Strengthening Development Co-operation in Support of the 2030 Agenda for Sustainable Development

UNDP Discussion Paper

November 2015
## Abbreviations and Acronyms

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>AIMS</td>
<td>Aid Information Management System</td>
</tr>
<tr>
<td>AMP</td>
<td>Aid Management Platform</td>
</tr>
<tr>
<td>CRF</td>
<td>Country Results Framework</td>
</tr>
<tr>
<td>CSO</td>
<td>Civil Society Organisation</td>
</tr>
<tr>
<td>DAD</td>
<td>Development Assistance Database</td>
</tr>
<tr>
<td>DFA</td>
<td>Development Finance Assessment</td>
</tr>
<tr>
<td>ERD</td>
<td>Economic Relations Division</td>
</tr>
<tr>
<td>FDI</td>
<td>Foreign Direct Investment</td>
</tr>
<tr>
<td>GBS</td>
<td>General Budget Support</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>GNI</td>
<td>Gross National Income</td>
</tr>
<tr>
<td>GPEDC</td>
<td>Global Partnership for Effective Development Co-operation</td>
</tr>
<tr>
<td>IATI</td>
<td>International Aid Transparency Initiative</td>
</tr>
<tr>
<td>IFMIS</td>
<td>Integrated Financial Management Information System</td>
</tr>
<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
</tr>
<tr>
<td>INFF</td>
<td>Integrated National Financing Framework</td>
</tr>
<tr>
<td>IPMIS</td>
<td>Integrated Performance Monitoring Information System</td>
</tr>
<tr>
<td>LIC</td>
<td>Low Income Country</td>
</tr>
<tr>
<td>M&amp;E</td>
<td>Monitoring and Evaluation</td>
</tr>
<tr>
<td>MAF</td>
<td>MDG Acceleration Framework</td>
</tr>
<tr>
<td>MDG</td>
<td>Millennium Development Goals</td>
</tr>
<tr>
<td>NCC</td>
<td>National Competitiveness Council</td>
</tr>
<tr>
<td>ODA</td>
<td>Official Development Assistance</td>
</tr>
<tr>
<td>OECD</td>
<td>Organization for Economic Co-operation and Development</td>
</tr>
<tr>
<td>PANED</td>
<td>National Action Plan for Development Co-operation (Burkina Faso)</td>
</tr>
<tr>
<td>PAP</td>
<td>Programme Aid Partners</td>
</tr>
<tr>
<td>PBA</td>
<td>Programme Based Approaches</td>
</tr>
<tr>
<td>PEIR</td>
<td>Public Expenditure and Institutional Review</td>
</tr>
<tr>
<td>PFM</td>
<td>Public Finance Management</td>
</tr>
<tr>
<td>PPP</td>
<td>Public-Private Partnerships</td>
</tr>
<tr>
<td>RTP</td>
<td>Round Table Process</td>
</tr>
<tr>
<td>SAGSD</td>
<td>Strategy for Accelerated Growth and Sustainable Development</td>
</tr>
<tr>
<td>SDG</td>
<td>Sustainable Development Goals</td>
</tr>
<tr>
<td>SIDS</td>
<td>Small Island Developing States</td>
</tr>
<tr>
<td>SME</td>
<td>Small and Medium-Sized Enterprises</td>
</tr>
<tr>
<td>SSC</td>
<td>South South Co-operation</td>
</tr>
<tr>
<td>TrC</td>
<td>Triangular Co-operation</td>
</tr>
<tr>
<td>UFIN</td>
<td>Unique Fiscal Identification Number</td>
</tr>
<tr>
<td>UNDP</td>
<td>United Nations Development Programme</td>
</tr>
<tr>
<td>USD</td>
<td>United States Dollar</td>
</tr>
</tbody>
</table>
I. Introduction

The 2030 Agenda for Sustainable Development is an ambitious, transformative agenda that aims to ensure better long-term prospects for people and the planet. Making this agenda a reality will require a significant increase in global development resources; changes in the way existing resources are prioritised and utilised; and a paradigm shift in the way that development stakeholders co-operate and work together.

