A GPEDC Monitoring Framework Fit for Purpose:
Delivering effective development cooperation in support of *Agenda 2030*

Assessing the Current Indicator Framework:
A compendium of MAG advice on the ten indicators (Annex Six)

Presented to:

The Steering Committee and Co-Chairs of the Global Partnership for Effective Development Cooperation

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Introduction to MAG Indicator Review Process

In 2015 the GPEDC Co-Chairs and Steering Committee created and sought the advice of the Monitoring Advisory Group (MAG) on the continued relevance and usefulness of the 10-indicator GPEDC monitoring framework, following two rounds of country-level monitoring. The detailed methodologies and definitions for each indicator is set out in the 2015 Monitoring Guide, prepared by the Joint Support Team.

The MAG initiated a detailed review process of the current indicators at its February 2016 meeting. Following this meeting, the MAG launched a consultation with the GPEDC constituencies on its draft proposals. The contributions from the MAG indicator consultation can be found here. The MAG reviewed all contributions and revised its advice accordingly at its June 2016 meeting. This report is based on the outcomes of this meeting.

The MAG established three criteria for examining each indicator:

- The continued relevance of the indicator (in light of the SDGs and *Agenda 2030*);
- The effectiveness and efficiency of the methodology at a practical level in gathering data; and
- The usefulness of the indicator for on-going engagement of GPEDC stakeholders.

The MAG also examined possible new indicators and issues related to the overall structure of the monitoring framework. These proposals are described in the MAG's Final Report.

A revised monitoring framework for the GPEDC will be developed and finalized by the GPEDC Joint Support Team in 2017, with a mandate from the Nairobi High Level Meeting, which is scheduled for late November 2016. At the July 2016 Steering Committee meeting the MAG proposed some principles to guide work in finalizing a monitoring framework (see Exhibit Two in the final report). These suggestions were based on its review of the current indicators and the preliminary feedback from the second round of monitoring.

The MAG provides an analysis of each indicator with some recommendations for improvement in this Annex. It observations and recommendations are the result of deliberations over the past year; however, they are not intended as the definitive way forward. The expectation is that they can be, and will be developed further, based on the outcome of the High Level Meeting and further reflections by the Global Partnership in 2017.

Further comments on the MAG indicator proposals and its final report are welcome. They can be submitted to the MAG Chairperson, Brian Tomlinson (brian.t.tomlinson@gmail.com) or to the Joint Support Team (Alejandro.GUERRERO-RUIZ@oecd.org).

Links to Indicator Proposals

Indicator One: Alignment for country ownership and results

Development co-operation is focused on results that meet developing countries' priorities.

MAG Recommendations:

1. An indicator focusing on country ownership and results is highly relevant. However, the assumptions behind the methodology are fraught with complexity and the methodology is difficult to relate to different country realities.
2. Given the importance of synergies with *Agenda* 2030, the JST, post Nairobi, should review the early country experiences in developing national SDG implementation strategies, and their specific country results frameworks for SDG targets. Can this indicator be more closely linked with national SDG implementation strategies as the reference point for Country Results Frameworks (CRFs)?
3. Given the multiplicity of potential CRFs, Indicator One would benefit from a focus on the modalities by which country-led results frameworks are systematically included in development providers' projects/programs.
4. It is important to implement further conceptual work on links between development cooperation and country development priorities and democratic ownership, taking into account country strategies to realize the SDGs.
5. Documentation of country experiences in CRFs through Round Two Monitoring should be collated in order to promote dialogue to enhance learning on the use of CRFs.
6. More attention should be paid to issues of inclusion in processes related to CRFs.
7. The development of a more balanced approach by focusing questions on provider behaviour change is important.
8. An examination of the degree of institutionalization of country-driven evaluations would provide useful data on country-managed processes.

Overview of Indicator One

The purpose of Indicator One is to provide objective information on the extent to which, and the ways in which, existing country-led and country-level results frameworks are used by aid providers as a guiding tool to focus development co-operation on results that meet developing countries' priorities. The focus is on the number of projects (over $1 million) in 2015 where the provider's objectives are found in sectoral or country results frameworks.

Indicator One focuses on mapping out providers' behaviour at the country level and in different sectors. Its questions are directed at the provider and further validated by country governments. This data collection is complemented by an additional module that provides a descriptive self-assessment on the existence and characteristics of existing Country Results Frameworks (CRFs) in the country (or alternative country-specific priority-setting mechanisms).

This qualitative information on CRFs is important to contextualize the country-level findings on the use of country results frameworks. This module should provide a complete snapshot of the situation at the country level and is intended to inform policy discussions on how to strengthen collaboration between the country's priority-setting institutions and providers of development co-operation.

MAG Analysis: Issues and challenges

Relevance

Building on the *Paris Declaration* and the *Accra Agenda for Action*, the first Busan principle for effective development cooperation focuses on country ownership of development priorities ("Partnerships for development can only succeed if they are led by developing countries, implementing approaches that are tailored to country-specific situations and needs." [§11]). The 2011 Busan commitment goes on to state:

> "where initiated by the developing country, transparent, country-led and country-level results frameworks would be adopted as a common tool among all concerned actors to assess performance based on a manageable number of output and outcome indicators drawn from the development priorities and goals of the developing country. Providers of development co-operation also agree to minimise the use of additional frameworks, refraining from requesting the introduction of performance indicators that were not consistent with countries' national development strategies." (§18.b)

In implementing this principle, the Busan Outcome Document emphasizes how important it is to "deepen, extend and operationalise the democratic ownership of development policies and processes." [§12a]

An indicator focusing on country ownership and results is therefore highly relevant. However, the assumptions behind the methodology are fraught with complexity and the methodology is

difficult to relate to different country realities. The underlying assumption in largely unproven that country ownership, reflected in national or sectoral results frameworks, will lead to intended development outcomes, facilitated by effective development cooperation.

Prior to the Second Monitoring Round the MAG expressed some early reservations on this indicator's conceptual methodology. However, the MAG later acknowledged improvements in its methodology following the acceptance of advice it provided in June 2015. For example, the MAG welcomed revisions that focused on results at the sectoral level, on the use of country monitoring systems, on national statistical services, and on planned ex post evaluations supported by the government. These reorientations and new questions in the methodology improved relevance in relation to the ownership of aid, but it also promotes good development cooperation practices through an additional incentive to have internal monitoring systems.

A key issue for the MAG has been the lack of clarity on what constitutes a Country Results Framework. This uncertainty resulted in a broad definition in the 2015 Monitoring Guide. The MAG is suggesting that the relevance of this indicator might be strengthened if the reference point becomes more closely aligned with country strategies and plans for achieving the SDGs.

Country ownership of *Agenda 2030* is a key principle in *Transforming our world*. This Agenda recognizes that each government will set "its own national targets guided by the global level of ambition but taking into account national circumstances" and "the global targets should be incorporated into national planning processes, policies and strategies." [*Transforming our world*, §55] *Agenda 2030* sets out the intention to review progress at the country level against these national plans.

Given the importance of synergies with *Agenda 2030*, the JST, post Nairobi, should review the early country experiences in developing national SDG implementation strategies, and their specific country results frameworks for SDG targets. Can this indicator be more closely linked with national SDG implementation strategies as the reference point for Country Results Frameworks (CRFs)?

Efficiency

While the principle of democratic country ownership is now central in modern theories of development and reflected as the first principle for effective development cooperation, measuring it is not easy.

Ideally, for every development co-operation project it is important to understand exactly how the recipient country and all its stakeholders decided, designed and implemented the project, according to country goals. This potentially requires recording almost every dialogue between the country's stakeholders and the providers, to confirm that the leading voice is the recipient country.

Such a comprehensive approach is not possible, and it is essential therefore to rely on indirect methods, such as using country-led results frameworks as a reference point. As it is very difficult to measure precisely if development co-operation is really led by recipient countries, any indicator will not be fully efficient. For example, there might be more than one official document demonstrating a country's priorities (national development plans, sectoral programs, log models, etc.). With the adoption of *Agenda 2030*, national SDG implementation strategies will create an additional layer of country priorities.

However, it is critical to have some indicators that provide some assessment of the degree of country ownership and progress on the commitments made in Busan.

Issues in identifying country results frameworks

The use of country-led results frameworks (CRFs) assumes that every country has a set of decision making mechanisms, translated to formal and clear documents, and decided democratically, including the points of view of the majority in the country. However, as those who have been involved in constructing CRFs can witness, they are seldom fully transparent or are as clear as they should be.

In practice, there are various problems with CRF mechanisms. In most cases, civil society and the private sector participate (if they do at all) on the side of the development and assessment of these frameworks. Although the main results goals are subject to constant change over time, the main documents often do not change. The goals may not have (proper) indicators. Not all countries have the same degree of institutionalization of their planning procedures. The quality of indicators linked to priorities continues to be low, even in middle-income developing countries.

The MAG notes that government's development priorities might be articulated through various alternative mechanisms such as policy and legislation. If a country's CRF is to have real world relevance then its intent must be reflected in legislation and regulation and grounded in legitimate inclusive political processes. The JST took MAG's advice into account (June 2015) in that the focus can be on "(various) government-led results frameworks, plans and strategies," which implies that not just one document will be used to summarize a government's view.

As well, it must be noted that while Indicator One may reflect the use of countries' CRFs, if those CRFs do not grasp the development priorities of the whole country, or if those documents are of poor quality, this Indicator may not be relevant.

Potential lack of focus on providers' actual practices

While it possible to focus on one or more priority-setting instruments (not just a specific CRF), the approach of assessing these mechanisms may nevertheless allow providers to avoid the question of ownership. They can do so with an easy excuse of "Let us first see whether CRFs/government plans are in place and if they are of acceptable quality; if not, we are not required to follow them, or we need to adjust them in our project to meet our own objectives." As a result, instead of the methodology assessing providers' behaviour, it may perpetuate the historical and inappropriate practice of providers and, by extension the GPEDC itself, monitoring and assessing only the practices/quality of plans for developing countries.

Given the multiplicity of potential CRFs, Indicator One would benefit from a focus on the <u>modalities</u> by which country-led results frameworks are systematically included in development providers' projects/programs.

Attribution issues for some projects

The process of linking development cooperation resources to country priorities may seem to be relatively easy (i.e. efficient) in that almost all development co-operation projects can usually be linked to one of these priorities. But how directly relevant these national goals may be to a particular project is another question. For example, some development cooperation flows and projects are organized to have only intermediate results, or to work as catalysers, which makes it challenging or complicated to capture inside country results frameworks. In these cases the indicator may miss important catalytic, capacity-related and intermediate interventions that affect country ownership. This can render the indicator, if it solely focuses on a CRF, inefficient in capturing relevant data on country ownership.

Uncertain access to verifiable information on ownership and results

Most of the information on country ownership and results must come from governments. However, it is unfortunately true that governments may not always keep this information in a systematic way. This is especially likely for middle-income countries, which have a relatively low percentage of their budgets relying on aid (in comparison with low-income countries). The result may be a degree of scepticism on data for this indicator, something which is compounded by the fact that the monitoring exercise is voluntary.

Country capacities are also an issue. A respondent in the indicator consultation, for example, noted the importance of overall country capacities (e.g. improving statistical capacities) in assessing the use of country systems by providers. A narrow focus on project data and total finance may be too limiting to teasing out issues that affect overall provider behaviour in their use of country results as reflected in country systems.

Usefulness

Considering the above concerns about the efficiency of this indicator, it may lead to a conclusion that the indicator may not be very useful. The MAG observed that for many aid providers, program/project managers often find ways to formally link their programs/projects to national priorities, no matter how far they really are from true government priorities.

Furthermore, if providing countries tend to be at the table when countries establish national and sector plans and strategies, in the name of inclusiveness, providers claiming alignment would be aligning to what they may have already 'inserted' into these plans. Given the state of play of power relations, it raises the question of who truly owns the plans.

Nevertheless, complementary questions for a qualitative self-assessment of the priorities' plan in recipient countries, has a lot of potential in clarifying the country context for CRFs, which may be used in strengthening future iterations of Indicator One, depending on institutional capacities.

