hand, many Southern providers are still in the process of widening their cooperation modalities and building the necessary institutional capacity for data collection and process streamlining. Therefore, it is likely that SSC will continue to be mostly of a technical nature in the near future, and since direct funding is still exceptional in SSC, the indicator as it currently stands would only be applicable to a minimal number of cases.

As established in the 2014 Monitoring Framework Report, the purpose of having aid on budget is connecting development cooperation programs with countries’ development plans, to enhance predictability, and to support domestic accountability in the use of cooperation flows. In order to maintain the spirit of the indicator, which is to promote country ownership and transparency, participants agreed that a possible alternative for SSC would be for cooperation initiatives to
be agreed in programs emerged from institutionalized mechanisms, such as joint commissions, in which all parties can agree to a particular set of projects, including the priority areas they will address and their estimated costs (see discussions on Indicator 7 below). However, there was strong consensus that the matter required further discussion.

**Indicator 9**

**Effective institutions: developing countries’ systems are strengthened and used**

Strong Public Financial Management (PFM) systems are essential in order for providers to disburse their funds through them, and in turn reduce their reliance on parallel systems or providers’ own procedures. That is why, within the Monitoring Framework, this indicator measures not only the use of developing country PFM and procurement systems, but also their quality.

However, most SSC is not of a financial nature and is thus not channeled through PFM. There is a great heterogeneity and a number of regional differences in the ways in which Southern partners operate. While some may devote more resources to financial cooperation, others focus on technical cooperation, and thus measuring the use of PFM country systems is not always possible or applicable.

Nevertheless, there are other ways in which SSC contributes to the development of more effective county systems. By sharing knowledge, and building capacities within developing countries, SSC contributes to the strengthening of a variety of country systems and institutions, beyond PFM. Therefore, participants agreed that, although gradually increasing the use of PFM systems for financial flows should be a general goal, there is need for further discussions on ways to measure the different ways in which SSC reinforces country systems.

**Indicator 10**

**Aid is untied**

Evidence provided by the OECD suggests that untiring aid\(^1\) is beneficial because it helps reduce the costs of development projects, as well as the bureaucracies –both

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\(^1\) The OECD defines untiring aid as “Untying aid – removing the legal and regulatory barriers to open competition for aid funded procurement – generally increases aid effectiveness by reducing transaction costs
in donor and recipient countries—that are needed to administrate it. It also enhances the developmental impact of the contribution by supporting local businesses and job creation for nationals of the recipient country. In this spirit, the GPEDC Monitoring Framework measures progress in the percentage of a provider’s aid that is fully untied.

However, for Southern providers, the issue of untying aid becomes a political debate, since it may contradict one of the principles of SSC enshrined in the Nairobi Declaration: mutual benefit. Some Southern providers use tied aid as a mechanism to secure a mutual benefit in their projects, which is considered a valid practice on account of their own status as developing countries.

Some participants suggested that perhaps the solution was to modify the targets, that is, to allow for only a percentage of total SSC to be untied and for this to be considered as compliance with the indicator. Nonetheless, after a debate on the readiness of Southern countries to untie their aid, and whether this was a political decision, participants agreed that this specific indicator required further discussions before an alternative proposal could be made.

**Indicator 4**

**Transparency: information on development co-operation is publicly available**

This indicator is meant to measure the state of implementation of a common, open standard for electronic publication of timely, comprehensive and forward-looking information on development cooperation by providers. The common standard, endorsed by the Working Party on Aid Effectiveness in July 2012, builds upon three existing systems: the OECD Creditor Reporting System (CRS), the Forward-Spending Survey (FSS) and the International Aid Transparency Initiative (IATI).

The pilot indicator was developed through a process of consultations and technical deliberations. The piloting exercise that began at the beginning of 2014 helped put forth a number of challenges, including the fact that many providers publishing online, but not reporting to these three systems, are not covered under the current indicator approach. On the other hand, not all providers report to all three systems simultaneously, which creates a disparity of information since they are inherently and improving the ability of recipient countries to set their own course. It also allows donors to take greater care in aligning their aid programs with the objectives and financial management systems of recipient countries.
different and the data they collect is not of the same nature (statistical, management and planning information). Thus, the JST is looking into refining the pilot as a composite indicator that disaggregates performance in all three reporting systems.