Against this backdrop, the purpose of this UNDP Discussion Paper is to review the policy and institutional implications of the changing international development co-operation architecture and the potential role of UNDP (Section II), based on a broad overview of how countries are addressing the growing need for development resources to be effectively mobilised (Section IV), utilised (Section V) and co-ordinated to achieve results (Section VI). The observations made in this brief are limited to 32 Country Briefs submitted by UNDP Country Offices in 2014-2015¹ (please see endnote for comprehensive list). This paper also draws on the results of Development Finance Assessments², which were undertaken in seven countries in the Asia-Pacific region – Papua New Guinea, the Philippines and Vietnam (completed); and Bangladesh, Fiji, Lao PDR and Myanmar (underway).

II. 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.

As levels of public and private funding intensify at the country-level, coupled with diverging modalities and types of international development finance, the need for integrated approaches to managing resources for sustainable development is increasingly apparent. Addressing this challenge requires strong government


² Development Finance Assessments (DFAs) have been developed by UNDP since 2011 in the context of the Asia-Pacific Development Effectiveness Facility. DFAs provide a tool not only for mapping existing and potential flows of development finance but also for stimulating dialogue around reforms that may be necessary to use development finance in a coherent way across government and strengthen the linkages between resources and national priorities / results. Conducting a DFA can support the development of INFFS at the country level by mapping existing and potential flows of development finance, considering necessary policy and institutional frameworks and linkages with the financing of the SDGs.
leadership to make the best use of development co-operation and sustainable financing flows as the role of holistic development planning and strategic budgeting processes play a key role in promoting greater harmonisation among development interventions and alignment with country priorities. To this end, effective national policy and institutional reforms, requiring technical innovation and new institutional capacities, are essential.

Over the last decade, guided by the principles of effective development co-operation agreed in international fora, UNDP has supported more than 60 countries in their efforts to efficiently manage aid flows. UNDP’s own experiences at the country level, coupled with on-the-ground feedback from country briefs and the findings of DFAs in the Asia-Pacific region, have highlighted key lessons for development management as countries embark on efforts to implement the 2030 Agenda, including the following:

• 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 should work with integrated, strategic systems that are capable of providing decision-makers with a comprehensive view of all development resources in order to to utilise them more effectively. To this end, as called for in the Addis Ababa Agenda for Action (AAAA), governments should develop more comprehensive integrated national financing frameworks (INFFs).

• A stronger emphasis on Results-Based Financing is necessary, and to this end, Country Results Frameworks (CRFs) should be enhanced to incorporate other financing flows beyond public resources, with adequate incentives to encourage private finance. Higher-level integration of 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 institutionalize and enhance mutual accountability and domestic accountability systems, involving a wider range of multi-stakeholder development partners.

With its long-standing experience in capacity development, UNDP is well-positioned to play a catalytic role in ensuring that such responses to sustainable development challenges are based on an integrated and system-wide approach. This includes supporting countries in reforming and enhancing their budgeting frameworks / systems to make better connections amongst goals, resources, results, partnerships and incentives, including through inter-ministerial co-ordination and multi-stakeholder approaches.

To better respond to the growing and diversified needs of developing countries to effectively localise and implement the 2030 Agenda for Sustainable Development, UNDP support will consider the following four strategic areas:

1. Understanding the totality of available resources for sustainable development from four main financing streams (domestic, international, public and private) with DFAs as a diagnostic tool;
2. Establishing / strengthening of an integrated information management system that increases the overall inter-operability of information on development financing;

3. Implementing institutional and policy reforms for coherent management of development resources. This may also include strategic budget reforms, through implementing Public Expenditure and Institutional Reviews (PEIRs) to identify essential budget allocations for varied issues related to the SDGs, in order to better prioritise investment for sustainable development and enhance the accountability and responsiveness of budgets; and

4. Inclusive mutual and domestic accountability frameworks and integration of monitoring that focuses on the quality of financing into countries’ national monitoring frameworks (the GPEDC monitoring framework as a process to support holistic CRFs and inclusive policy review and dialogue for linking resources to results).