Weak capacities to respond to evaluation findings

The question referencing ex post evaluations supported by governments may not only be valuable in indicating provider commitment to country ownership, but also in developing country commitment to results. When used properly, it has the capacity to encourage providers to engage governments in joint evaluations and governments themselves to evaluate development co-operation interventions. This question links monitoring to results in an important way, because it commits recipient governments, both to evaluation and to work for results.

Of course, institutional capacities are key. Low income and least developed countries, which often do not have strong institutions, are often limited in their ability to have adequate uptake mechanisms to integrate the results of evaluations of interventions. The basis for replication or correctional measures for future interventions, derived from these evaluations, is often not truly ´owned´ by the country for lack of an evaluation depository with retrievable capabilities for appropriate decision making. Documenting monitoring and evaluation mechanisms that would, for example, allow auditors general to pick up issues from evaluations and/or engage parliaments to challenge implementation, could be considered a proxy means of gauging the uptake of findings from evaluations.

These issues and challenges, while significant, do not mean that Indicator One should be abandoned. Rather, the MAG is suggesting that additional effort is required to explore creative ways to measure this crucial element for development to ensure that recipient countries' stakeholders lead their own development processes.

Proposed Steps Forward:

The MAG is well aware that it is exceptionally difficult to effectively measure the degree to which development co-operation is based on recipient country priorities. At the moment, weaknesses remain in the current methodology, which could be improved through consideration of the following proposals.[1]

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[1] Some of the MAG proposals for this indicator made in June 2015 were integrated into the current methodology. However, others were not implemented due to limitations of time. These proposals for indicator one should also be considered and can be accessed at https://www.unteamworks.org/node/505570.

1. **Implement further conceptual work on links between development cooperation and country development priorities and democratic ownership, taking into account country strategies to implement the SDGs.**

The MAG agrees that Country Results Frameworks, including sector frameworks, offer many benefits to both developing and providing countries. This includes clarity of priorities, efficiency in coordination and alignment. But such frameworks also come with limitations. The MAG suggests that what needs to be unpacked is not whether CRFs are in place (either one or multiple documents). Instead the key question is what it means, in the context of the Busan commitment to promote "democratic country ownership" and for development cooperation to be focused on "results that meet developing countries' priorities." Recognizing this, further conceptual work is required on Indicator One.

2. **Establish a baseline for country experience in CRFs through Round Two monitoring in order to promote dialogue to enhance learning on the use of CRFs.**

The MAG suggests that implementation of Indicator One in Round Two monitoring be used to establish baseline at the country level. Some questions include: Does the country know where it wants to go? Does it have CRF(s) in place? Is it using other mechanisms to determine priorities?

In this regard, the framework should promote policy dialogue and learning. The aim of monitoring in this essential area might be to undertake more descriptive monitoring to enhance our understanding and clarify issues for learning, and not in the first instance an evaluative assessment for accountability purposes.

Whilst gauging the existence of a results framework is important, it is also essential to understand the degree to which, and the ways in which, all actors in the country concerned have contributed to the development of and subsequently use the results framework. Having a framework is not the same as making use of what this framework seeks to achieve. The key question is the utility of outputs from the use of the CRF (or alternative priority setting mechanism) by both the developing country actors and the country's providers.

Part of this learning process is to critically examine the reasons why partner country systems are not being used in order to understand the barriers and perceived limitations. The purpose of the indicator should give country/provider in-sight into the extent to which country level results frameworks are used and if not, why not. This interrogation should form the basis for the identification of what can be done to improve their use (e.g. partner country capacities and overcoming provider obstacles). These insights could help inform policy making to establish the best incentives to encourage behavioural change.

The quality of development planning at the sector level (reflecting outputs and outcomes) is an important basis for achieving good alignment by development partners. A critical question is the degree to which partner countries have sector level administrative systems in place that are oriented to results based management.

It is also important to assess not only the link to national and sectorial priorities for development co-operation, but (through case studies) it would also be useful to understand how these projects are implemented in relation to country ownership. Again, a critical question is the degree to which the recipient country is involved in development co-operation initiatives operations.

3. Increase attention to issues of inclusion in processes related to CRFs.

Given the seeming importance of these processes for shaping a country's priorities, particularly in the context of the Busan commitments to democratic country ownership, the MAG suggests that a question (currently a guiding question) on involvement of non-governmental stakeholders in defining priorities, be made a mandatory question. The MAG has also noted that it may be possible to draw an analytical correlation with the outcomes of Indicator Two (module 1 of CSO-government policy dialogue), Indicator Three (on public private sector dialogue), and Indicator Seven (on mutual accountability) in relation to the inclusive quality of the process in developing a CRF in a given sector.

The guiding question needs to include not only the degree to which non-governmental stakeholders, but also local governments are being involved in the definition, implementation, monitoring and evaluation of country results frameworks. The aim would thus be that providers not only use country results frameworks, but also that all country stakeholders are formally involved in the definition of these frameworks.

4. Develop a more balanced approach by focusing questions on provider behaviour change.

The methodology should consider an additional module that addresses the following points to providers:[2]

- The process for determining providers' country assistance strategies and the degree of alignment with relevant country results frameworks;
- The degree to which providers are using modalities such as budget support and sector wide approaches (previously a Paris Declaration indicator 9); and
- The degree to which providers coordinate missions and undertake joint country situation analyses with developing country counterparts (formerly Paris Declaration indicator 10).

While there was no consensus on this point, some MAG members, emphasized the importance of including the number of parallel donor project implementation units (Paris Declaration indicator

[2] Several MAG members pointed to potential sources of data. The Centre for Global Development, for example, brings together data on provider performance, some of which includes some measures for those mentioned in below. This data is available in its QuODA dataset, accessible at www.cgdev.org/page/quality-oda-quoda.

6). They maintained that this would provide a measure of aid dispersion and fragmentation. Other MAG members felt that having some PIUs could be useful and necessary in resource-constrained countries.

More attention could also be given to the providers' role in supporting the development of national frameworks. It would be possible to measure the extent to which this support is happening over time, and if it is useful for developing countries. This measure could also include an analysis of various forms of technical cooperation in strengthening partner country capacities and systems.

Consideration could be also given to a comparative analysis on the proportion of ODA reported in this Indicator compared to the total amount of country ODA.

5. Examine the degree of institutionalization for country-driven evaluations.

While welcoming the increased focus on evaluations in the indicator methodology, the MAG is proposing this focus should also include an assessment of whether there is in place a systematic country-driven means for evaluation of local programs and projects. It is important that providers not only drive impact evaluations, but that they are also institutionalized in the recipient country. Do recipient countries have a systematic way of evaluating its own projects? This suggestion complements a MAG proposal for indicator 9.

6. Explore a clearer link in Indicator One between development results and the purpose of development cooperation focusing on poverty, as defined in the Busan Outcome.

In addition to countries' notions of owning their development priorities, it is also important to expand on the meaning of 'development results', as this notion can be subject to many interpretations by development stakeholders. The Monitoring Guide for Indicator One has a generic definition of results indicators. But it is important to recall the Busan Partnership Outcome, as a principle for effective development cooperation, calls for "a lasting impact on eradicating poverty and reducing inequality." [§11b] Indicator One should reflect this call by measuring how much development co-operation in a given country is actually directed to improvements in the living conditions of the most destitute and marginalized population groups.

Indicator Two: Civil Society Enabling Environment

Civil society operates within an enabling environment, which maximizes its engagement and contributions to development.

MAG Recommendations:

1. The MAG considers this Indicator to be highly relevant and consistent with the multi-stakeholder character of the Global Partnership, the implementation of the principles for effective development cooperation, and the role of CSOs in implementation of the SDGs.
2. The JST, in collaboration with the Civil Society Platform for Development Effectiveness (CPDE) and the Task Team on CSO Development Effectiveness and Enabling Environment, should consider enabling a systematic assessment of the actual experience of Indicator Two monitoring methodology from the 80 plus countries participating in Round Two Monitoring.
3. The JST should work with a representative and multi-stakeholder experts group drawn from CPDE and the Task Team on CSO Development Effectiveness and Enabling Environment post-Nairobi to finalize a revised indicator methodology in 2017, one that takes into account the MAG principles for indicators, the MAG recommendations for Indicator Two, and the experiences of Round Two.
4. Stocktaking of the effectiveness in implementing the methodology for Indicator Two should be extended beyond the monitoring process itself in order to better understand the contributions of an (inclusive) monitoring process in encouraging future multi-stakeholder dialogue on improving enabling conditions for CSOs (at country, regional and global levels).
5. The inclusiveness of the methodology for Indicator Two should be enhanced through a survey aimed at capturing the diversity of CSOs and their roles as development actors, and perhaps consider surveys of other affected stakeholders.
6. The current questionnaire and guidance should be reviewed to clarify meaning and to reduce the number of questions in the current module structure.
7. Options for data contributions by GPEDC stakeholders on Indicator Two should be retained at various levels, including the global level.
8. Module three on official development cooperation and CSO enabling environment should be implemented at the headquarter level of aid providers.

Overview of Indicator Two

Since the *Accra High Level Forum on Aid Effectiveness* in 2008, civil society organizations (CSOs) have been recognized as development actors in the own right and key participants in effective development cooperation. Both the *Addis Ababa Action Agenda* (financing for development) [§10] and *Transforming our world* (*Agenda 2030*) [§41 and §52] acknowledge the essential contribution and importance of CSOs in implementing development partnerships to achieve the Sustainable Development Goals (SDGs). In this regard, the diversity of their development initiatives complements, but is distinct, from the efforts of governments.

At the *Fourth High Level Forum in Busan* in 2011 all stakeholders committed to:

> "enable CSOs to exercise their roles as independent development actors, with a particular focus on an enabling environment, consistent with agreed international rights, that maximises the contributions of CSOs to development." [§22a]

They further committed to "encourage CSOs to implement practices that strengthen their accountability and their contribution to development effectiveness, guided by the Istanbul Principles and the International Framework for CSO Development Effectiveness." [§22b]

Based on the Busan commitment to enable CSOs to maximize their contributions to development, Indicator Two looks at the engagement of CSOs in development cooperation. It focuses on the enabling environment for CSOs and on CSOs commitments to development effectiveness, recognizing that in the absence of enabling conditions, CSOs will be much less effective in development partnerships through development cooperation. Therefore, this indicator seeks to examine the sum of conditions that allow or limit the existence and capacity of CSOs to effectively carry out their development work and enhance their effectiveness.

The current indicator has four modules:

- Space for multi-stakeholder dialogue on national development policies;
- CSO Development Effectiveness: Accountability and transparency;
- Official Development Cooperation with CSOs; and
- Legal and regulatory environment.

MAG Analysis: Issues and Challenges

Relevance

The MAG considers this indicator to be highly relevant and consistent with the multi-stakeholder character of the Global Partnership, the implementation of the principles for effective development cooperation, and the role of CSOs in implementation of the SDGs.

CSOs continue to be important actors in the development process, and in particular in inclusive partnerships in development cooperation (which is the second Busan principle for effective development cooperation). As diverse expressions of voluntary citizens' initiatives, CSOs are effective as independent entities. They fulfil valuable and multiple development roles alongside governments and provider development agencies. They provide a critical underpinning for effective accountability at the country, regional and global levels (the fourth Busan principle for effective development cooperation). Thus, while this indicator might be considered beyond a more limited purview of CSOs and development cooperation, the MAG maintains that the broader aspects of an enabling environment for CSOs (laws and regulations), as well as provider policies with respect to CSOs, are essential for CSOs to be effective development cooperation partners.

The MAG welcomes the unique opportunity of this indicator to collect data over time on Indicator Two's four modules in various country contexts. This data can provide a window for periodic assessments of inclusive partnerships, the contributions of enabling legal and regulatory conditions for the inclusion of CSOs in development, providers' cooperation with CSOs, CSOs' development effectiveness and accountability, and the role of multi-stakeholder policy dialogue in the implementation of *Agenda 2030* at the country level.

