Strengthening Development Co-operation: Synthesis of Country Implementation Efforts

Global Partnership for Effective Development Co-operation Steering Committee Meeting

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This document presents a brief synthesis of emerging in-country trends for implementing the principles of effective development co-operation and managing diverse co-operation and partnerships on the ground. It builds on 35+ country briefs prepared together with relevant national counterparts and UNDP Regional Service Centres / Country Offices.

This room document is shared with the members of the Steering Committee for their information. Please note that this document presents implementation efforts in addition to the work of the Global Partnership Initiatives, for which a separate status report has been shared with the Steering Committee.

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Background

The Global Partnership for Effective Development Co-operation (GPEDC) is a global, multi-stakeholder partnership that drives greater effectiveness, quality and impact for all types of development co-operation. In this context, the work of the GPEDC focuses on enabling stakeholders to implement effective development co-operation principles and supporting realisation of the 2030 Agenda through its focus on country-level impacts.

This synthesis note explores the findings from over 35 country briefs on effective development co-operation (2014-2015) as well as emerging narratives from several countries that have undertaken pilot Development Finance Assessments (DFAs) – supported by the Asia-Pacific Forum for Development Effectiveness. The note outlines key policy and institutional implications of the changing development co-operation architecture, based on a broad overview of how countries are addressing the growing need for development resources to be effectively mobilised; utilised and co-ordinated to achieve better results.

Policy and institutional implications of an evolving development co-operation landscape

In the context of a rapidly changing development co-operation landscape with increasingly complex financing modalities and stakeholder groups, developing countries face the mounting challenge of managing diverse resource streams while simultaneously maximising impact. This process underscores the need for enhanced co-ordination among a wide range of development partners (governments, multi-laterals, civil society, the private sector, foundations, etc.) and strengthened development planning processes that link the full range of available development resources to sustainable development results. In order to promote greater harmonisation among development actions and alignment with country priorities, effective national policy and institutional reforms, which enable systemic and coherent planning and management of resources and partnerships for sustainable development, are essential.

Country briefs on effective development co-operation (2014-2015) and the findings of DFAs in the Asia-Pacific region have highlighted key lessons for development co-operation in the Agenda 2030 era including the following:

- The Sustainable Development Goals (SDGs)' emphasis on integrated and comprehensive frameworks and an ever-greater diversity of development resources requires strong government leadership in order to make the best use of development co-operation and sustainable financing flows. To this end, it is essential to effectively co-ordinate all development actors and pool available resources to achieve sustainable development.

- To utilise all potential sources of financing / co-operation and align them with country priorities, there is a need for a 'whole of government approach' based on a holistic and integrated view of development frameworks and resources. Governments will need to work with integrated, strategic systems that are capable of providing decision-makers with a comprehensive view of all development resource options in order to utilise them more effectively. To this end, as called for in the

Addis Ababa Action Agenda, governments should develop more comprehensive **integrated national financing frameworks (INFFs)**.

- A stronger move towards Results-Based Financing is necessary and as such, **Country Results Frameworks (CRFs) should be enhanced** to incorporate other financing flows beyond public resources, with adequate incentives embedded to encourage private finance. In addition, higher-level integration of the national planning and budgeting processes is essential to link resources to national development priorities and results.

- Central to the move towards an integrated approach are effective **institutional reforms**, which will enable optimal utilisation and coherent management of all resources for the implementation of the SDGs at the country level.

- It is vital to **institutionalise and enhance mutual accountability and domestic accountability systems,** involving a wider range of stakeholders and development partners.

Diversifying the pool: how are countries mobilising multiple sources of financing?

The relative importance and purpose of Official Development Assistance (ODA) is changing.[i] The Country Briefs and DFAs conducted in the Asia-Pacific region highlight that ODA plays a strategic and catalytic role in many countries, for example, in forging post-aid development partnerships that go beyond financial transfers (Vietnam); mobilisation of other resources including through South-South Co-operation and public-private partnerships (PPPs) (Lao PDR); and the building of tax administration capacity for improved domestic resource mobilisation (Uganda).[ii]

In addition, the analytical works surveyed for this discussion paper highlighted the following trends:

- **Domestic public finance continues to expand with a number of countries undertaking measures to strengthen tax administration systems and taxation capacities.** Many countries are implementing policy frameworks that contribute to the increased mobilisation of domestic resources, providing a foundation for transformational development agendas (see Box 1).