III. How is the global development architecture evolving in regards to development co-operation?

The development co-operation landscape is increasingly complex and dynamic. All types of financial flows – public, private, domestic and international – have increased since 2002, with domestic revenue representing the greatest jump at 14 per cent average annual growth since 2000. While ODA by volume reached an all-time high in 2013, according to the latest OECD data, aid to the poorest countries has continued to fall. Global levels of country programmable aid are projected to remain stable up to 2018,
while the Small Island Developing States (SIDS) are expected to experience continued aid stagnation until 2018, calling for special attention given SIDS’ structural vulnerability and high exposure to global environmental challenges and economic shocks. In tandem, international private finance to developing countries shows rapid growth, mainly driven by the increase of Foreign Direct Investment (FDI), equity flows, and remittances. Equally, according to some estimates, South-South Co-operation (SSC) has more than doubled between 2006-2011, while private aid has also grown to an estimated USD 60-70 billion annually.

In parallel with these diversifying streams, modalities of development finance are evolving. While the diversification of development co-operation instruments may serve varied policy objectives for both development providers and programme countries based on their respective political economies – with some cases contributing to the improved flexibility and responsiveness of development co-operation – there is a pressing need to better manage increasingly fragmented aid and a wider range of development sources at the country level.

On 25 September 2015, leaders from 193 countries adopted the historic 2030 Agenda for Sustainable Development. However, as additional investment required for full implementation of ‘sustainable development’ scenarios would be USD several trillion annually, making this new sustainable development agenda a reality will require not only a significant increase in resources, but also a fundamental paradigm shift – from North-South to multi-directional and de-centralised co-operation – where multiple actors, including non-state stakeholders within and across borders, are adequately incentivised and enabled to implement the SDGs in a coherent manner and as equal partners.

IV. How are countries mobilising multiple financing sources?

The relative importance of ODA (see Figures 1-2 below) as well as the purposes of ODA are changing, particularly in countries where ODA accounts for less than 5 per cent of GNI. The UNDP 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).

---

Figure 2: External finance (2000-2011)

Total external financial resources include bilateral ODA, OOF, private grants, private flows at market terms, remittances from DAC countries and concessional and non-concessional outflows from multi-lateral agencies. From 2005 onwards, private grants are based on estimates from the Hudson Institute’s Centre for Global Prosperity, which uses a more generous definition than DAC statistics, including, for example, the imputed value of volunteer time.

(Source: OECD, “THE WHERE” OF DEVELOPMENT FINANCE: Towards Better Targeting of Concessional Finance 2013)

Figure 3: Relative importance of ODA in the Asia-Pacific

(Source: UNDP, Asia-Pacific Effective Development Co-operation Report 2014)
Domestic public finance continues to expand with a number of countries undertaking measures to strengthen tax administration systems and taxation capacities. Many countries have implemented policy frameworks that contribute to the increased mobilisation of domestic resources, providing a foundation for transformational development agendas. For example:

- Through prudent fiscal policy and improved tax administration systems, Ethiopia doubled its tax revenue in FY 2012/13 from the prior fiscal year.
- El Salvador increased tax revenue by almost 2 per cent of GDP in 2008-2013 through modifying tax rates; simplifying the tax system; and enhancing tax administration.
- To counter tax evasion, Togo integrated tax services with customs administration and adopted a direct tax collection system in partnership with banks, which significantly reduced operational costs and increased tax revenue by 23 per cent.
- Uganda, implementing the innovative Revenue Authorities Digital Data Exchange and E-Tax through basket funding arrangements, showcases the catalytic role ODA can play in enhancing tax administration capacity.

