

## Realizing the *Addis Ababa Action Agenda* at Country Level: Using Development Finance to Achieve Country Results

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### Key Messages

At a regional forum hosted by the Asia Pacific Development Effectiveness Facility (AP-DEF), chaired by the Government of Bangladesh and supported by UNDP, the Government of Australia and Switzerland, over 50 delegates from 15 countries including Government, civil society, private sector, made recommendations on Realizing the Addis Ababa Action Agenda at Country Level and Using Development Finance to Achieve Country Results in Asia-Pacific.

This forum was the third in a series of dialogues facilitated by AP-DEF aimed at strengthening the links between the Sustainable Development Goals, the Financing for Development and Global Partnership for Effective Development Cooperation at the country level and took place less than a week after the agreement of the SDGs at the UN Sustainable Development Summit in New York.

Representatives from countries and experts shared insights from the usage of development finance to achieve the SDGs. They discussed the links between the management of different flows of development finance and the formulation and measurement of country results; the role of development finance assessments (DFAs) in establishing evidence and potential next steps for strengthening alignment of finance with country results frameworks; lessons earned from performance-based budgeting; approaches in developing results frameworks; reforms to strengthen linkages between planning and budget processes; and ways to improve country results frameworks and ensure greater alignment.

The workshop finished with an articulation of a forward looking agenda of country action, with support from the APDEF and the Global Partnership Initiative on Results and Accountability for a number of countries including, Bangladesh, Cambodia, Fiji, Lao PDR, Myanmar, Nepal, Philippines, Tonga, Vanuatu and Vietnam. The actions focused on ways in which to strengthen the linkages between finance and results. The AP-DEF as a regional platform for south-south will seek to further support these actions together with the Global Partnership Initiative on Results and Mutual Accountability.

### The Way Ahead: Key Issues to Address

Asia Pacific is an exceptionally diverse region, and issues vary widely. This diversity shows different policy contexts, institutional and coordination systems and government approaches for planning and budgeting. The following messages reflect the common issues identified by the participants.

- The Sustainable Development Goals, the Addis Ababa Action Agenda and the Global Partnership on Effective Development Cooperation all provide an unprecedented opportunity for achieving national development priorities. This opportunity will be realized if countries can integrate the implementation of these agendas within their own systems and process. Particularly important to this is strengthening the role of the national budget and its links with results.

- Political leadership is a key precondition to ensure overall policy coherence in the alignment of finance with country results. The definition of an affordable national response to the SDGs (and its internal prioritisations), the development of Integrated National Financing Frameworks across a range of institutions, and the implementation of the necessary reforms to manage or influence multiple finance flows (private/public, domestic and external) for sustainable development, will all require engagement and strong leadership.
- Significant institutional reforms will be needed to bring together policies for different development finance flows and national priorities and results frameworks. Several countries are currently undergoing reforms to: (i) strengthen the linkages between planning and budget processes across ministries, including at the sector level; (ii) develop new departments with mandates for the integrated management of development finance (for example ODA, climate finance, south-south cooperation and innovative finance).
- The different country experiences and the insights shared by experts during the workshop coincided to point out that the reforms that will be required are systemic and involve a wide range of areas, from public administration reforms to good governance and the strengthening of the management capacity of the central government and line ministries and sub-regional governments, to name some.
- Achieving institutional reforms will require effective change management. Three conditions for change will need to be addressed in tandem: Capacities will need to be built to ensure that institutions are *able to change* (e.g. data management; performance based budgeting approaches); performance incentives and reward structures should be put in place so that people *want to change*; and laws and policies (e.g. investment laws, NGO laws) will need to be established to ensure that institutions and staff *have to change*.
- It will be necessary to develop more advanced core government management capacities. Targeted, evidence-based policies and sound institutions will be preconditions to determine successful achievement of the SDGs. To improve core overall government management capacity it will be necessary to address several institutional and management challenges. A stronger move towards financing for results and performance based budgeting is necessary and will demand the revalorisation and higher-level integration of national planning and fiscal planning and budgeting. An effective dialogue among those responsible for planning and financing development will greatly enhance this process.
- The alignment of development finance with country results frameworks is a difficult task that will demand time. Governments will need to face this task with realistic short-term and medium-term plans and phased implementation approaches that can deliver incremental improvements to correctly manage overall expectations about this important outcome.
- Given the scale of the agenda of linking finance and results, entry points for initiating reforms, and sequencing of actions is required. On-going processes, such as institutional reforms in Ministries of Finance aimed at integrated management of ODA, climate finance and South-South Cooperation or high level multi-sectoral policy process, such as the development of Green Growth strategies, may provide good opportunities for governments to start these processes.
- An important challenge for governments will be to build on what is already available. Evidence and baselines will need to be established to inform strategies for moving forward. The Development Finance Assessments implemented in seven countries of the region have helped in this regard.
- Governments will need to develop comprehensive management information systems to adequately monitor financing for development and its impact on results, such as the SDGs. These systems should bring together available data regarding different sources of finance, which may be managed in a number of different departments, ministries and other non-governmental

institutions (private sector, NGOs). This data should be developed to produce the quality and timely information that is needed for management decision-making purposes and not just for statistical use.

- Governments need to develop a good understanding of the outflows and to have quantitative evidence to better understand (i) the tax revenue losses generated by trade mispricing and other tax evasion practices from private companies and (ii) the relative weight of the tax concessions that are given to attract business investment.
- Non-public flows present some of the highest challenges to governments: (i) has been proven to be very difficult to access and collate reliable data and evidence for many of these flows; (ii) the task of aligning private sector interests with country priorities is not always easy for governments as some of these flows undermine the SDGs; (iii) governments must be able to manage the social and environmental risks and opportunities that come with private sector development
- Domestic accountability is key to strengthening the links between finance and results. This both entails participation of key stakeholders (such as the private sector, CSOs and others) in the policy process as well as in the monitoring of performance, for example through key committees in parliament such as budget committees and the provision of the types of indicators that are meaningful for different stakeholders. A long term approach is needed to engage and sensitise members of parliament about the SDGs to ensure that support is continued as parliamentarians change
- As traditional ODA financing declines quantitatively, there is an increasing pressure for it to demonstrate its value addition. Countries articulated demand for ODA investments in public goods at regional (including in climate change, health pandemics, and regional infrastructure) and national levels (including social services and safety nets, clean air, water and the continued flow of ecosystem services, upon which economies and people depend).
- At the country level, ODA has an added value in supporting the development of core government capacities in areas that have multiplier effects on the impact of other sources of development finance. This includes, for example: improving public spending efficiency, developing effective PFM systems, increasing domestic tax mobilisation, improving use of sovereign natural resource funds, reducing illicit flows, and increasing internal accountability for performance and results based management. ODA could also have a catalytic role in the development of some flows such as public-private partnerships or trade, particularly where these flows lead to sustainable development.
- Increasing domestic revenue mobilization remains a challenge for many governments. There is room for improvement in overall taxation capacity and to introduce further reforms to the tax structure to tackle inequality and improve inclusive growth. This includes further implementation of progressive tax systems (and pro-poor and gender sensitive redistribution systems) and the gradual reduction of regressive tax structures that have disproportionate negative impacts. Strengthening the tax administration capacity, systems and procedures at the country level is a key factor that should be addressed.
- To ensure the sustainability of development results, special consideration should be given to the impact of climate change and external shocks on different flows of development finance – public, private as well as domestic and international. Financial resilience is an emerging issue that countries should incorporate in their strategies to improve the responsiveness of the country systems to shocks of various kinds.

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