In the context of SSC, however, the issue of collecting, analyzing and systematizing data precedes the discussion on the mechanisms to publish information. Although some Southern providers are already reporting to one or more of these systems, not all of them are capable of providing the type of information that is required. Many Southern providers are currently facing the challenge of registering and coordinating all the different cooperation actions put forth by a variety of their national public entities. As was discussed during the debate on Indicator 6, most SSC is provided by a number of line ministries, and thus, the responsibility for its registration is spread across a wider range of actors, making their activities more difficult to report. In order for more and better information to be published, Southern providers need to focus first in building the institutional capacity to collect their own data.

Therefore, the proposal for this indicator to be adapted to SSC was that Southern providers publish at least an annual report informing in a timely, open, systematic and increasingly disaggregated way of their cooperation efforts. Also, taking into account the voluntary nature of the commitments acquired by Southern partners under the development effectiveness agenda, they could take part in a reporting standard when possible and appropriate.

**Indicator 5**

**Development cooperation is more predictable**

The importance of predictability -in order for developing country governments to plan and manage their development programs effectively- has been duly recognized since the Paris Declaration, and further reaffirmed by the Accra, Busan and Mexico outcome documents. The Accra Agenda for Action called for efforts to go beyond annual predictability and focus also on medium-term predictability, which is why the corresponding indicator measures progress in both aspects: a) the proportion of development cooperation funding disbursed within the fiscal year within which it was scheduled by cooperation providers; and b) the proportion of development cooperation funding covered by indicative forward spending plans provided at country level.
Participants discussed the limitations entailed with the implementation of this indicator for Southern providers, considering that most of them operate with annual budget programming. On the other hand, recalling the discussions on Indicator 6, participants reaffirmed that monetizing technical cooperation and knowledge sharing would not be a complete solution, because such monetization can only be done ex-post to the actual projects, thus failing to serve its purpose to increase predictability.

Nevertheless, participants also recognized that predictability is not only dependent on the availability of financial resources, especially when it comes to SSC which is mainly disbursed in-kind and through knowledge sharing. Therefore, they proposed an assessment in terms of the percentage of initiatives or budget that are covered by indicative multiannual programs, as a way of measuring progress on the predictability of SSC resources. However, most participants agreed that further discussion was required to tackle the issue of medium-term predictability.

Indicator 7

Mutual accountability among development cooperation actors is strengthened through inclusive reviews

Mutual assessment processes help development partners hold each other accountable with regards to the commitments and actions agreed in Paris, Accra, Busan and Mexico. In the Monitoring Framework, this indicator is measured through the percentage of countries that undertake inclusive mutual assessments of progress in implementing these agreed commitments.

This particular indicator, as was deemed by participants, is fully applicable to SSC (and in fact is already common practice among Southern partners). There are, however, significant differences in the ways in which inclusive reviews are carried out. Many Southern providers hold assessment meetings before any new cooperation projects are agreed. In such meetings, or joint commissions, finished or ongoing projects are evaluated by the partners, and new projects are discussed and agreed.

Although this indicator does not require significant adjustments to be applicable to SSC, participants agreed that it could be complemented with additional features for it to be better adapted to the South-South dynamic. They proposed for mutual assessments to not only measure progress, but also the benefits derived from the implementation of commitments (qualitative reviewing). It was also considered
important to integrate an additional measure reflecting the percentage of fulfilled projects vis-à-vis the total number of planned projects, in order to assess the effectiveness of inclusive reviewing mechanisms in establishing an actual agenda for action.