Despite progress in some countries, however, challenges remain. The average tax-to-GDP ratio in low-income countries (LICs) remains only thirteen per cent compared to 35 per cent in OECD / DAC countries.11

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. This is attributed to the implementation of the IMF’s Extended Credit Facility Programme, associated with the reform efforts at the level of the régies and the Port of Cotonou (structural benchmark co-operation providers), which aims to widen the tax base including through extending Unique Fiscal Identification Numbers (UFINs) and intensifying the tax administration’s recovery efforts.

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 has 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.). Starting in January 2016, Benin plans to introduce a more simple and fair taxation system.


---

Governments are increasingly taking measures to create an enabling environment for private sector engagement in development co-operation. For instance:

- Vietnam has successfully attracted a high volume of FDI through the introduction of new laws to improve its policy and institutional frameworks and to reform its public administration.
- Togo established the Presidential Investment Council to amplify efforts to attract more long-term investment for sustainable development. The Togo Investment Corporation also makes investments in companies and uses its asset share to mobilise domestic private finances.
- Jamaica focuses on strengthening the private sector including small and medium enterprises (SMEs) through improving relevant policy / institutional frameworks to support the sustained development of SMEs and enhance their access to funding and technical assistance.

There is also a growing interest in blended financing mechanisms, including PPPs, to leverage additional private finance. For instance:

- Kazakhstan has had success in 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.
- Gambia set up the PPP Directorate to incentivise private investment and enhance its implementation capacities for PPP projects.
- Through the use of PPPs, Vietnam has seen large in-flows of private capital, including for non-extractive sectors such as the manufacturing sector as well as sustainable infrastructure development.

**Private-Sector Engagement: Making a Difference in the Philippines through Dedicated Public-Private Dialogue Platforms**

The Philippines benefits from an environment conducive to participation and dialogue. The country’s consultation process is embedded in the National Constitution, providing a strong basis for its readiness to host, create and sustain a dialogue process between public and private sector actors. Recognising the value of a structured approach to dialogue with the private sector, in 2006 the government of the Philippines set up the National Competitiveness Council to, ‘promote a more competitive Philippines and instil a culture of excellence through public-private sector collaboration as a means to reduce poverty through inclusive growth’. Despite financial constraints, the NCC has provided efficient support to its members, particularly through 15 issue-specific working groups. The NCC also reports some impact in reforming guidelines and procedures to improve competitiveness. Further progress is needed to ensure that the private sector has the capacity and motivation to engage effectively and the government is able to adapt policies and institutions to accommodate the private sector’s contributions and innovative capacities.
Countries are increasingly placing emphasis on South-South Co-operation (SSC) and Triangular Co-operation (TrC). A number of countries are exploring an integrated approach for managing SSC / TrC as part of overall development co-ordination efforts. For instance:

- In Bangladesh, the Economic Relations Division of the Ministry of Finance is taking measures such as bringing SSC under a development co-operation policy framework with a revised foreign aid policy; and integrating management of SSC as a part of the overall development co-ordination machinery through establishing a new development effectiveness wing of the ERD.
- An integrated approach for managing SSC / TrC is also being explored in donor / recipient countries in an effort to scale up co-operation. For example, Kazakhstan is strengthening its policy and institutional frameworks for development co-operation, including by establishing a national development co-operation agency and formulating its ODA policy to articulate bi-lateral ODA strategies that prioritise sectors and countries where the country can add value.
- El Salvador has established a fund that assesses and facilitates the implementation of SSC projects where the country is a provider of technical assistance with a view to enhancing systematic sharing of their SSC.

**Targeted Remittance Program in Mexico 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, the government of Mexico created the Program 3x1 in 2002 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

Sources: "Migration, Poverty and Human Development". Presentation by Luis F. Lopez-Calva, UNDP Latin America and the Caribbean

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, Ghana is currently undertaking a review of its development co-operation framework to integrate management of private development financing as well as philanthropic co-operation.

