

Strengthening the Coherence of the Financing for Development and Effective Development Cooperation Agendas

Key Messages from Asia-Pacific Regional Consultation

27th March 2015

At a meeting hosted by NEDA, Government of Philippines, and co-chaired by the Governments of Bangladesh and Palau in Manila, Philippines 26-27 March, 2015, over 120 delegates from 24 countries including Government, civil society, private sector, and legislators came together to make recommendations on *Strengthening Coherence between the Effective Development Cooperation and Financing for Development Agendas in Asia-Pacific*.

Participants held in-depth discussions on the nature of development finance flows in the region, including international and national, public and private flows. Representatives from countries and experts shared insights from the provision of South-South Cooperation, management of tax reforms to strengthen domestic resource mobilization, budget management, the management of scaled up climate finance, ODA policy and institutional reform, as well as opportunities for strengthening the enabling environment for civil society and private sector to contribute to development. Discussions highlighted how learning from decades of experience on the management of ODA and development cooperation could inform dialogue on the Financing for Development agenda. Discussions also highlighted the importance of ensuring that development cooperation efforts have a strong focus on poverty and reducing inequalities.

Participants developed a number of messages to inform up-coming consultations ahead of the agreement of the high level Financing for Development consultations in Addis Ababa in July 2015, including:

- Asia-Pacific consultations on the 3rd International Conference on Financing for Development in Jakarta on 29-30 April, 2015
- Global Partnership for Effective Development Cooperation Steering Committee, September 2015
- DCF High-Level Symposium in Incheon, Korea, on 8-10 April, 2015
- Ongoing post-2015 consultations

In the context of the up-coming Financing for Development consultation, countries asked that developed countries increase their efforts to achieve the 0.7% GNI target for ODA, and to commit themselves to providing climate change finance as additional. In achieving these commitments, developed countries will be significantly contributing to the achievement of sustainable development at the global level.

Drawing from lessons learnt from effective development cooperation, countries particularly focused their attention around the importance of **promoting a country-led approach to managing Financing for Development and the Addis Ababa Accord in pursuit of the implementation of the SDGs.**

Participants drew attention to the diversity within the Asia-Pacific region and the range of country contexts including MICs, SIDS, and LDCs, as well as recipients, providers, and emerging providers of development finance and cooperation. In formulating the following key messages, they emphasized that this diversity needs to be respected and country context recognized, with development solutions and

partnership strategies best defined and owned at the country level, in complementarity with regional and global modalities.

Lessons from development cooperation show that for development finance to work best it needs to be managed as far as possible in an integrated manner at the country level, using fiscal planning and budgeting processes to prioritize resources in line with national priorities.

Participants also highlighted that a great deal has been achieved; there is a need to recognize the progress in the region, under country leadership, but also note that in the increasingly complex environment of development finance we need renewed commitment to the issues and challenges discussed in Manila.

Key areas to address in strengthening a country led approach to FfD are:

1. The financing of the Means of Implementation of the SDGs will need to emphasize the **strengthening and use of country systems**
2. An **enabling environment** for civil society, private sector and the social economy will be required to support Integrated National Financing Frameworks at the country level
3. **Country level Integrated National Financing Frameworks** will need to be based on better data and analysis and management strategies to maximize the complementarity of different flows in particular contexts
4. **Monitoring and accountability** for effective financing of the implementation of the sustainable development goals will need to build on existing country approaches with clear links to regional and global processes
5. **Country led regional platforms** can help align international commitments with national priorities and ensure peer-to-peer support across countries
6. **Strengthening South-South Cooperation as part of Integrated National Financing Frameworks** can exploit economic, social, technical, and other knowledge resources from Southern countries

Some specific action points in line with each area are:

1. **The financing of the Means of Implementation of the SDGs will need to emphasize the strengthening and use of country systems**
 - Significant investments are required to enable country systems to manage complex development finance flows, and wherever possible commitments to use those systems should be made by those providing development finance
 - All partners in the development process, including those in the GPEDC, will need to bring their expertise, innovations and resources together to consider the reforms necessary to strengthen country systems in the increasingly complex environment of development finance
 - All international flows of public finance (climate change finance, OOFs, SSC, ODA) should be managed in ways that include a focus on strengthening country systems, and commitments to using them wherever possible
 - Countries in the region will need continuing support for capacity development to strengthen existing country systems; this will include capacity development support in specific areas such as strengthening systems for designing and evaluating large scale projects

- There should be a commitment to avoid creating new systems, but to build on existing processes of reform and existing systems at the country level
- Fiscal planning processes will need to be based on analysis of more integrated data sets spanning public and private finance, from external and domestic resources. For example remittance forecasting in some countries will be key to harnessing remittances for development
- The monitoring process of GPEDC is very important for learning because it enhances accountability on both ends; the Global Partnership's peer to peer learning exchanges are also helpful in strengthening country systems
- Assistance should be contextual and demand driven, and should consider Theory of Change; it should have mechanisms to monitor long term changes, not just short term results