| Proposals for monitoring the effectiveness of SSC |
|-------------------------------------------------
| Principle                                      |
| National Ownership & Focus on Results          |
| 1. Development cooperation is focused on results that meet developing countries' priorities. | • Alignment in project design to demand and/or national policy priorities of the partner (qualitative evaluations can be conducted).  
  ○ Development cooperation plans and designs with a specific link to partner countries' development priorities (% or #). |
| 6. Aid is on budgets which are subject to parliamentary scrutiny | • Cooperation initiatives agreed in the framework of institutionalized joint mechanisms (% or #). |
| 9. Developing countries' systems are strengthened and used | • Further analysis on the gradual use of country systems for financial cooperation |
| 10. Aid is untied | • Further discussion is required |
| Inclusive Development Partnerships | |
| 2. Civil society operates within an environment that maximizes its engagement in and contribution to development | • Not discussed because the nature of the current dimension measured by the GPEDC MF is independent from the type of cooperation partner.  
  • Further discussion is required on the basis of the exchange of domestic examples of mechanisms to implement South-South Cooperation with different Non-State partners from Private Sector, and Civil Society (i.e. Mexico's Technical Councils). |
| 3. Engagement and contribution of the private sector to development | |
| 8. Gender equality and women's empowerment | |
| Mutual Transparency and Accountability | |
| 4. Information on development co-operation is publicly available | • Publication of data on a timely, open and systematic way (frequency proposed: annual publication) |
| 5. Development co-operation is more predictable | • % of cooperation initiatives or budget covered by indicative multiannual programs |
| 7. Mutual accountability among development cooperation actors is strengthened through inclusive reviews. | • % of countries that undertake inclusive mutual assessment of progress and benefits in implementing agreed commitments.  
  • % of fulfilled projects according to plan. |
While some dual partners are taking important steps to make the cooperation they provide more effective, they are simultaneously struggling with the achievement of their own development goals and overcoming domestic development gaps. In spite of their growing economies and demographic potential, they still face pressing needs which must be tackled, a task in which the catalyzing effect of ODA can be of critical help.

This issue was widely discussed during the First HLM of the GPEDC in Mexico. With a few exceptions, Southern providers are grouped together with a number of net recipients within the Middle Income Country category. This classification, which is built upon a single indicator (GNI per capita), masks the profound heterogeneity that remains both between MICs and within them, on account of their high inequality rates. However, it is still used as a criteria to guide the allocation of development cooperation, as well as eligibility for certain incentives such as access to preferential trade regimes. This denies the fact that all development cooperation actions should be contextualized to the realities and needs of each partner country. Therefore, the GNI-based country classification system should be complemented with more comprehensive methodologies that allow for the identification of specific needs, and the design of strategies to tackle them effectively.

Participants at the workshop resumed this debate, agreeing that the identification of specific sectorial or regional needs, and the design of tailored solutions to address them, could have an important impact on the effectiveness of development cooperation. They recalled the Open Working Group proposal for Sustainable Development Goals, especially the indicator that aims to “by 2030, build on existing initiatives to develop measurements of progress on sustainable development that complement GDP, and support statistical capacity building in developing countries”\(^2\). Building on this objective, they went beyond the delimitation of the problem and discussed concrete methodological proposals that could facilitate the channeling of development cooperation resources where they are most needed. Although the valuable contributions of other methodologies were recognized, such as the structural gaps approach proposed by the Economic Commission for Latin America and the Caribbean, and the Human Development Index elaborated by UNDP, discussions were mostly centered on multidimensional poverty measurement.

\(^2\) Open Working Group proposal for Sustainable Development Goals, Indicator 17, Target 19
Multidimensional Poverty Measurement

After a brief presentation by the Oxford Poverty and Human Development Initiative (OPHI), participants agreed on the value of multidimensional poverty measurement for better, more targeted development strategies, both at the national and at the global level. This methodology, in its global and different national expressions, was recognized as a positive tool to generate more sophisticated and precise data, which in turn helps generate more effective policies.

There was strong consensus that multidimensional poverty measurement should be a cross-cutting approach to guide the Post-2015 Development Agenda. However, caution was called for in recognition of the fact that this methodology is only meant to assess poverty, and does not encompass the full set of factors and socioeconomic processes that determine development. In that sense, participants agreed that the issue is not about replacing one methodology for another, but rather to recognize their comparative advantages and their contributions to a better understanding of highly complex development realities.

A series of limitations to the implementation of multidimensional poverty approaches was also signaled, the most important one being the lack of technical and institutional capacity for data collection and analysis in many developing countries. The design of a national methodology for multidimensional poverty measurement requires strong statistical and surveying capabilities. Other technical issues facing developing countries included: a) producing harmonized data in order to make comparisons; b) adjusting the content and time frame of household surveys to produce the necessary disaggregated data for periodical reporting; and c) consolidating data with different baselines.