V. How are countries optimising available resource flows through localising the effective development co-operation principles?

Effective development co-operation principles are being 'localised' through the creation of policy and institutional frameworks for optimising development resources. These efforts include: (i) ensuring a better understanding of the financing and co-operation landscape at the country level; (ii) strengthening the
functionality of information / data management systems; (iii) developing a more comprehensive and coherent development planning and monitoring system; and (iv) strengthening the use of programme-based approaches and other modalities for increased harmonisation. This has also supported governments and their partners in strengthening mechanisms for co-ordination and harmonisation.

**Pursuing Integral Strategies for Localising the Busan Principles in Myanmar**

ODA flows to Myanmar have increased rapidly - from USD 870 million in 2011 to USD 4.7 billion in 2013 – and against this backdrop of an exploding aid arena, the effective development co-operation principles are being ‘localised’. In January 2013, the government of Myanmar and development providers signed the ‘Nay Pyi Taw Accord for Effective Development Co-operation’, with the aim of strengthening country ownership over the aid agenda and substantial progress has been made to operationalise the Accord. For example, aid co-ordination mechanisms have been enhanced including through bi-monthly meetings between the government and development providers and a Development Co-operation Forum is held semi-annually, supported by 17 Sectoral Working Groups. Myanmar has also seen increased engagement by local CSOs and the private sector in its policy dialogue on development co-operation, with the last Development Co-operation Forum including local CSOs and the private sector as panelists for the first time.

The country has learned the importance of locally-owned policies informed by quality data and inclusive consultations, as well as optimal use of finances based on the comprehensive assessment of cross-border flows and available resources. To this end, with the support of UNDP, a DFA (Phase I) is currently being undertaken in Myanmar to better define the pattern and nature of various resource in-flows over the last four years, including at sub-national and sectoral levels. This exercise constitutes an important step towards an integrated picture of all financial flows, which will help the country in developing strategies to finance development goals – such as the goal to graduate from Least Developed Country (LDC) status – more effectively.

Sources: Presentation by Mr. Tun Tun Naing, Permanent Secretary of the Ministry of National Planning and Economic Development at the Myanmar Workshop on Monitoring Indicators for Effective Development Co-operation, held 19-20 October 2015.

**Toward a better understanding of the financing and development co-operation landscape**

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 the financing of 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).

Source: UNDP, Asia-Pacific Development Effectiveness Facility:
**Strengthening systems and tools for information and data management**

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 (PFM) processes. For instance:

- Ghana’s IFMIS (GIFMIS) is incorporated into the country’s budget management system and the government is currently developing mechanisms to integrate the aid and debt management systems as well.
- The PFM Programme of Zambia aims to develop an IFMIS with a single treasury account that is result-based.
- Moldova’s national development strategy is well-linked to its Medium-Term Budgetary Framework and sixteen Sector Expenditure Plans, making the budgetary planning more ‘realistic’ and resource allocation better aligned with national priorities.

In some countries, integration is taking place between the IFMIS and AIMS for enhanced interoperability, transparency and accountability. For example:

- Through the automatic exchange of data, the Development Assistance Database of Rwanda is currently being incorporated into its IFMIS. The country aims to: (i) link the DAD and IFMIS for better integration of ODA into the national budget; (ii) capture ODA in-flows from international NGOs in-country by establishing an international NGOs database as a registration platform (which will be linked to the DAD by 2015); and (iii) integrate the IATI standard into the DAD’s data fields and reporting procedures.
- Bangladesh and Myanmar have also taken steps to ensure that IATI data can be automatically integrated into their AIMS.

**Comprehensive and cohesive development planning, budgeting and monitoring processes**

Developing countries increasingly see the need for developing 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. For instance:

- In Bangladesh, the Ministry of Finance, has established the integral Climate Fiscal Framework.
- Similarly in Cambodia a number of ministries established the Climate Change Financing Framework.  
- Mozambique is also moving into the ‘planning phase’ of its integrated financial management system, which could possibly lead to the development of a more comprehensive INFF.