The follow-up and review process for *Agenda 2030* is intended to be country-led, participatory and inclusive. It will support reporting by all relevant stakeholders, including the full diversity of CSOs. [*Transforming our world,* §74] As a multi-stakeholder partnership, the GPEDC is uniquely placed to structure a sustained dialogue on enabling environment issues at the country level and its relationship to the implementation of the SDGs.

While not directly related to the provision of an enabling environment by governments and aid providers, the MAG fully supports the inclusion of the module on assessing CSO progress in relation to the *Istanbul Principles for CSO Development Effectiveness*, and in particular tracking progress in the multiple avenues for CSO accountability. This module is consistent with CSOs being a full and active constituency within the GPEDC.

The MAG observes that, unlike Busan, there is no recognition in the SDG process that CSOs are development actors in their own right with various roles in achieving the SDGs, both as individual organizations and in diverse partnerships. Thus this indicator provides an important value-added dimension in effective development cooperation in relation to SDG indicator 17.18, i.e. measuring inclusive multi-stakeholder partnerships in the "means of implementation" for the SDGs.

Efficiency

The JST, in collaboration with the Civil Society Platform for Development Effectiveness (CPDE) and the Task Team on CSO Development Effectiveness and Enabling Environment, should consider enabling a systematic assessment of the actual experiences of Indicator Two's monitoring methodology from the 80 plus countries that participated in Round Two Monitoring.

The JST should work with a representative and multi-stakeholder experts group drawn from CPDE and the Task Team on CSO Development Effectiveness and Enabling Environment post-Nairobi to finalize a revised indicator methodology in 2017, one that takes into account the MAG principles for indicators, the MAG recommendations for Indicator Two, and the experiences of Round Two.

The MAG notes that a similar group supported the JST in the development of the current Indicator Two methodology for Round Two.

Indicator Two includes four important modules, each with a number of sub-questions. A key concern with respect to efficiency is the assessment process, questionnaire content and guidelines, which some consider to be overly long and complicated. With its focus on a multi-stakeholder process in collecting and validating data, the current methodology may prove to be too demanding for national co-ordinators to manage. It may also be difficult to acquire a critical mass of representatives from Indicator Two stakeholder groups (national governments, CSOs, providers) to actively engage in this process.

Initial feedback from the Second Monitoring Round has indicated that some government and CSO country focal points have found the demands of this process a challenge. However, on further probing, the issue seems not to be the volume and scope of the questions (all of which require short answers), but rather a lack of basic knowledge of the determinants of an enabling environment for CSOs (Indicator Two's four modules) on the part of country actors involved in data collection. When accompanied by some capacity building, the process of collecting data for Indicator Two may also improve participants' understanding of enabling conditions.

The MAG notes that the current methodology is unclear on how data for the module on aid providers' CSO policies and practices will be gathered, with its current focus on engaging aid providers only at the country level. Most of these policies are established at headquarters level. This will require deliberate attention to the monitoring process by those responsible for aid provider policies and practices affecting CSOs. However, increasing decentralization by some providers suggests the potential for considerable country-level discrepancies on the implementation of aid providers' CSO policies and practices.

Given its complexity and the limited time to conduct a monitoring round, the MAG has raised concerns about how inclusive the methodology for this indicator will be in practice. There are several risks. A government that is antipathetic to the CSO sector may coerce or engage with allied CSOs to provide positive responses, thereby presenting a better picture of Indicator Two's status than is actually the case. Over-worked and under resourced CSO focal points, may limit consultations to a small number of larger NGOs. This could result in smaller groups, or perhaps those operating in 'difficult' areas such as human rights, not having the opportunity to give their input. This risk may be compounded by the fact that smaller CSOs may be unaware of the international development architecture. The result could be that groups who are the real 'changemakers' could end up being ignored by this process. There are recommendations below on strengthening the methodology for this indicator so that its data gathering processes are as inclusive as possible.

Usefulness

Stocktaking of the effectiveness in implementing the methodology for Indicator Two should be extended beyond the monitoring process itself in order to better understand the contributions of an (inclusive) monitoring process in encouraging future multi-stakeholder dialogue on improving enabling conditions for CSOs (at country, regional and global levels).

As noted above (relevance), the expectation is that the short-term multi-stakeholder processes for gathering and verifying data for this indicator have the potential to contribute to longer-term dialogues between CSOs and government, as well as CSOs and aid providers. Deliberate follow-up to the Progress Report, on country level data on relevant Indicator Two issues can help ensure this happens. While this follow-up will be most beneficial at the country level, it can be reinforced through regional and global dialogues on the main trends across countries and on options and experiences of positive change.

The MAG notes that it is too early to make firm assessments of on-going dialogues and their relationship to periodic GPEDC monitoring. However, it takes note of the work of the Task Team on CSO Development Effectiveness and Enabling Environment in its stocktaking research on Indicator Two's monitoring process in 11 countries. Such stocktaking could be extended beyond the immediate monitoring process to identify good practices and promote understanding of the usefulness of this indicator for policy dialogue and positively affecting sustainable behaviour change.

Proposed Steps Forward:

1. **Enhance inclusiveness in the methodology for Indicator Two with a survey aimed at capturing the diversity of CSOs and their roles as development actors, and perhaps consider surveys of other affected stakeholders.**

In addition to processes undertaken by the CSO focal point with CSOs constituencies in developing and verifying data, the MAG suggests that a simple and confidential survey for data collection be sent out to as diverse a group of CSOs as possible. The MAG's recommendation is that at least half of the cohort for this survey be smaller, excluded groups. The survey should also be sent to CSOs operating on a range of issues, including those working in different enabling environments. Ideally, the national coordinator and the CSO focal point would jointly manage this survey.

A survey does not detract from the importance of the current inclusive methodology to involve CSOs directly in dialogue with governments on enabling environment issues in the monitoring process (data collection and validation). The monitoring process must create avenues for dialogue as only persistent attention and mobilization to these issues will create change.

2. Review the current questionnaire and guidance with the aim of clarifying meaning and reducing the number of questions in the current module structure. .

A working group (JST, CPDE and Task Team) should undertake a detailed examination of the questions in each module to reduce the demands for its implementation. One approach might be to choose key questions in each module that could act as a proxy for progress in each area. Based on feedback in the consultation, the MAG has withdrawn a proposal to make questions optional; as such an approach could bias the analysis of positive and negative trends. However, a number of questions may be unnecessary, based on a detailed assessment of answers to the questions in the second monitoring round. For example, the MAG drew attention to question one in module four, which seemed to be answered positively by all responding countries.

While fully supporting the simplification of the numbers of questions within each module, the MAG suggests that consideration be given to questions that expose nuance in the analysis of trends. For example, in Module One, the question, “In which sectors are CSOs consulted by government and who is included in these discussions?” can provide useful information on the degree to which there are different operating environments for CSOs working in different sectors.

3. Retain options for data contributions by GPEDC stakeholders on this indicator at various levels.

The MAG notes that the current methodology allows for the submission of evidence by GPEDC stakeholders at the global, country or regional level where the national coordinator/country has determined that it will not participate in this indicator, or where there are different views about the reality for the enabling environment on the ground. This option should be retained, as it will allow for a more comprehensive overview of Indicator Two’s progress.

4. Implement module three on official development cooperation and CSO enabling environment at the headquarter level of aid providers.

The MAG suggests that the participation of aid providers at HQ level in the monitoring process be more systematic, particularly in areas that are relevant and establish the policy environment for country level practices and behaviour. The methodology for the monitoring round should indicate aspects of each indicator where information and data is required from provider headquarters. With respect to Indicator Two, this involvement is already well established in module three.

Indicator Three: Engagement and contribution of the private sector to development

Assess and measure the quality of public-private sector dialogue (PPD) at the country level.

MAG Recommendations:

1. The GPEDC/JST should explore alternative options for Indicator Three, post-Nairobi to include revisions to the current indicator focus on public/private dialogues (PPD). It should also consider blended finance as an alternative entry point, in the context of GPEDC's focus on development cooperation. (Issues related to blended finance are elaborated in the MAG's full report.)
2. The methodology should examine inclusivity within the private sector through a survey on who participates in PPDs.
3. Different forms of dialogue should be taken into account, such as structured social dialogues, in assessing PPDs. A greater emphasis on assessing transparency of the PPD process will also enhance inclusion and relevance of PPDs to development cooperation.
4. The scope of data captured for Module 1 should give greater consideration to enabling conditions for PPD, particularly those that enable small and medium enterprises to engage.
5. The indicator methodology should be improved so that it clearly identifies not only actor motivations, but also the expectations of PPDs for development outcomes.
6. The articulation of a clear methodology for case studies (module three) is essential, with consideration of a requirement to develop a minimum number of cases across all the countries participating in the monitoring exercise.

Overview of Indicator Three

This indicator focuses on the engagement and contribution of the private sector with the development process. It currently does so through an examination of the quality of PPD, "recognising the importance of inclusive dialogue with the private sector for building a policy environment." [Busan §32b]

Indicator Three builds on tools developed by the World Bank, but these have been adjusted to reflect a country-led multi-stakeholder data gathering and verification process. The indicator is structured around three modules:

- Module One: Country enabling environments for PPD (globally sourced data);
- Module Two: Assessment of country readiness for PPD through a qualitative questionnaire; and
- Module Three: In-depth case studies of quality and organizational effectiveness of a given PPD (optional module).

MAG Analysis: Issues and challenges

Relevance

The GPEDC/JST should explore alternative options for Indicator Three, post-Nairobi to include revisions to the current indicator focus on public/private dialogues (PPD). It should also consider blended finance as an alternative entry point, in the context of GPEDC's focus on development cooperation. (Issues related to blended finance are elaborated in the MAG's full report.)

The issue covered by this Indicator is an important one, given the renewed attention to the private sector in development cooperation and the implementation of *Agenda 2030*. Arguably one of the significant steps in the Busan process was recognition of the role of the private sector in development. This indicator has the potential to highlight the importance of dialogues and partnerships with the private sector in furthering inclusive growth and sustainable development.

At the same time, MAG members and several GPEDC constituencies have raised questions about linkages between PPDs and the roles of the private sector in development cooperation. The Busan commitments largely focus on the quality of development relationships with the assumption that improvements in these areas increase the chances for better development outcomes. The question is whether PPD is the best entry point for assessing the effectiveness of the private sector as a development actor in the context of development cooperation.

The GPEDC, at its 2014 Mexico High Level Meeting, and the 2015 *Addis Ababa Action Agenda* (AAAA) have both emphasized the importance of innovative public/private financing mechanisms for achieving the SDGs. The AAAA points to important "efforts to scale up private financing for development in partnership with all stakeholders in strategic sectors in accordance with national priorities." [AAAA §33] While PPD may be relevant to achieving broad development outcomes (i.e. the SDGs), the MAG maintains that the focus for the GPEDC is effective development cooperation. Since the private sector interactions in development cooperation have largely been in the area of blended finance, an indicator assessing blended finance may be more consistent with the GPEDC focus on development cooperation.

This annex on Indicator Three only considers issues and proposals for the current focus on PPD. The MAG's final report elaborates on the rationale for the alternative entry point with blended finance.

Efficiency

Determining the scope of PPDs

The guidelines for this indicator define a PPD as:

> "a structured interaction between the public and private sector in promoting the right conditions for private sector development, improvements in the business climate, and poverty reduction."

The MAG notes that this is a very broad scope and in some countries, particularly middle-income countries such as Mexico, there may be dozens of such interactions. Others who were contributed to the online consultation pointed out that such interactions should be assessed against the four Busan principles for effective development cooperation.

The MAG acknowledges that the structure of this indicator stems from the difficulty in quantifying, in any efficient way, the specific contribution of the private sector to development. This contribution might come in many forms: investment, job creation, know-how, development of infrastructure and so on.

Module three could provide sufficient detail and nuance through case studies of PPDs to assess the PPDs' relevance in relation to the Busan principles and the development impact of the private sector on development through PPDs. However, the MAG notes that no country (among 80 participating countries) has developed a case study in the Round Two monitoring process.