2. An enabling environment for civil society, private sector and the social economy will be required to support Integrated National Financing Frameworks at the country level

- For countries to be able to bring all their resources and partners to bear on the implementation of the SDGs, effective governance frameworks will need to be in place
- For civil society to be able to play its significant role in the implementation of the SDGs effectively, including through south-south partnerships, an enabling environment will be essential
- The private sector will need to have an enabling environment in which to pursue business as well as a policy framework that guides their investments in line with sustainable development
- Country systems need to allow for increasing inclusiveness, with attention to including women and other excluded groups, in the planning, budgeting and other systems

3. Country level Integrated National Financing Frameworks will need to be based on better data and analysis and management strategies to maximize the complementarity of different flows in particular contexts

- Increasing domestic resource mobilization in an equitable and sustainable manner will be the foundation for Integrated National Financing Frameworks
- Progress in establishing results based financing and budgeting systems at the country level will need to be accelerated to allow for tracking of different finance flows and the overall achievement of development results in the context of Integrated National Financing Frameworks
- For Integrated National Financing Frameworks to be truly integrated they will need to be based on much greater understanding of how different flows can work best together. There is increasing experience in relation to ODA and its complementary nature, for example:
 - ODA and its contribution to PPPs
 - Strategic use of ODA to strengthen use of remittances, reduce transaction costs in their transfer, and support safe migration for their providers
 - Using ODA and FDI together in partnerships between government and their private sector partners
 - ODA and its contribution to domestic resource mobilization
 - Aid for trade

- Integrated National Financing Frameworks can maintain a focus on equity and sustainability as a whole, and not just as part of specific flows and partnerships
- Discussions around the definition of Total Official Support for Sustainable Development (TOSSD) need to be based on country perspectives and consultations and work to strengthen commitment to achieving the ODA target of 0.7% of GNI

4. Monitoring and accountability for effective financing of the implementation of the SDGs will need to build on existing country approaches with clear links to regional and global processes

- It will be important to establish clear accountability frameworks for INFFs at country level
- There should be a focus on results and the tracking of different flows of development finance and their impacts on SDGs; there should be consideration of climate change, gender and equity, social protection and poverty
- Monitoring should look at transparency of different flows; this will require availability and access to data and initiatives such as the International Aid Transparency Initiative should be utilized
- The focus on monitoring and accountability should be at country level, which should in turn inform processes at regional and global levels
- Monitoring frameworks need to have strong ownership and be contextualized at the country level
- It will be important to be attentive to the issue of developing new monitoring frameworks, and to focus on strengthening existing frameworks, thereby reducing transaction costs for countries
- Monitoring needs to have a strong results orientation, moving away from activity level monitoring
- Strengthening institutional capacity at the country level in the area of monitoring is critical; learning from the Paris Declaration monitoring process can be drawn upon

5. Country led regional platforms can help in aligning international commitments with country led priorities and in turn strengthening the international process based on country evidence

- Regional platforms have an important role to play in peer to peer support between countries, in knowledge sharing, in advocacy, and in providing a knowledge hub for countries to draw on in sourcing effective region-specific development solutions
- Regional platforms are uniquely placed to support countries to address regional issues with solutions from *within* the region, as first port of call
- Regional platforms have a great deal to contribute to evidence gathering and monitoring, potentially operating as regional 'observatories' to identify gaps and opportunities regarding resource flows within the region and to different countries
- Regional cooperation frameworks may be a key contribution to the reduction of illicit financial flows from the region
- Regional platforms will have to consider the challenge of coordinating and avoiding overlaps between different regional mechanisms

6. Strengthening South-South Cooperation as part of Integrated National Financing Frameworks can harness economic, social, technical, and other knowledge resources

- Asia and the Pacific, of all regions, has the most rapidly expanding flows of finance and knowledge through South-South Cooperation, complementing North-South flows
- As with other flows of development finance, SSC should be designed and provided in such a way as to strengthen country systems and enhance commitments to use them
- Regional platforms have an important role to play in encouraging the use of SSC as a modality and sharing learning on effective modalities across countries; they are well placed to foster learning and exchange of experience between countries on specific development finance flows that are of relevance to countries in the region such as remittances, and associated broader issues of migration
- Non state actors, including civil society and private sector, should be encouraged to participate in SSC
- Learning from GPEDC on aid and development effectiveness should be considered in the design and provision of SSC
- Triangular cooperation can be a strategic modality for cooperation where southern providers can work with other international development partners to bring together their expertise and resources