Throughout the workshop, this was the underlying issue that was identified as the main challenge for Southern providers as both recipients and suppliers of development cooperation, since it limits their capacity to properly monitor and report both their own development challenges and their effectiveness in providing development solutions.
South-South Cooperation: a capacity building tool for the multidimensional measurement of poverty

While discussing the limitations entailed in the implementation of multidimensional poverty methodologies at country level, participants recognized the current and potential use of SSC to build the necessary technical and institutional capacity. SSC mechanisms could have a two-folded objective: countries with relevant experiences could share them with interested partners and, in turn, pilot countries could feed back into the knowledge sharing process with their own experience. Recognizing that learning is a multi-directional process, participants discussed how capacity development in this field could be further enhanced with the support of developed countries, international organizations and non-traditional actors through Triangular Cooperation schemes.

Expanding the use of multidimensional poverty measurements worldwide facilitates the creation of more sophisticated guidelines for the allocation of development cooperation. But gathering and processing the data is not enough; knowledge exchange should be complemented with a broad set of policy examples that help countries bridge the gap between the acquisition of valuable information and its effective use, according to their own national contexts.

In this regard, participants agreed that the GPEDC can provide an enabling framework to not only give visibility to this topic from a multi-stakeholder perspective, but also to foster a global pool of best practices and lessons learned that countries can tap into. This would promote national ownership by helping translate different global standards, including the Multidimensional Poverty Index (MPI)
3, into domestic methodologies that are tailored to countries’ own priorities and capacities. By providing a platform for the exchange of experiences, the GPEDC could effectively become a community of practice where learning demands are met.

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3 The Global MPI, published by the Oxford Poverty & Human Development Initiative (OPHI) and the United Nations Development Program (UNDP), uses ten indicators to assess deprivations across three dimensions of poverty at the household level: education (years of schooling; children enrolled), health (nutrition; child mortality) and living standard (cooking fuel; sanitation; water; electricity; floor; assets). It considers both the incidence and the intensity of poverty, that is, the percentage of people who are poor and the average percentage of dimensions in which poor people are deprived.
Some of the identified steps forward were:

- Formulate a list of benefits derived from multidimensional poverty measurements, with an evidence-based approach on how they can be used for more effective policymaking.
- Promote the use of SSC schemes to facilitate capacity building on data collection and processing, and the strengthening of statistical institutions.
- Continue and enhance the exchange of experiences and systematization of best practices, including by devising a concrete mechanism to use the GPEDC as a platform for dialogue and knowledge sharing on the subject.
- Scan political interest and identify potential partners to participate in triangular projects aimed at expanding and facilitating the use of multidimensional poverty measurements.
- Promote the inclusion of the multidimensional poverty approach in the design and implementation of the Post-2015 Development Agenda.
- Further discuss and design project proposals that link the use of multidimensional poverty measurements with the identification of potential beneficiaries and priority areas to target international development cooperation flow in MICs (including, for example, -concrete pilots).
5. Conclusions

- There is a need to map and work on the gaps to promote and measure the effectiveness of South-South Cooperation. Efforts could focus on developing and sharing tools for more effective follow-up and measurement of actions, programs and policies. There is some expectation for GPEDC leadership to facilitate a global conversation and help establish a common conceptual ground (framework, standards, best practices). Political will and leadership is needed to make these processes work.

- Effective South-South Cooperation relations are often characterized by inclusive and horizontal partnerships and networks based on equity, trust and mutual learning. Creative approaches should be encouraged in order to trigger and launch initiatives that may stimulate innovation.

- It is especially important to reinforce efforts to build national capacities in developing countries, including Southern providers, for the improvement of mechanisms to accelerate the generation of data, both to assess development needs and the effectiveness of development cooperation. It is also fundamental disseminate such data for the use of all development partners, especially those engaged in planning activities and/or in the promotion of accountability frameworks, such as researchers and civil society organizations.

6. Participants

- **International and Regional Organizations**: ECLAC, UNDP, OECD, World Bank
- **Governments**: Bangladesh, Colombia, El Salvador, Indonesia, Peru, Mexico, Philippines, Turkey, Germany
- **Academia and Think tanks**: Oxford Poverty & Human Development Initiative, MultiPolar Network, South African Institute of International Affairs, Fluyt – Knowledge Brokers, CEPEI