Reaching out to a disaggregated "private sector"

At present Indicator Three treats 'the private sector' as a unified whole. In fact, 'the private sector' includes a wide range of entities from small-scale farmers to large multinationals. The MAG notes the emphasis in the outcomes of the Mexico HLM, "small and medium sized enterprises play a critical role in achieving inclusive economic growth, creating decent jobs, and expanding access of the poor to finance, good and services in all countries." [§34] The range of private sector actors raises important issues of inclusion in the methodology and process for the indicator.

Ensuring a multi-stakeholder process in implementing data collection

Module two requires the national coordinator to reach out to a focal point for the private sector, the CSOs, the trade unions and aid providers in implementing the questionnaire. The coordinator is encourage to convene a multi-stakeholder dialogue to initiate the process, seek constituency views on the questions and reconvene a dialogue at the end of the process to discuss and agree on findings. Preliminary feedback on Round Two suggests that this multi-stakeholder process was very limited or non-existent in many participating countries.

Usefulness

Concerns in relation to the usefulness of this indicator relate in part to issues noted above regarding its scope and the inclusiveness of the methodology.

Trade unions have highlighted that social partners should be part of PPDs, which is often not the case. Local government representatives raise the issue of the level of PPDs suggesting that local government can play an important role in dialogue with the private sector on issues of local taxation, infrastructure and markets.

A particular gap that needs to be addressed is the position of large private foundations, such as the Gates Foundation, in the indicator methodology. These actors have considerably different aims and motivations from those of private companies. The MAG is suggesting that the GPEDC consider a separate indicator for foundations (see the final report). The non-corporate private sector should be included in this indicator (and/or with its own module).

Proposed Steps Forward:

If the JST/Steering Committee determines post-Nairobi that PPDs will continue to be the focus for this indicator, the MAG suggests several adjustments for improvement. Essentially these suggestions are intended to look in more detail at the question, "PPD to do what?" On its own, dialogue is nice but may achieve very little: The MAG's proposals seek to ensure that a PPD is focussed on assessing and improving the different roles of the private sector in development.

1. **Revise the methodology to examine inclusivity within the private sector through a survey on who participates in PPDs.**

It is essential that the process for gathering relevant information on PPDs be as inclusive as possible. It should reach enterprises of different sizes and those who are working in different sectors, including non-corporate private sector actors. The questions in module two should be tightened to ensure a more comprehensive understanding of who is at the table in any given PPD. A more systematic survey of the private sector on its engagement with government is a key MAG proposal for this indicator. The MAG proposes the use of a matrix, such as the one below (similar to a proposal for Indicator Two), to ensure that private sector actors that are surveyed are as diverse as possible.

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Sector	Small Enterprises	Medium Enterprises	Large Enterprises
Service sector			
Manufacturing			
Agriculture			
Private Foundations			
Others '(mining etc.)			

2. **Take account of different forms of dialogue, such as structured social dialogue, in assessing PPDs. Greater emphasis on assessing transparency of the PPD process will also enhance inclusion and relevance of PPDs to development cooperation.**

The MAG and several respondents in the consultation have noted that there can be different forms of dialogue involving the private sector. An important example is the social dialogue following the ILO model, which involves trade unions as an essential partner in the dialogue with government and the private sector. In addition to the matrix above a guiding question for the current methodology could be who is invited to the PPD table. This should be an obligatory question.

Several GPEDC constituencies have suggested that PPDs should be open to other stakeholders such as civil society and trade unions to be consistent with the principles of effective development cooperation. . The MAG suggests that an appropriate approach to these legitimate concerns for the inclusive quality of PPDs could be achieved through full transparency of PPDs (participants, agenda, preparatory documents and outcomes). Such PPDs relate to areas of public benefit and should be in the public realm.

3. **Consider the scope of data captured for module one in terms of enabling conditions for PPD, particularly those that facilitate the engagement of small and medium enterprises.**

The benchmarks outlined in module one, while important for assessing the general environment, are not particularly relevant in answering the question, "PPD: to do what?" The MAG therefore suggests that further research be undertaken to identify measures/questions that are more relevant to conditions that shape the enabling environment for PPDs. A possible resource may be the ILO's *Enabling Environment for Sustainable Enterprise* toolkit, which has already been rolled out in 33 developing countries. This process was based on a survey that carried out in the country with the participation of governments and enterprises of different sizes. It assesses 17 areas, such as social dialogue, respect for human rights, social justice and social inclusion, good governance, etc.[3]

This proposal for module one intends to better capture the fact that, in effect, there are different levels for assessing the engagement of the private sector in development. Module one should closely assess an enabling environment that allows businesses (particularly small and medium size) to grow and ensure fair employment for people.

4. **Improve the indicator methodology so that it clearly identifies not only actor motivations, but also the expectations of PPDs for development outcomes.**

Indicator Three should assess the ways private sector actors can integrate more directly into country development priorities. In this regard, the questions in module two on PPDs should focus not only on the motivations to participate in a PPD, but also on what different actors expect the PPD to achieve. Understanding the purposes and outcomes of PPDs requires a commitment to transparency: who are invited, for what purpose, and with what outcomes.

[3] http://eese-toolkit.itcilo.org/

5. **Articulate a clear methodology for case studies (module three) is essential, with consideration of a requirement to develop a minimum number of cases across all the countries participating in the monitoring exercise.**

The MAG suggests that the methodology for the third module requires better articulation. Case studies can be useful, but only if they are properly oriented to critical questions, and don't become 'PR fluff'. Therefore, the MAG's recommendation is to enhance module three in three ways. First, create a more systematic framework for assessing PPDs, including an analysis of enabling conditions for an effective PPD. Second, the case studies should be developed through independent analysis. They should focus not only on the process of the PPD itself, but also on its impact on development priorities and allowed for the engagement with other development stakeholders who may be affected by the content of the PPD (trade unions, other private sector actors, CSOs, etc.). Third, given the experience of Round Two, a minimum number of case studies spread among a representative sample of countries should be mandatory. The JST would seek out case studies, with appropriate resources, in initiating the methodology for this indicator.

Indicator Four: Transparency

Information on development co-operation is publicly available (implementation of the Common Standard)

MAG Recommendations:

1. The scope of the transparency indicator must been deepened to improve the relevance of the current methodology at the country level. Transparency is essential to better understand avenues for assessing effectiveness of development cooperation and for the implementation of the SDGs.
2. Methodologies for this indicator should be developed to capture the demand side for data use at the country level, on both the part of governments as well as other aid actors such as civil society, parliamentarians, local government and the private sector.
3. GPEDC stakeholders at the November 2016 High Level Meeting in Nairobi should develop specific commitments on data use related to the transparency indicator.
4. A methodology should be developed that is not only technically sound, but is also makes it easy to communicate the findings.
5. The transparency of Public Finance Management Systems (PFM) systems and Aid Information Management Systems (AIMS) should be monitored.

Overview of Indicator Four

The purpose of this indicator is to provide information on the implementation of a "common, open standard" by aid providers for electronic publication of timely, comprehensive, and forward-looking information on resources provided through development cooperation. A common standard for reporting aid data was to be fully implemented by December 2015. However, since Busan methodologies for assessing transparency have diverged and there is not a common standard in place.

Indicator Four is implemented at a global level by the OECD/DAC and the International Aid Transparency Initiative (IATI). It is based on information published by providers to the IATI Standard, to the OECD CRS+ and the OECD Forward Spending Survey (FSS). Given the absence of a common standard, the methodology for this indicator was not approved by the Steering Committee at its February 2016 meeting, following advice from the MAG and a consultation with the GPEDC constituency.

The Steering Committee agreed to present existing transparency assessments per provider by the different technical bodies in parallel, with an emphasis on the main purpose of each reporting system. For overall reporting, a rubric categorisation will be used to summarise the three parallel transparency assessments in a meaningful way, with both narrative and visual presentations.

The three transparency assessments are allowed to differ in the underlying dimensions (timeliness, comprehensiveness, forward - looking, accuracy) that conform to each specific assessment. Weights assigned to each dimension also differ. This is done by OECD/DAC and IATI in consistency with the different objectives of these transparency assessments. Disaggregated data per dimension will be presented in the providers' individual profiles.

MAG Analysis: Issues and challenges

Relevance

A transparency indicator is crucially relevant, as greater transparency is essential to assessing effectiveness of development cooperation and the implementation of the SDGs. However, the current methodology has questionable relevance at the country level.

Making development co-operation more transparent has been a top priority in the development effectiveness agenda for the past two decades. Transparency is one of the four Busan shared principles and the subject of a set of specific Busan commitments (Busan, §23a-c). It remains highly relevant to the GPEDC agenda and to meeting the SDGs. The commitment to transparency was extensively reflected in the *Addis Ababa Action Agenda* (AAAA).[4]

Nevertheless, the common standard has been illusory. Technical discussions and disagreements continue. It must be recognized that the common standard is unlikely to materialize. At the same time, the methodology currently applied is of questionable relevance at the country level and needs to be reconsidered with in-country accessibility and stakeholder use at its heart. However, a transparency indicator remains crucially relevant in itself.

Efficiency

The data on which the indicator is drawn is collated efficiently at the global level from the International Aid Transparency Initiative (IATI), the OECD DAC Creditor Report System (CRS+) and the OECD DAC Forward Spending Survey (FSS), with each serving a particular purpose. At the same time, as stated above, a common standard remains illusory.

A common standard?

Indictor Four attempts to measure implementation of "a common standard" when there is no common standard, and there is little chance of one being established. We need to be politically realistic and move away from this hope; otherwise the indicator will always be considered an inelegant compromise.

[4] See paragraphs 50, 53, 55, 58 and 60 in the section on "international development cooperation." UN (2015). *Addis Ababa Action Agenda*. Third International Conference on Financing for Development. July 2015.

Distinguishing between the different components

The three constituent components (IATI, CRS, and FSS) use very different definitions and methodologies for the three core dimensions of the indicator: timeliness, forward looking and comprehensiveness. Presenting these components separately requires clear explanations as to what they actually represent, together with their strengths and purpose. This should be done from the perspective of the users' of aid.

Comparison between the GPEDC's transparency indicator and Publish What You Fund's Aid Transparency Index has caused confusion, particularly when findings differ. The latter has achieved a much higher level of profile with key stakeholders, and has been more successful in being a catalyst for progress in the supply-side of data.

No data collection at the country level

Because Indicator Four relies on data collection at the global level it is out of sync with the other indicators, which largely depend on data collection at the country level. This makes it difficult to increase the scope to include ways that this data can be used at the country level, by different stakeholders (including civil society and the private sector) and in a wide variety of initiatives, partnerships and sources of funding.

Limitations of areas measured for transparency

Indicator Four measures only clause (c) of the Busan §23 commitment to transparency. It fails to address the need for greater transparency of public finance management systems (PFM) and aid Information management systems (AIMS) in partner countries, which were referenced in clause (b). Whether other indicators that consider the quality of partner country systems sufficiently address this commitment, and if not, with what indicator this area of accountability should be assessed are important questions.

Usefulness

The current methodology, which combines and analyses data from separate sources, may be technically sound, but may also be of limited political value. The presentation of the indicator in an aggregated form has translated into little incentive for change. While progress has been made on transparency, particularly on the supply of aid data, on-going issues with the indicator methodology risk masking that progress, as well as undermining the case for monitoring transparency going forward.

The newly proposed methodology (February 2016) partly addresses this challenge, but fails to consider in-country needs. It needs to be demonstrated that this data, together with the methodologies for both transparency and availability/use of data, will serve country needs.

Need for clear presentations, given complexity of indicator methodologies

The complexities of the methodology for Indicator Four prevent clear and simple presentations to key decision-makers. The result is that Indicator Four may have limited value at the political level.

Changes to the methodology for the Second Round of monitoring represent a substantial improvement over the First Round. However, it should be recognised that, the transparency indicator can still not present an objective assessment of progress since Busan. This is an important purpose of the monitoring exercise and critical to its theory of change. There will, therefore, be need for the narrative to capture progress over time, highlighting improvements and case study examples of good practice.