---

12 Substantive inputs from the UNDP Regional Service Centre for Asia and the Pacific.

---

12 Strengthening Development Co-operation in Support of the 2030 Agenda for Sustainable Development
**MDG Acceleration Framework (MAF)**

The MAF successfully promoted the effective use of development resources and integration of their management into national development processes to implement the MDGs. Anchored on national priorities and built upon existing country knowledge and experiences as well as coherent and co-ordinated policy and planning processes, the MAF also helped to mobilise resources, promote mutual accountability of all partners, and overall support the efforts needed to reach the MDGs by 2015. An important aspect of the MAF is that it also encouraged regional and global collaboration with development partners (e.g. MDG Summit follow up conference in Tokyo, EU Fund to support MDG Acceleration etc.), ensuring that the multi-lateral system gave full support to MDG acceleration in an effective manner. Lessons learned from the MAF can inform further efforts for a coherent policy and institutional framework.

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 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.

- In Burkina Faso, progress in implementing the Accelerated Growth and Sustainable Development Strategy is monitored annually through a matrix of performance results with the participation of technical / financial partners, CSOs and the private sector.
- Cambodia uses a single country-led process to promote and monitor development effectiveness, which is connected to both national planning processes and results frameworks. The country’s development co-operation and partnership strategy has identified key outcomes / outputs for development co-operation, in line with Cambodia’s strategic development plan, using some of the GPEDC monitoring indicators to assess the extent to which development co-operation is facilitating maximum impact toward reaching development goals.

**Integration of AMP to IFMIS and Envisaged Link with Integrated Monitoring Information System (IPMIS) in Malawi**

With a ‘one-stop government’ approach, Malawi is currently in the process of integrating its 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 is supporting 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 envisages to 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.


**Budgeting is a core tool** to facilitate responsive development planning that integrates social, economic and environmental development objectives; enable the mainstreaming of the SDGs / effective development co-operation principles in country results frameworks (CRFs) that promote optimal public spending and incentivise private sector engagement; systematically connect monitoring results with fiscal
United Nations Development Programme

planning; and support 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 and in Cambodia and Thailand, sector ministries are in the process of integrating climate change impact assessments in their annual budget submissions.

**Strengthened Programme-Based Approaches and other modalities for increased harmonisation and alignment**

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

- In Mozambique, General Budget Support has been instrumental in providing development actors the opportunity to discuss relevant development co-operation policies and the country aims to strengthen a programmatic approach for co-ordinating project modalities.
- Malawi reinforced the use of PBAs in its latest development co-operation strategy (Development Co-operation Strategy for Malawi for 2014-2018), emphasising the contribution of PBAs in improving alignment of development co-operation with its overarching development agenda.
- In Lao PDR, the Vientiane Declaration calls for the adoption of PBAs to improve the effectiveness of its development co-operation. 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.

**Lessons Learned from Cambodia’s use of PBA**

PBAs continue to be a principal tool for implementing the country’s Partnership Strategy and a preferred approach for managing external co-operation. After four years of implementing PBAs, the country noted the following key lessons learned:

- PBAs require effective government leadership and should be based on a coherent sector strategy;
- PBAs work best where there exists sufficient technical capacity in the lead government ministry / agency with an initial focus on strengthening planning, partnerships and monitoring;
- Enhanced communication / transparency are key to achieve results; and
- The importance of joint capacity assessments and collaborative efforts to strengthen relevant systems in line with core public-sector reform programmes for sustained management of PBAs; and use of results-based approach / monitoring frameworks to guide resourcing / dialogue around the common agenda.

Source: Cambodia Country Brief 2014

---

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.
Pooled disbursement arrangements, one of modalities within the programmatic approach, play a crucial role in improving the predictability and alignment of development co-operation, while minimising transaction costs. The demand for pooled financing mechanisms has grown substantially over the last decade in the context of increasing fragmentation, earmarking, complexity and volatility of aid\textsuperscript{14}. This underscores the need for more coherent multi-lateral co-operation, which is acknowledged throughout the 2030 Agenda.