Box 1: Using Effective Tax Reforms to Formalise the Informal Sector in Benin

The tax revenue to GDP ratio in Benin was estimated to be 16 per cent in 2012, attributed to the implementation of the IMF's Extended Credit Facility Programme and associated with the reform efforts at the level of the régies and the Port of Cotonou (structural benchmark co-operation providers), which aim to widen the tax base including through extending Unique Fiscal Identification Numbers (UFINs) and intensifying the tax administration's recovery efforts.

Moreover, the ongoing reforms of its tax system for SMEs are likely to continuously promote the formalisation of informal enterprises, which represent a major part of Benin's economy.1 A total of 424 enterprises have been formalised during a year-long pilot experiment, with the support of the World Bank Group, which led to the launch of the Statute of the Entrepreneur in May 2015. The new Statute significantly streamlines the legal system and has made it possible for companies to register and participate in capacity-building programmes free of charge (e.g. training courses in the areas of accountability, taxation, finance, etc.).

Source: Benin Country Brief, 2014.

- **There is also a growing interest in blended financing mechanisms, including Public-Private Partnerships (PPPs), to leverage additional private finance**. For instance, Kazakhstan has had success with PPPs, which attracted large foreign investment, eventually resulting in the modernisation of its public sector. The country's new *Programme for PPPs* includes the development of criteria to evaluate the effectiveness of PPP projects.

- The magnitude of resources required for the implementation of the SDGs is encouraging developing countries to implement strategies to mobilise greater domestic resources and attract private capital. **To this end, more countries are designing and implementing innovative development financing mechanisms as complementary sources of sustainable development financing.** As such, catalytic development co-operation interventions are in great demand, supporting countries in undertaking necessary reforms to adjust policy / institutional frameworks and harness the full potential of varied financial streams while ensuring their integrity and designing / implementing innovative partnership strategies. For instance, Mexico developed the 'Program 3x1' to channel remittances to high social impact projects (see Box 2)

Box 2: Mexico: A Targeted Remittance Program to Finance Human Development

Remittances wired from family members abroad represent a significant portion of capital flows for many developing countries today. To this end, in 2002, the government of Mexico created the Program 3x1 to leverage investments migrants make through community organisations. The first operation financed 329 social infrastructure projects and provided financial / technical assistance to 629. From 2007-2011, approximately 580 municipalities with poor infrastructure and basic social services benefitted from this program annually.1

Source: "Migration, Poverty and Human Development". Presentation by Luis F. Lopez-Calva, UNDP Latin America and the Caribbean. For more information please see: http://www.iadb.org/en/news/news-releases/2012-09-20/mexican-migrant-support-program-3x1,10117.html

How are countries optimising available resource flows through the localisation of effective development co-operation principles?

Effective development co-operation principles are being 'localised', including through the creation of policy and institutional frameworks for optimising development resources. This process has also supported governments and their partners in strengthening mechanisms for co-ordination and harmonisation. On the ground, the effective development co-operation principles are being localised in the following ways:

Through the GPEDC monitoring exercise

Monitoring the effectiveness of development co-operation through the GPEDC monitoring exercise has helped strengthen policy and institutional mechanisms for optimisation of development resources. Countries who participated in the first round of the GPEDC monitoring exercise reported positive contributions to strengthening inclusive co-assessment and dialogue processes for better policy / institutional frameworks, systems and tools. In the second round of GPEDC monitoring, even more countries are expected to participate, increasing from 46 in the first round (2013-2014) to 81 at the current stage of the second round (February 2016).

Through development of INFFs

Developing countries increasingly see **the need for more comprehensive and cohesive INFFs** through greater integration of planning, budgeting, monitoring and evaluation (M&E) and other relevant frameworks. In this context, a number of countries are reviewing and setting up comprehensive policy and institutional reform programmes on sustainable development issues.

Through establishment of systems / tools in support of an integrated approach

- **DFAs**, **as a diagnostic / management tool**, have facilitated the review of countries' policy and institutional frameworks in support of the development of INFFs and have led to: undertaking an institutional structural review (Bangladesh); thinking through financing the SDGs through Long-term Vision Financing Chapters (the Philippines); formulating new development co-operation policies (Papua New Guinea); informing the national development co-operation dialogue (Vietnam); and underscoring the revision of national aid effectiveness policy frameworks and broadening the scope of analysis beyond ODA (Lao PDR).

- **A number of countries are strengthening their CRFs** by incorporating results-based approaches into national development strategies with the systematic use of M&E frameworks. Against the backdrop of an increasing number of financing sources and actors, CRFs have a great potential to facilitate the effective localisation of the SDGs / effective development co-operation principles, **not only as a monitoring / planning tool, but also as an incentive system** for broader development actors.