The need to focus on the demand side for aid data

The current indicator methodology only focuses on the supply side, measuring the availability of data on development cooperation published at the global level. This approach is of limited value for country level stakeholders, which is where change needs to happen in order for increased transparency to contribute to improved development results and more robust accountability.

The indicator is also silent on the issue of *data use* at the country level, which has been widely identified as a key issue. Improving the availability of information that is not being used is not going to improve development effectiveness. Indicator methodologies on capturing demand-side experience will need to be developed.

Proposed Steps Forward:

1. **Develop methodologies for this indicator to capture the demand side for data use at the country level, on the part of governments as well as other aid actors such as civil society, parliamentarians, local government and the private sector.**

In future, the emphasis of Indicator Four should shift from the supply side/monitoring at global level to the demand side /monitoring at country level, or, at the very least, incorporate both elements. As well as focussing efforts on where they will make most difference, this approach will reduce the focus on (and competition between) publishing/reporting systems. Methodologies will need to be developed to best capture and present this information.

Special attention should be paid to the emergence of national level aid information management systems, such as those developed by Bangladesh and Myanmar. These systems provide examples of how data can be made publicly available for national use and could be the focus for transparency of financial flows at the national level.

The starting point should continue to be the information needs of partner countries and various stakeholders involved in development cooperation (also in provider countries). It may be useful for the GPEDC to re-confirm these needs via consultations.

In summary Indicator Four should focus on the availability of information that meets needs at the country level, with country and other stakeholder users suggesting how this is best monitored.

2. **GPEDC stakeholders at the November 2016 High Level Meeting (HLM2) in Nairobi should develop specific commitment on data use for the transparency indicator.**

The issue of (lack of) data use at country level needs to be addressed. The HLM2 outcome document should include a strengthened and updated political commitment to transparency that includes an explicit commitment on data use - if this can be secured, the future transparency indicator should capture progress on this dimension at country level.

3. **Develop a methodology that is not only technically sound, but is also simple to communicate.**

While any new methodology to measure transparency must be technically sound, equal consideration must be given to the development of a methodology that is simple to communicate and works at a political level. A revised approach would draw on the views of in-country stakeholder users (state and non-state actors), including in provider countries. It would be useful to seek the advice and expertise of independent organisations that have successfully undertaken similar monitoring exercises. Demonstrating the impact of accessible aid data, which allows users to access data for their own needs, will also be a powerful tool.

4. **Monitor transparency of Public Finance Management Systems (PFM) systems and Aid Information Management Systems (AIMS).**

The transparency of PFM systems and AIMS should be monitored, again perhaps seeking input from independent organisations with experience in these areas, such as the International Budget Partnership. Any effort here should complement, not duplicate, the capacities of country systems as assessed by other indicators of the Monitoring Framework.

Indicator Five: Development cooperation is more predictable

Indicator 5a: Proportion of development cooperation funding disbursed within the fiscal year within which it was scheduled by providers of development cooperation resources.

Indicator 5b: Proportion of development co-operation funding covered by indicative forward spending plans provided at country level.

MAG Recommendations:

1. This indicator continues to be relevant. Aid predictability has been an important goal for developing countries since its first articulation in the Paris Declaration. However, consideration should be given to improving its explanatory dimensions for the seeming lack of progress.
2. Better understanding of the possible challenges for providers in forward aid projections should be complemented by dialogue between providers and developing countries on improving performance (particularly for providers accounting for a significant budgetary contribution to the government sector).
3. Indicator Five should be structure to reveal underlying reasons for failure to meet successive targets.
4. The rationale and the inter-relationship of separate transparency and predictability indicators should be clarified.

Overview of Indicator Five

The current GPEDC indicator seeks to measure two aspects of aid predictability:

(a) Annual (Indicator 5a): Proportion of development cooperation funding disbursed within the fiscal year within which it was scheduled by co-operation providers, with a target of halving the proportion of aid not disbursed within the fiscal year for which it was scheduled (Baseline year 2010).

(b) Medium-term (Indicator 5b): Proportion of development cooperation funding covered by indicative forward spending plans provided at country level, with a target of halving the of development cooperation funding not covered by indicative forward spending plans provided at country level.

The focus is on aid disbursements to the government sector. Data for indicator 5a is self-reporting by providers at the country level, and for indicator 5b, reporting by developing country governments on the availability of forward plans by each provider.

MAG Analysis: Issues and Challenges

Relevance

This indicator continues to be relevant. Aid predictability has been an important goal for developing countries since its first articulation in the Paris Declaration. However, consideration should be given to improving its explanatory dimensions to address the seeming lack of progress.

Aid predictability was identified as a priority in the *Paris Declaration*, the *Accra Agenda for Action* and the 2011 *Busan Outcome*. It remains a strong priority demand from partner countries. The lack of predictability has serious implications for the ability of governments to plan and implement their development policies, particularly for low-income countries still highly dependent on aid.

The *Addis Ababa Action Agenda* (AAAA) “encourage[s] the publication of forward-looking plans which increase clarity, predictability and transparency of future development cooperation, in accordance with national budget allocation processes.” [AAAA §53]

Efficiency

While there are not any significant problems with the methodology for measuring annual predictability (indicator 5a), some issues remain with indicator 5b for forward projections.

Key challenges in forward projections

Good coverage and provider performance has remained an issue for forward (three year) projections. Evidence suggests that the problem is neither a lack of will from providers or the deliberate withholding of information. Instead, the reason is often because they do not have the relevant budgetary, legal and legislative regimes to provide this information. In some cases (DFIs, humanitarian actors) their business model requires that the publication of forward-looking data is simply impossible. Another challenge is the changing lists of priority countries, which interrupts or undermines forward planning.

However, the MAG notes that governments seem able to make domestic multi-year funding commitments. Two donors (Netherlands and Belgium) are providing 100% complete information on activity level budgets for 2016, with WFP providing this information for 92% of their activities. This demonstrates that publication of forward-looking data is possible, and there is scope for others to learn from these examples of best practice.

A better understanding of the possible challenges for providers in forward aid projections should be complemented by dialogue between providers and developing countries on improving

performance (particularly for providers accounting for a significant budgetary contribution to the government sector).

Overlap with the transparency indicator

There is a strong link between the implementation of the IATI transparency standard (Indicator Four), particularly the forward-looking dimension, and aid predictability (Indicator Five [b]). This should be made more explicit in subsequent monitoring exercises. If the transparency indicator is developed further to measure progress at the country level then there is a risk of duplication of effort. Consideration of the linkages between these indicators should be considered in developing the revised Monitoring Framework.

However, the MAG's view is that predictability remains a powerful indicator in its own right. As a result, at least at present, there should be no consideration of combining the two indicators. There is value in comparing provider-generated data on transparency and predictability (Indicator Four) and country level data by developing countries on their experience of predictability (Indicator Five [b]). Combining this data could be the basis for further dialogue at the country level for improved practice, as noted above.

Usefulness

Indicator Five was imported from the Paris Survey. While some progress has been made, repeated failure to meet agreed targets without addressing the underlying problems can undermine credibility. Access to forward-looking information on development cooperation remains a top ask from partner countries, and has been the subject of a series of political commitments since Paris.

Rather than only repeatedly recording a lack of progress on the part of providers to meet their commitments to predictability, the GPEDC should structure explorations about why this is the case, and learn from best practice where providers have delivered on their commitments.

Slow progress and missed targets

Progress has been slow, and successive targets (Paris, Accra, and Busan) have been missed.[5] There can be multiple reasons why 5a targets for annual predictability are missed. They include aid absorption limitations, use of credit line facilities, differences in fiscal years, allocation of unexpected year end aid resources, or the absence of counterpart funding. Some MAG members have noted that Indicator Five, as currently structured, implies poor performance by some providers, when difficulties may actually lie at the partner country level. More understanding is

[5] 2014 GPEDC Progress Report: 84% of disbursements happened in the year they were scheduled in 2013, up from 79% in 2010, against Busan target of 90% for 2015. There was also considerable variation at country level. With regard to medium term predictability, the 2014 GPEDC Progress Report states that as of 2013, 83% of estimated funding was covered by forward-looking plans for 2014, 70% for 2014 and 57% for 2015. To meet the 2015 target, the proportions would need to increase to 92% for 2016, 85% for 2017 and 79% for 2018.

required on the most common challenges, one that includes a contextual analysis. The GPEDC can play an important role in this regard.

Public accessibility of provider predictability information

Indicator Five does not require information on current and future aid disbursements to be publicly available, only whether governments have access to this information. Some donors now make their forward spending survey (FSS) data public, but there is no obligation to do so. Similarly, forward-looking data provided through IATI would be published in the public realm. But the current emphasis of this indicator is on government access, not wider publication and access. This information is an important dimension of informed mutual accountability for all development stakeholders at the country level. It should be available to these development actors as part of the process of inclusive mutual accountability (see Indicator Seven).

Predictability of resources for non-government stakeholders?

Indicator Five only captures predictability of funds intended for governments, it does not assess whether other in-country, non-state, partners are able to better plan ahead on the basis of information from their national and international funders. Given the increasing importance of new partners in development and funding from other than public sources, this issue is likely to become more important in the implementation of the SDGs and in the next phase of the GPEDC.

Proposed Steps Forward:

1. **Structure the indicator in ways that reveal underlying reasons for failure to meet successive targets.**

Better information is required from the indicator and/or complementary processes to better understand performance. Rather than reporting continued failure to meet predictability targets in successive Progress Reports, the GPEDC should undertake or sponsor a review, or a formative evaluation (aimed at drawing lessons rather than accountability), as to why providers have found it so difficult to meet their targets. This review can provide the basis for an open and honest debate, preferably in a Chatham House style conference, in order to learn and improve practice. A survey could be conducted to ascertain provider and recipient country factors responsible for the perennial gap between commitments and disbursements of development cooperation resources.

2. **Clarify the rationale and the inter-relationship of separate transparency and predictability indicators.**

The rationale for a separate transparency and predictability indicator measuring progress at country level needs to be considered against the political utility of a separate indicator focusing exclusively on predictability. The latter is clearly important but future development of indicators may risk duplication/confusion by assessing these separately. FSS and IATI data, for example, can measure the extent to which individual donors are publishing country level plans for future years. The data should be examined to ensure the result is not duplication or mixed messaging. Consideration could also be given to using IATI and FSS data as part of the methodology for Indicator Five. In the absence of further analysis, the MAG is currently not advising the combination of the two indicators.

Indicator Six: Aid on budget

Aid is on budget, which is subject to parliamentary scrutiny.

MAG Recommendations:

1. Indicator Six continues to be a highly relevant indicator in terms of the Busan commitments to country ownership, use of country systems, and to transparency and accountability through parliamentary scrutiny, which are also reflected in commitments to implement the SDGs.
2. The methodology should take account of measures to improve budget transparency, as the latter is the basis for accountability.
3. It is important to ensure that developing countries capture all forms of development cooperation through a transparent aid management system (see indicator 4).
4. There is a need to measure the degree to which parliaments have oversight on development intervention and the level of support from aid providers for strengthening these parliamentary processes.

Overview of Indicator Six

Indicator Six attempts to capture the extent to which developing country budgets, at the time of their first formulation, include expected aid resources. The indicator also seeks to recognize parliament's legislative review and approval functions concerning resources being administered for public goods. The indicator calculates the percentage of development cooperation resources (grants, loans or other revenue) scheduled for disbursement at the beginning of the year that has been recorded in the annual budget.

MAG Analysis: Issues and Challenges

Relevance

Indicator Six is a highly relevant indicator in terms of the Busan commitments to country ownership, use of country systems, and to transparency and accountability through parliamentary scrutiny, which are also reflected in commitments to the implementation of the SDGs.

Since budget formulation is a central feature of the policy process in all countries, the degree to which financial contributions from aid providers to the government sector are fully and accurately reflected in the budget is crucial. Aid on budget provides a significant indication of the degree to which there is a serious effort to connect development co-operation programs with country policies and processes. It also demonstrates support for domestic parliamentary oversight and accountability for the use of development co-operation funding and results.