In Ethiopia, where the five largest pooled funds account for over one quarter of the country’s ODA, the government promotes the use of pooled funding as it serves to strengthen existing country systems; enhance national capacities through dedicated resources; and facilitates harmonisation / alignment efforts. As this instrument has been popular, particularly in transitional and humanitarian financing, the New Deal\textsuperscript{15} outlines strong international commitments to ‘increase the proportion of funds for capacity development through jointly administered and funded pooled facilities’. While further efforts are needed to strengthen the systems of programme countries, it is vital for policy-makers to develop contextualised measures to incentivise behavioural changes and address the reluctance of providers to use pooled funding mechanisms.

Evidence shows that countries are increasingly localising the effective development co-operation principles, aiming to connect available resources to local ownership, multi-stakeholder partners, implementing capacities and results. In order to effectively link national planning, budgeting, financing, M&E and other related functions with the holistic use of available financing streams, development of INFFs and corresponding management systems / capacities are essential. In several countries, integration of relevant systems to enhance institutional co-ordination and inter-operability (e.g. AIMS into IFMIS) is already taking place. Development co-operation has a strategic role to play in this process, by supporting programme countries in developing and implementing cohesive policy and institutional frameworks and public financial / debt management systems that integrate IFMIS / AIMS / IATI and other aid modalities to help them make the most of available resources and exploit synergies across all SDGs.

VI. 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 multiple 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 symmetric mutual accountability frameworks. GPEDC monitoring has played a catalytic role in supporting these efforts with 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. For example:

- In Malawi, the GPEDC monitoring framework influenced the key principles and priorities of its new Development Co-operation Strategy (DCF) as a core element of strengthening its mutual accountability system.
- In Cambodia, the first round of GPEDC monitoring incentivised providers to reform aid delivery practices; strengthened aid management capacities; and facilitated dialogue based on the monitoring outcomes.
- Similarly, based on the 2013-2014 GPEDC monitoring outcomes, Benin recently introduced reforms to modernise its PFM system and incentivise providers to use GBS modality.
- Mozambique undertakes regular assessments of individual providers through inclusive dialogue mechanisms.
- Rwanda has developed an annual assessment mechanism for development providers (DPAF), drawing from the Paris and Busan principles as well as the Division of Labour (DoL) arrangements, which have been instrumental in incentivising the behavioural changes of development actors.

Globally, the results of the 2011 Mutual Accountability Survey show that thirteen countries (Afghanistan, Albania, Benin, Burkina Faso, Cambodia, Lao PDR, Moldova, Mozambique, Pacific Islands, Rwanda, Senegal, Tanzania and Vietnam) met all of the three assessed targets including the existence of (i) an aid policy; (ii) provider targets and (iii) regular analysis of providers.

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).
- Benin’s aid policy includes targets for individual providers and processes for co-monitoring and co-evaluation with the participation of local authorities and other non-executive stakeholders.
• Cambodia, Lao PDR, Papua New Guinea and Vietnam have revised or are in the process of revising their partnership strategies to go beyond aid and include a broader range of financing sources, actors and approaches.
• In the cases of Bangladesh and Fiji, governments have brought together the management of different financing mechanisms (e.g. ODA, climate financing and SSC) with the aim of enhancing coherence and synergies.