- Among others, **budgeting is a core tool** which facilitates responsive development planning that integrates social, economic and environmental development objectives; enables the mainstreaming of the SDGs / effective development co-operation principles in country results frameworks (CRFs); promotes optimal public spending and incentivises private sector engagement; systematically connects monitoring results with fiscal planning; and supports resource mobilisation efforts. Many countries are already taking steps to counter significant capacity gaps for institutionalising results-based and coherent development frameworks / systems for realisation of the SDGs. For instance, Nepal, Indonesia and the Philippines incorporated climate change tagging in their budgeting system[iii] and in Cambodia and Thailand, sector ministries are in the process of integrating climate change impact assessments in their annual budget submissions.

- An increasing number of countries are setting up **integrated financial management information systems (IFMISs)** to better co-ordinate the work of government entities through digitising public financial management processes.

- In some countries, **integration is taking place between the IFMIS and aid information management system (AIMS)** for enhanced inter-operability, transparency and accountability (see Box 3).

Box 3: Integration of the AMP to IFMIS and Envisaged Link with Integrated Monitoring Information Systems (IPMISs) in Malawi

In an effort to gain a more complete picture of available resources, Malawi is currently in the process of integrating its Aid Management Platform (AMP) into its IFMIS. Work is underway to ensure clear identifiers for projects; data harmonisation; and importation of development budget data from the IFMIS to the AMP including stand-alone government-financed development projects as well as government contributions to foreign aid projects and expenditures of on-budget projects. The *Study of M&E report* recently released by the Malawian government supports a new vision for the M&E system of the country, based on an integrated web-based information system. Taking the whole-of-government approach, the Government of Malawi will inter-link its AMP and IFMIS with the integrated performance monitoring information system (IPMIS) and roll out a district resource envelope database that is accessible to the public.

Sources: (i) Malawi Country Brief, 2014; and (ii) State of M&E in Malawi: Report to Put Monitoring and Evaluation in the Driving Seat of Malawi's Development Agenda. Ministry of Finance, Economic Planning and Development of Malawi, December 2014.

Through modalities in support of harmonisation and alignment

In terms of aid delivery modalities, developing countries continue to promote the use of **programme-based approaches** as a way of co-ordinating and aligning development co-operation, including resources beyond ODA, for the increased implementation of national development priorities.

How are countries ensuring that development co-operation is making a difference?

Countries are continuously strengthening **aid co-ordination and dialogue platforms**. Drawing on its role as a convener of development co-operation stakeholder groups, UNDP has supported efforts to harmonise development efforts and align them with national priorities by strengthening government–led co-ordination mechanisms such as the Development Partners Group (Tanzania); the Development Assistance Group (Ethiopia); the national sectoral consultation (Gambia); the Round Table Process (RTP) (Lao PDR); and the dialogue mechanisms around aid (Haiti).

Beyond aid co-ordination, countries are exploring ways to **institutionalise more robust and symmetrical mutual accountability frameworks**. GPEDC monitoring has played a catalytic role in supporting these efforts through its focus on the quality and effectiveness of development co-operation, with many countries citing the GPEDC monitoring framework as an aid to defining key areas of focus.

Furthermore, some countries have started to **include providers of other financing flows beyond ODA and non-executive stakeholders** into their mutual accountability frameworks and systems. For instance, Rwanda's DPAF is currently being revised to incorporate the monitoring of development financing sources other than ODA (such as those of private foundations).

Conclusion

There is a wealth of country-led effort to operationalise the principles of effective development cooperation, building on previous efforts to strengthen aid management policy frameworks, reinforce institutional setting, and develop systems to track ODA at the country level. In the spirit of a revitalised global partnership that brings together all development actors to support the universal Agenda 2030 for Sustainable Development, a number of countries are currently exploring various ways to mobilise and utilise development resources and track their impacts. These efforts aim to strengthen domestic enabling environments, which will allow for maximum impact through integrated policies, institutions and instruments. A shift to such coherent and integrated systems requires adequate policy, institutional, technical and financial capacities across all sectors – public, private, domestic and external – fueled by long-term investment, sustained political will and continuous engagement from all development actors.

i Where ODA accounts for less than 5 per cent of GNI.

ii UNDP (2015). *Dealing with Complexity: How Governments are Managing Financing for Sustainable Developmen*t. UNDP New York, p. 6.

iii For more information about climate change tagging, please refer to the following UNDP publication: *Climate Budget Tagging, Country-driven Initiative in Tracking Climate Expenditure*, July 2015.