Additional benefits of integrating development assistance into the recipient country national treasury system include: strengthening of partner country's ownership; enhancing of national budget function as a central policy implementation instrument; and harmonization by reducing the transaction costs.

Indicator Six is derived from the Busan commitment to "...strengthen the role of parliaments in the oversight of development processes;" [Busan, §21a] and also Accra commitment to "facilitate parliamentary oversight by implementing greater transparency in public financial management, including public disclosure of revenues, budgets, expenditures..." [AAA, §24a]

In this regard, the indicator is also consistent with the commitment for implementing the SDGs:

> "We acknowledge also the essential role of national parliaments through their enactment of legislation and adoption of budgets and their role in ensuring accountability for the effective implementation of our commitments." [*Transforming our world*, §45]

Indicator Six demonstrates the importance for development co-operation actors to engage more than government as a primary stakeholder. Parliaments also commit (and own) development co-operation if those resources are reflected in the country's budget. If aid disbursements are clearly shown in open budgets, both parliamentarians and civil society can provide oversight in the use of these resources. The Busan principles of transparency and accountability are strengthened.

The involvement of parliament is highly desirable, especially in recipient countries that are heavily dependent on aid. Parliament can have a clear picture of all existing (significant) flows (both national and international) contributing to development.

Efficiency

Indicator Six is directly informed by data from internal country administration sources. While this approach does not allow for comparisons between countries, it does provide information to carefully monitor progress in each country. Access to the right information can be an issue. However, unlike Indicators One (country ownership and results) and Nine [b] (use of country financial management systems), Indicator Six includes over-sight by parliaments and, potentially, civil society. Given this orientation, country governments may be in a better position to provide accurate information and accountability, even more than in the case for Indicators One and Nine [b].

Not all development cooperation flows can be captured in a budget.

While it is important to capture aid as a resource in the national budget, not every flow can be considered as if it is additional funding for the budget. Particularly in the case of middle-income countries, the major value of development co-operation received is based on the sharing of knowledge and techniques. For some countries the identification of aid can be complex, since these resources cannot be tagged for specific purposes in a budget. In fact, there are cases where only some elements of aid are registered in the budget. In most cases, for example, technical support is not included.

Some providers/implementing organizations choose to run cash flows through local governments to avoid money getting trapped at the national level and never reaching targeted beneficiaries. It is difficult to monitor these flows in a national budget (and it should not be our objective to do so either), but it should be taken into consideration or be mentioned as a consideration with this indicator.

Some potential limitations in access to data for this indicator, particularly for middle-income countries.

Countries may not have the discipline or felt-need to record this information in a systematic way. Paradoxically, the main difficulty might be with middle-income countries, where aid received is not as important as it is for low-income countries. This problem is especially important since the monitoring exercise is voluntary. Where this is the case, this indicator may not accurately capture the actual use of financial systems by providers in many of these countries.

The methodology could miss important development cooperation resources in some low-income countries, which are disbursed on-budget, but not reflected in initial budgets approved by parliament.

Some low-income countries prepare their first budget with apparent deficits in a number of areas, as a means to seek aid resources to fill these deficits. To the degree that aid resources cover these deficits, this aid is also part of the budget, but is not captured in its first iteration. This is a budgeting approach consistent with encouraging aid targeted to country priorities. Indicator Six, as it is currently organized, may give a distorted impression as it is based on the budget initially approved by the legislature.

The methodology assumes that all national budgetary processes are equal, with aid on budget a positive.

The reality is that budgetary processes vary considerably across countries and this needs to be taken into account. Aid on budget for a country with 'good enough governance' is a practical option that should be encouraged. However, the governance context for a fragile state may make aid on budget a much less practical option for aid providers. The indicator should provide some contextual analysis rather than just measure performance against a percentage target.

The need to improve capacities of parliamentarians and the quality of parliamentary oversight of the budget.

Parliamentary accountability is essential. But the MAG also recognizes the importance of strengthening parliamentary capacities through development cooperation to provide oversight and accountability. Even in middle-income countries, education and capacity development for parliamentarians to fully understand development co-operation issues is essential for effective oversight.

This indicator tracks aid on budget, not the quality of parliamentary scrutiny.. GPEDC stakeholders have not yet taken seriously the Busan commitment to strengthen parliamentary oversight through development cooperation. These capacities are relevant to the full monitoring process, but in particular to success in meeting aid-on-budget targets.

Usefulness

If this indicator is measured properly, it can be useful for various development stakeholders: government, parliament, civil society, and the private sector. It is a valuable source for evaluation by these actors. A key element for broader accountability will be access to budgetary information by parliamentarians and other stakeholders. It thereby creates conditions for stakeholder dialogue on country ownership with government and parliamentarians. As a result, it would be important to assess, with information directly from the budget, the way aid complements (or not) internal resources to address development goals in a country.

Proposed Steps Forward:

1. **Develop the methodology to ensure that it takes into account measures to improve budget transparency, as the latter is the basis for accountability.**

The overall relevance of Indicator Six for stakeholder accountability could be improved with an explicit question on budget transparency and participation. An existing source is the International Budget Partnership's Open Budget Survey and Index (http://www.internationalbudget.org/opening-budgets/open-budget-initiative/open-budget-survey/publications-2/rankings-key-findings/rankings/). This initiative is an assessment of budget transparency, participation, and formal oversight in more than 100 countries.

2. **Ensure developing countries capture all forms of development cooperation through a transparent aid management system (see Indicator Four).**

Because all development co-operation resources are not integrated into budgets (often for legitimate reasons), it is important that recipient countries have a transparent mechanism, such as an aid management system, to capture all types of external concessional resource flows, even if this mechanism is not the budget. The MAG offers some advice for Indicator Four to improve accessibility of aid data for use by partner country governments and other development stakeholders, including parliamentarians.

3. Measure the degree to which parliaments are able to have oversight on development intervention and the level of support from aid providers for strengthening these parliamentary processes.

As noted above, it is essential to complement this indicator with efforts to strengthen the capacities of parliamentarians to play oversight roles and to hold governments accountable. In this regard, parliamentarians will value not only budget documents where aid is recorded as inputs, but also the capacity to review progress in the desired outcomes and impacts derived from these funds. To be able to do so, the institutional framework for legislative governance should allow scrutiny of not only revenues mobilized both internally and externally, but also of budgeted programs following the adoption of the budget. This could perhaps be done through a multi-party parliamentary committee to review performing and non performing interventions.

Indicator Seven: Mutual Accountability

Mutual accountability among cooperation actors is strengthened through inclusive reviews.

MAG Recommendations:

1. Mutual accountability should be considered an overarching indicator central to the process for achieving behaviour change in the MAG's theory of change for the GPEDC Monitoring Framework.
2. This Indicator should provide space to assess the quality of mutual assessments.
3. Direct questions on the framework and practices in mutual accountability to not only developing country governments (in the current methodology), but also providers, while retaining country ownership of the indicator.
4. There should be a review of the methodology for this Indicator in relation to its applicability to other aid modalities such as multi-stakeholder partnerships or blended finance.

Overview of Indicator Seven

Indicator Seven measures progress by developing countries in undertaking mutual assessment reviews based on data from country surveys of progress in the implementing agreed upon commitments. The five questions related to this indicator are drawn from the national mutual accountability survey administered by the UN DESA for the UN Development Cooperation Forum.

The questions to government revolve around the following five main points:

- Whether there is an aid or partnership policy in place;
- Whether there are specific country targets for the country governments and providers;
- Whether there has been a joint assessment of the targets in the past two years;
- Whether non-executive stakeholders and local governments are actively involved in the reviews; and
- Whether the results of the reviews are made public in a timely manner.

The option is limited to yes/no answers. The measure for this indicator is global – the percentage of countries that answer yes to 4 of the 5 above questions.

Relevance

Mutual accountability should be considered an overarching indicator central to the process for achieving behaviour change. Mutual accountability is fundamental to the MAG's theory of change for the GPEDC Monitoring Framework.

Mutual accountability is a central, overarching indicator that should be reflected in all dimensions of effectiveness development cooperation. Mutual and inclusive accountability assessments, linked to the application of Busan commitments at the country level and the results of biannual monitoring processes, can be a key incentive for behaviour and institutional policy change, reflecting the principles for effective development cooperation. This indicator is, therefore, highly relevant. To reflect its importance, consideration should be given to increasing its prominence in the monitoring framework as the first or tenth indicator.

The parties to the *Addis Ababa Action Agenda* (AAAA) agreed to "increase transparency and mutual accountability." [AAAA, §58]

Efficiency

This indicator for mutual accountability draws on the considerable detail provided in the National Mutual Accountability Survey by the UN Development Cooperation Forum.[6] Presentation of progress, however, is something different. Indicators can complement each other with GPEDC's focus resting on the importance of partnership arrangements at the national level.

Overlap and complementarity with the UN DCF national surveys.

There is a clear and deliberate overlap between Indicator Seven and the UN DCF National Mutual Accountability Survey. This complementarity needs further exploration in order to maximise the value of both processes. The MAG finds that the limited exchange of data (as opposed to findings) between the UN DCF and GPEDC unhelpful. Further assessment is required to identify where there is duplication of effort. Data sharing between the exercises should be substantially improved..

Limited measurement in a critical area for progress in effective development cooperation.

An assessment limited to the number of countries engaged in mutual accountability dialogue is not very informative, particularly given the importance for the MAG of the notion of mutuality in development cooperation dialogue. This is, after all, an important principle of democratic country ownership. Dialogue is essential to progress on the Busan commitments at the country level. It is therefore important to assess progress in the quality of this dialogue, its mutuality, and the inclusiveness of development actors.

6 See the description of the UN DCF Accountability Survey at http://www.un.org/en/ecosoc/newfunct/dcf_account5.shtml; the 2015 Survey at the 4th Survey on Mutual Accountability in Preparation for the 2016 DCF at http://www.un.org/en/ecosoc/newfunct/pdf15/2015_dcf_survey_on_national_mutual_accountability.pdf; and the summary of results at https://www.un.org/ecosoc/sites/www.un.org.ecosoc/files/files/en/dcf/dcf-summary-brief.pdf.

Imbalance in the methodology between partner country and providers.

The GPEDC indicator measures mutual accountability at the country level. It thus supports the view that developing country governments are ultimately responsible for how mutual accountability fits into national processes. This is right and proper in terms of country ownership, but it places the burden of accountability monitoring on developing countries that may have limited capacities to manage such exercises.

This focus locates the problems and responsibility for addressing mutual accountability at the country level. However, global issues may also affect performance. In order to understand these factors providers should be asked the same five questions as developing country governments.

The record of both the Paris Monitoring Survey and now the GPEDC Monitoring Framework demonstrates that many providers have a poor history in delivering on their Busan commitments across the board. They need to be held accountable for poor performance more broadly, not just at individual country level. This expansion of accountability should, however, be done consistent with the principle of democratic country ownership. Developing countries should continue to exercise leadership in this important area.

Usefulness

Indicator Seven demonstrates the degree to which a mutual review process is in place across all countries participating in the monitoring exercise. It says little about the *quality* of mutual assessments at the country level as well as how or whether they have improved.

Determining why progress has been slow

The target was for all countries to have mutual assessments reviews in place by 2015. But, according to the first monitoring round only 59% had done so by 2013. Unless there is a significant increase in the second round of monitoring, these results suggest that the indicator has not been especially successful in driving progress. As with several other indicators, the GPEDC must develop parallel processes to determine why progress is slow. A central question is whether the barriers to capacity or compliance (demonstrating value of the indicator, but calling for subsequent exploration of how barriers can be addressed) are due to perceived irrelevance or a lack of focus on key issues, necessitating a revision to the methodology.

Inclusion of multi-stakeholder initiatives and blended finance.