In addition to enhancing results frameworks, aid coordination / dialogue platforms and mutual accountability frameworks, a number of countries are adopting co-designing processes through multi-stakeholder dialogue as an integral part of policy and institutional reforms, recognising the growing importance of strengthening domestic accountability based on a strong social contract. For instance:

• Ethiopia and Burundi developed and endorsed a national sector plan and development strategy, respectively, through inclusive co-designing and participatory consultation processes.
• El Salvador has put in place a process for co-designing of the national decentralised co-operation strategy.17
• Benin, Kenya and the Philippines are fostering private sector engagement through formal public-private dialogue platforms).
• Ghana has created forums to improve dialogue with CSOs.
• Vietnam has utilized technical co-operation to catalyse multi-stakeholder engagement in M&E processes.
• In Burkina Faso, the participatory M&E of Busan indicators is undertaken annually by a multi-stakeholder group.

**Private-Sector Engagement: Making a Difference in the Philippines through Dedicated Public-Private Dialogue Platforms**

The Philippines benefits from an environment conducive to participation and dialogue. The country’s consultation process is embedded in the National Constitution, providing a strong basis for its readiness to host, create and sustain a dialogue process between public and private sector actors. Recognising the value of a structured approach to dialogue with the private sector, in 2006 the government of the Philippines set up the National Competitiveness Council (NCC) to, ‘promote a more competitive Philippines and instill a culture of excellence through public-private sector collaboration as a means to reduce poverty through inclusive growth’. Despite financial constraints, the NCC has provided efficient support to its members, particularly through 15 issue-specific working groups. The NCC also reports some impact in reforming guidelines and procedures to improve competitiveness. Further progress is needed to ensure that the private sector has the capacity and motivation to engage effectively and the government is able to adapt policies and institutions to accommodate the private sector’s contributions and innovative capacities.

---

17 The goal of design thinking (co-design) is to equip governments with innovative approaches to face contemporary challenges such as inter-connected and diffused economic and social patterns, more complex problems, blurred governance boundaries, and reduced trust in public action. An increasing number of governments are or envisage using design approaches to innovate and co-create public policy interventions with professionals, the private sector, civil society representatives, third sector organisations and citizens. In design thinking, stakeholders are called upon to play a responsible, active and constructive role in shaping decisions. For more information, see: UNDP Global Centre for Public Service Excellence. 2014. *Design Thinking for Public Service Excellence*. Singapore: UNDP, 4-5.
18 This was supported by the UNDP ART Global Initiative. Articulation of Territorial Networks for Sustainable Human Development (ART) is a global UNDP programme that promotes sustainable human development (SHD) at the local level.
In line with the effective development co-operation principles, countries are embarking on efforts to enhance results, harmonisation of development efforts and alignment with national priorities. However, more work is needed to further consolidate development co-operation efforts among an increased number of actors and incentivise desired behavioural changes, including through supporting countries to institutionalise context-specific and SDG-based CRFs and robust mutual accountability frameworks. With the growing complexity and interlinkages of development challenges and quickly diversifying resource streams, more countries now recognise the importance of strong consensus-building and engagement processes with multi-stakeholder partners for broad-based country ownership. Moving forward, UNDP can play a catalytic role in supporting these co-designing processes, including through further country-level support and the facilitation of the GPEDC monitoring process.

VI. Conclusion

Faced with the sheer magnitude of financing needs for sustainable development, a number of countries are currently exploring various ways in which to mobilise and utilise development resources as well as track their development impacts. More attention is needed to create domestic enabling environments, which will allow maximum development impact by all relevant actors 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. This will require long-term investment, sustained political will and fundamental change in the mindsets of all development actors.

References

Acknowledgements

This Discussion Paper was authored by Sumi Han under the guidance of Yuko Suzuki Naab. Special thanks to Thomas Beloe, Orria Goni, Gail Hurley, Artemy Izmestiev, Derek Kilner, Marjolaine Nicod, and Patrick Tiefenbacher, who provided valuable inputs to this Discussion Paper. Anna Whitson provided editorial support.

Contact Information:
Yuko Suzuki Naab: yuko.suzuki@undp.org
Global Policy Adviser, Effective Development Co-operation
Development Impact Group (DIG)
Bureau for Policy and Programme Support (BPPS)
United Nations Development Programme

www.undp.org/ourwork/development-impact