In the consultations on the MAG's initial proposals for the indicators, several commentators asked for recognition of new forms of partnerships for development and for new financing modalities. While new forms of development partnerships and cooperation need to be taken into account throughout indicators, a first and important step would be to ensure mutual accountability includes various initiatives in multi-stakeholder partnerships and aid modalities such as blended finance.

Proposed Steps Forward:

1. Provide space in this indicator to assess the quality of mutual assessments.

Yes/No answers to five questions are not sufficient to assess real progress in the quality of mutual assessments. Further methodological consideration should be given in order to understand the degree to which identified mutual assessments are truly mutual and inclusive. The UN DCF analysis of the results of its National Mutual Accountability Survey points to a number of issues and barriers in developing inclusive and mutual processes. Reviewing this analysis can lead to a broader GPEDC discussion on incentives and enabling factors that could lead to progress for mutual assessments, while maintaining comparability with earlier data.

2. Direct questions on the framework and practices in mutual accountability to not only developing country governments (in the current methodology), but also providers, while retaining country ownership of the indicator.

Providers should be asked the same questions on mutual accountability as recipient governments. The weakness of mutual accountability systems is often the result of a function of providers choosing to invest in their own monitoring systems rather than joint or government-led systems.

Asking providers the same questions as partner countries[7]could illuminate where underlying issues lie, and be clear and simple enough to help stimulate a shift in incentives. This information can inform a more complete review or evaluation of the quality of mutual assessments. However, care must be taken to ensure that democratic ownership of the process remains at the country level. One way to achieve this objective is to use donor surveys to further inform results at the country level.

3. Review the methodology for this indicator in relation to its applicability to other aid modalities such as multi-stakeholder partnerships or blended finance.

Indicator Seven's construction is based on five criteria. Four of these need to be met for a country to be considered to have mutual assessments in place. Whether these assessments involve multi-stakeholder partnership initiatives could be a sixth criterion, or alternatively the five criteria could be fine-tuned to include these aid modalities. The MAG proposes that further considerations for Indicator Seven should include whether the purview of mutual assessments can go beyond provider/recipient government initiatives and take into account the desirability of mutual accountability in multi-stakeholder partnerships and blended finance.

[7] Questions include: How many countries do you have an aid partnership policy with? Do you mutually agree on monitoring targets? Do you review these targets jointly? Do you involve non-state stakeholders? Do you publish the results?

Indicator Eight: Gender equality and women´s empowerment

Measure government efforts to allocate and track resources for gender equality.

MAG Recommendations:

1. The MAG considers this indicator to be highly relevant given the centrality of gender equality and women's empowerment to development and its importance to *Agenda 2030* (SDG 5). Its focus on budgetary allocations to gender equality complements the broader scope of objectives covered by SDG 5.
2. The analysis of progress for this indicator should be situated in the context of indicators for the various objectives set out in SDG 5.
3. The rigour of the current methodology for the GPEDC indicator should be boosted by increasing the number of criteria that must be met to indicate that a country system for tracking gender allocations is in place.
4. A more inclusive methodology should be created through dialogues with women's rights organizations and other CSOs.
5. Given the GPEDC focus on effective development cooperation, this indicator should also include an assessment of aid providers' disbursements for gender equality.
6. A methodology should be established that allows for the collection of data on gender equality focus for other development actors.

Overview of Indicator Eight

This indicator focuses on gender equality and women's empowerment. Specifically, the indicator seeks to measure the percentage of countries with systems that track and make public allocations for gender equality and women's empowerment. The current indicator methodology is based on four questions (yes/no answers):

- Is there a government statement on tracking allocations for gender equality and women's empowerment?
- Are allocations tracked?
- Is there leadership on this tracking in the central government's unit for public expenditures?
- Is gender equality focused budget information publicly available?

If a country answers yes to at least one of questions 1 to 3, and yes to question 4, it is considered to have a system in place to track public expenditures for gender equality and empowerment.

MAG Analysis: Issues and challenges

Relevance

The MAG considers this indicator to be highly relevant given the centrality of gender equality and women's empowerment to development and its importance to *Agenda 2030* (SDG 5). Its focus on budgetary allocations to gender equality complements the broader objectives covered by SDG 5.

Given the importance of progress in gender equality and women's empowerment for development effectiveness, an indicator focusing on these issues in development cooperation is essential. This indicator is highly consistent with SDG 5 ("Achieve gender equality and empower all women and girls"), and is almost identical to SDG indicator 5.c.1 ("Percentage of countries with systems to track and make public allocations for gender equality and women's empowerment"). It complements the range of key issues for gender equality and women's empowerment covered by SDG 5.

However, Indicator 5.c.1 has been designated "tier 3" by the Inter-agency and Expert Group on Sustainable Development Goal Indicators. This means that this is an indicator "for which there are no established methodology and standards or methodology/standards are being developed/tested." Many tier 3 indicators may be dropped from the final set of indicators to be put forward to the 2017 Session of the UN Statistical Commission.

The March 2016 version of the UN's *Provisional Proposed Tiers for Global SDG Indicators* points out that "this indicator [5.c.1] is part of the Global Partnership monitoring process which tracks implementation of commitments made at the Busan High Level Forum in 2011 …" UN Women has suggested that its focus in GPEDC's set of indicators is therefore vital and should be maintained.

Efficiency

The Indicator is too general and may distort the reality of actual progress in gender equality at the country level.

The MAG has raised concerns about sufficiency of the particular methodology for the current indicator.

The MAG suggests that the methodology for this Indicator is too general, that what is measured is relevant, but the methodology is insufficient. It would be possible to get "good marks" by having only a policy on tracking gender issues, whether or not this policy is properly implemented. A country where women face significant discrimination but has a 'women's section' connected to budgetary allocations, could also score well. The indicator as currently configured in the view of the MAG can be easily 'gamed'.

Usefulness

The indicator may be insufficiently linked to key areas for gender equality and women's empowerment.

Given the centrality of gender equality for development progress, this indicator seems very limited in scope. The current methodology does not allow any assessment of whether a government is genuinely committed to changing the conditions affecting women's equality and empowerment, which is the intention of §20 in the 2011 Busan Outcome and SDG 5. By contrast, GPEDC Indicators Two and Three, which also deal with important areas for development, are calibrated in such a way as to recognise their magnitude. The methodologies for these indicators seek out a range of information, allowing for a comprehensive understanding of issues affecting progress. Gender equality is an issue of similar magnitude, yet the indicator selected to demonstrate progress (budgetary tracking) seems reductive and limited in relation to the challenges.

Proposed Steps Forward:

The gender equality indicator should be seen inside a broad framework that includes more than just public allocations for gender equality and women's empowerment in partner countries.

1. **Situate the analysis of progress for this indicator in the context of the indicators for the various objectives set out in SDG 5.**

One suggestion is to systematically analyse the outcomes for this indicator at the country level in relation to the 14 gender indicators for SDG 5 on gender equality and women's empowerment. This approach would take advantage of synergies between the GPEDC's monitoring framework and the SDGs.

2. **Boost the rigour of the current methodology for Indicator 8 by increasing the number of criteria that need to be met to confirm that a country system for tracking gender allocations is in place.**

An easy step would be to increase the number of criteria that have to be 'ticked' in relation to a system for gender responsive budgeting. At the moment, a country is considered to have met the indicator if it reaches one of 3 criteria, with a fourth criteria (transparency) mandatory. Requiring at least 2 criteria to be met would be an easy way to improve the focus for this indicator. Alternatively, requiring a system to be in place for gender responsive budgeting, with flexibility as to the nature of this system, would be another approach.

3. **Create a more inclusive methodology by involving dialogue with women's rights organizations and other CSOs.**

The Indicator methodology should be expanded to be more inclusive of other development actors and processes. The integration of a multi-stakeholder process into the methodology would also strengthen this Indicator. As currently structured, there is no opportunity for dialogue with women's rights organizations and other CSOs. The development of a mutual assessment of the systems in place (or not) and the usefulness of the gender equality focused budget information being made available would be one way to have open multi-stakeholder dialogues.

Given the complexity and importance of gender equality for effective outcomes in all development areas, a multi-stakeholder approach to enhancing this indicator is the way forward. This should include close collaborations with women's rights organisations involved in development cooperation.

4. Include an assessment of aid providers' disbursements for gender equality.

The indicator should include information on providers' disbursements for gender equality. It is currently possible to access data for the DAC policy marker for gender equality on a provider-by-provider basis. Consideration would be needed to account for weaknesses in this marker system (for example, project budgets where gender equality is one among other project objectives is counted 100%). However, the extent to which providers are disbursing resources to projects/programs where gender equality is a principal objective is a strong proxy for placing gender equality in providers' programs. Another equally relevant proxy is provider allocations to women's rights organisations, which is also available in the DAC data.

Further investigation may be needed to obtain country-level data for these markers from aid providers. The MAG has taken note of the United Nations Development Group's (UNDG) gender marker system, which allows for an appropriate allocation of the total budget for projects marked as "significant contributions to gender equality."[8]

5. Consider a methodology that allows for the collection of data on gender equality focus from other development actors.

Consideration should be given to how to capture the work CSOs and other development actors are doing in this area. How are they using their money for gender equality and women's empowerment? One approach might be a survey of the largest international NGOs seeking similar information on gender equality disbursements.

[8] UNDG, "Gender Equality Guidance Note," September 2013, accessed July 2016 at https://undg.org/wp-content/uploads/2015/03/UNDG-Gender-Equality-Marker-Guidance-Note-Final-Sep-2013.pdf.

Indicator Nine: Effective institutions – Country systems are strengthened and used

Indicator 9a: Quality of developing country public financial management systems
Indicator 9b: Use of country public financial management and procurement systems

MAG Recommendations:

1. Indicator Nine should be recognized as an important and relevant indicator, one rooted in the Paris Declaration commitments, consistent with the Busan principle of country ownership for effective development cooperation, and with SDG goals and targets for effective institutions and public procurement standards.
2. The JST should work with a multi-stakeholder reference group from the steering committee to review the strengths of EIP/CABRI proposals as a possible alternative for Indicator Nine [a] for measuring the quality of financial institutions in relation to issues raised with respect to the World Bank's CPIA.
3. Indicator Nine [a] should include measurements of open and transparent budgets and reform of the methodology should take into account the work of the Effective Institutions Platform as an alternative for the use of CPIA.
4. Indicator Nine [b] should include questions for providers on their actual procurement practices related to contracts awarded in donor and recipient countries.
5. A provision to capture development cooperation flows that may not go through country financial management systems should be included.
6. A methodology for assessing partner country monitoring and evaluation systems should be developed.

Overview of Indicator Nine

Indicator Nine focuses on the strengthening and use of developing countries' public financial management (PFM) and procurement systems when funding from providers is targeted to the government sector, without applying safeguard measures. National systems for the management of funds are those established in the general legislation (and related regulations) of the country and implemented by the line management functions of the government.

Indicator Nine [a] (quality of country public financial management systems) is assessed at the global level, based on a World Bank rating system. It is scored with World Bank data derived from the Bank's Country Policy and Institutional Assessment (CPIA). It measures whether a country has

- A comprehensive and credible budget linked to policy priorities;
- Effective financial management systems to ensure the budget is implemented as intended; and
- Timely and accurate accounting and fiscal reporting.

Indicator Nine [b] is assessed at the country level through an examination of the use of public financial management and procurement systems.[9] It measures the percentage of development cooperation flows disbursed to the government sector using country systems (PFM and procurement systems).

MAG Analysis: Issues and challenges

Relevance

Indicator Nine is an important and relevant indicator that is rooted in the Paris Declaration commitments, consistent with the Busan principle of country ownership for effective development cooperation, and with SDG goals and targets for effective institutions and public procurement standards.

Both components of this Indicator are relevant. as they come directly from the Paris Declaration commitments to strengthen country systems while increasing their use. At Busan, providers agreed to:

> "use country systems as the default approach for development co-operation in support of activities managed by the public sector, working with and respecting the governance structures of both the provider of development co-operation and the developing country," and to "assess jointly country systems using mutually agreed diagnostic tools." [Busan, § 19]

Efficient, transparent and accountable management of public resources is key to effective implementation of government policies and to provider use of country systems as a default approach.

Indicator Nine also finds strong resonance in SDG target 16.6 – "Develop effective accountable and transparent institutions at all levels" – and SDG target 12.7 – "Promote public procurement practices that are sustainable, in accordance with national policies and priorities." (See *Report of the Inter-Agency and Expert Group on Sustainable Development Goal Indicators,* December 17, 2015)

Indicator Nine is relevant not only to monitor development co-operation, but also as an indicator of the degree of a country's development. A country with strong and credible financial management systems, which are used on a regular basis both for developing co-operation and for internal financial activities, is on a strong path to development. The MAG and several stakeholders in the consultation cautioned that its relevance and application to countries experiencing governance fragility may require further consideration of the methodology.

[9] The indicator 9b combines the Paris Declaration indicator 5a (use of PFM systems) and 5b (use of procurement systems) to offer a single composite indicator.

Indicator Nine [a]'s methodology, which relies on the World Bank's Country Policy and Institutional Assessments (CPIA), has been challenged by some developing country partners and civil society stakeholders.

Indicator Nine [b] focuses on the of use national financial systems, including national procurement systems. Both are highly relevant. The latter is particularly important in an assessment of ownership and should be related to Indicator 10 on untying aid.

In general the MAG acknowledges that all stakeholders can benefit from these two indicators as they send the signal that the country is committed to a transparent financial process and that it handles development co-operation with the same tools as its own resources. With improvements in this indicator, especially Nine [b], then it would be a relevant measure of the degree of ownership of development co-operation.

Efficiency

Questioning the relevance of the CPIA for Indicator Nine [a]

The World Bank has a systematic way of measuring **Indicator 9a** through CPIA, which means there are annual figures for most countries, which can be accessed by the JST. While the CPIA criteria may be relevant to setting the context for providers' use of country systems, they do not address the question of open and transparency budgets, which is essential to accountability and consistent with the principles for effective development cooperation.

Perhaps the main problem with CPIA is that it assesses financial management systems with elements such as comprehensiveness, credibility and effectiveness, which are rather subjective. The CPIA is focused on countries that are heavily dependent on aid, mainly Low Income Countries, and was designed for donor - recipient country relationships. It is less applicable to Middle Income Countries. The use of the CPIA has been challenged by a number of respondents in the consultation, particularly several stakeholder groups including partner countries, some providers and CSOs.

A number of respondents to the consultation pointed to the work of the Effective Institutions Platform (EIP) and the Collaborative Africa Budget Reform Initiative (CABRI) as alternative approach. In March 2015, these two initiatives collaborated on a substantial draft proposal for revising Indicator Nine [a].[10] While MAG members were informed that the Effective Institutions Platform was undertaking some analytical work, members were not aware of this specific proposal and therefore did not have a chance to review it in detail.

[10] See "Draft Policy Brief: Revised Indicator 9a for the Global Partnership Monitoring Framework," March 2015, accessed August 2016 at https://www.effectiveinstitutions.org/media/Part_III_15_07_PFM_Indicator_Policy_Brief_EN.pdf.

EIP/CABRI makes a proposal for reforming Indicator Nine [a] based on utilizing indicators in the Public Expenditure and Financial Accountability framework (PEFA) as an alternative to CPIA, which seems to address the concerns raised above. The proposal also makes the suggestion of using sets of fixed and flexible indicators according to the country situation, which is also appealing. While the proposal indicates that full consensus was not reached, the elements for such a consensus were widely examined in research undertaken and deserve further reflection.

The MAG recommends that the JST, working with a multi-stakeholder reference group from the Steering Committee, review the strengths of the EIP/CABRI proposal for Indicator 9a for measuring the quality of financial institutions in relation to issues raised with respect to the World Bank's CPIA.

Unlike Indicator Nine [a], each partner country reports for **Indicator Nine [b]** on the use of financial systems. This approach may have issues related to comparability between countries, but since the main idea of the monitoring exercise is improving and not ranking, then self- reporting is appropriate. Nevertheless, the MAG identified a number of issues.

Some potential limitations in access to data for this indicator, particularly for Middle Income Countries.

Similar to MAG concerns with indicators One (ownership and results) and Six (aid on budget), a potential problem is that countries may not have the discipline to record the required information in a systematic way. The main difficulty is likely to be found in Middle-Income Countries, where aid received is not as important proportionately as it is for Low-Income Countries. This problem is especially important since the monitoring exercise is voluntary. If this is the case, then Indicator Nine [b] may not reflect the actual use of financial systems in development co-operation.

Are providers using partner country procurement in untying their aid*?*

There is substantial evidence that the formal untying of aid does not translate into aid under the management of developing country partners, including their procurement systems. A 2010 OECD DAC study revealed that 88% of 54 aid contracts expended by the UK were awarded to UK companies, despite a policy to fully untie UK aid. The overall DAC average in this study was 60%.

Should all development cooperation resources for government be channelled through country systems*?*

The MAG understands the importance of channeling development co-operation through country systems. However, there may be good reasons why partner countries might not want to channel all development co-operation flows through their public financial management and procurement systems, especially technical cooperation. Reasons for this include a need for flexibility, quick access and efficient expenditures of funds, rather than fear of corruption. For many Middle-Income Countries, flexibility and close collaboration with government officers are key elements in the success of the development co-operation relationship, and the rigorousness of domestic financial process increases the burden and reduces the agility in the use of these funds.

Usefulness

If Indicators Nine [a] and Nine [b] are measured properly, then this indicator promises to be useful for all development stakeholders. An improvement of both indicators would demonstrate that the country is improving its financial management systems, a sign of better financial practices (which may also be a sign of better development) and better practices in approaching development co-operation the same way as the domestic budget. Indicator Nine [b] can also reflect the fact that the recipient country has a certain degree of ownership of development co-operation.

Proposed Steps Forward:

1. Include measurements of open and transparent budgets in Indicator Nine [a] and take into account the work of the Effective Institutions Platform as an alternative for the use of CPIA.

While aspects of the CPIA may be relevant in setting the context for aid providers' use of country systems of Indicator Nine [a], the explicit inclusion of open and transparent budgeting would add the essential element to the GPEDC monitoring process. Consideration should be given to the work and proposals of the Effective Institutions Platform in reforming this Indicator.

2. Add questions in Indicator Nine [b] for providers on their actual procurement practices, related to contracts awarded in donor and recipient countries.

With respect to procurement, Indicator Nine [b] could be improved with a set of questions to aid providers, including a question on the percentage of procurement contracts awarded inside the provider's country and other OECD countries, broken down by type of aid modality – grants, loans, blended finance etc.

3. Make provisions to capture development cooperation flows that may not go through country financial management systems.

As seen with Indicator Six (aid on budget), it is a fact that not all developing co-operation goes through official financial and budget systems, often for legitimate reasons. But it is also true that countries have or can have alternative mechanisms that capture all types of aid flows, such as planning systems, aid management systems, both at the planning ministry or at sectoral levels. All flows should be captured through these systems, if it is not available through the financial management system.

4. Develop a methodology for assessing partner country monitoring and evaluation systems.

Effective country ownership of development and development cooperation requires good accounting and financial systems to make the resources transparent and credible. It also needs constant monitoring and evaluation processes to ensure that these resources are improving development. An important suggestion for indicators relating to ownership and results is a methodology to assess the quality and use of internal monitoring and evaluation systems in recipient countries. This would be useful both for assessing development co-operation and for improving a country's institutional practices.

Indicator Ten: Untying aid

Percentage of aid that is fully untied.

MAG Recommendations:

1. Untying aid remains an important indication of developing country ownership over the allocation of aid resources to address their development priorities. However, relevant indicator methodological improvements are required to more accurately reflect the realities of the tying status of aid to provider interests and entities.
2. An accurate measure of goods and services procured in recipient countries should be developed as well as an assessment of informal tying practices of OECD DAC members.

Overview of Indicator Ten

This indicator is constructed as the percentage of untied Official Development Assistance (ODA) over total ODA. The source of the data is self-reporting by OECD DAC members to the Reporting System. The OECD DAC calculates it each calendar year.

Current directives for calculating untied ODA by the DAC focus on bilateral aid, excluding administrative and refugee costs and imputed students' costs in donor countries. Support for NGOs and funds contributed to Private Public Partnerships (PPPs) are considered untied provided "there are no formal or informal restrictions which would cause them to be considered as in effect tied." [DAC Statistical Reporting Directive, Addendum 11] The reporting of the tying status of technical assistance and food aid is also voluntary and has often been excluded by DAC donors.

MAG Analysis: Issues and challenges

Relevance

Untying aid remains an important indication of developing country ownership over the allocation of aid resources to their development priorities. However, relevant indicator methodological improvements are required to more accurately reflect the realities of the tying status of aid to provider interests and entities.

Untied aid is an essential quality of effective development cooperation and the Busan principle of "ownership of development priorities by developing countries." [Busan, §11] The indicator is in line with the 2008 *Accra Agenda for Action*, which states, "We will accelerate our efforts to untie aid." [AAA §18, and Busan, §18e]

The 2015 *Addis Ababa Agenda for Action* on financing for development confirms the continued importance of untying aid:

> “We will align activities with national priorities, including by reducing fragmentation, accelerating the untying of aid, particularly for least developed countries and countries most in need.” [AAAA, §58]

With respect to SDG 17 that seeks to promote partnerships in the implementation of the SDGs, tied aid would be an important indication of an equitable partnership, where providers do not restrict their aid to promote financial benefits for their national entities in the assistance of developing country partners.

A main purpose for not tying aid is to stop imposing on recipient countries conditions whereby development co-operation is used to explicitly favour provider countries or institutions in terms of trade. The objective of untied aid is highly relevant and complements other GPEDC ownership indicators.

Indicator Ten is not a results indicator as such (untied aid is not a measurement of development outcomes). However, this Indicator is highly relevant. Under almost any modern theory of development, the freedom for a recipient to direct development priorities can be highly constrained when aid is tied. Such tied aid presents itself as development co-operation focused on the provider’s interests, rather than the recipients’ development.

Efficiency

This indicator is measured yearly at the global level, basically relying on the OECD-DAC Creditor Reporting System.

However, the MAG notes some limitations with the metric for determining the full amount of tying aid resources by DAC members. The first, which is no longer an issue, has been coverage. In the past, several donors, including the US, did not report the tying status of their aid. There is now full coverage of bilateral aid for all DAC donors.

Exclusions of aid modalities from DAC calculations of aid untying.

A significant issue in the DAC methodology for calculating untied aid is the possibility to exclude technical cooperation expenditures and food aid (as well as administration expenditures) from the measurement of the tying status of bilateral aid. In 2014, free-standing technical cooperation and relief food aid was 22% of net DAC bilateral aid (less imputed student costs, refugee costs in donor countries and debt cancellation). These aid expenditures make up a significant level of development resources available to developing countries.

The need for an approach that includes an assessment of informal tying practices.

This indicator should take into account “informal tying of aid,” i.e. the continued strong prevalence of awarding contracts within the aid provider’s country irrespective of the formal tying status for bilateral aid.[11] In relation to the earlier observation of relevance of effective resource allocations for the SDGs, international competitive bidding is preferable to tied aid as global markets tend to assure a more efficient determination of value for money compared to the single sourcing orientation of tied aid.

Usefulness

Modern and effective allocation of development co-operation resources should not be tied to provider country commercial interests. This indicator is therefore very useful in discussions between providers, recipients and other development actors to reduce tying in all its forms. On the side of the recipient country, information of tied aid is not only useful for governments, but also for parliaments, civil society and private sector actors.

Relevance for South-South Cooperation providers

For certain South-South Cooperation (SSC) providing countries, aid is seen to have legitimate mutual benefits for all participant developing countries as they share development experiences. For this reason some SSC providers may use their own companies, technical advisers and processes for capacity development and infrastructure projects they finance. Such tying may in fact be difficult to avoid for SSC providers. It may also be a reason they may not participate in this monitoring framework/process.

Proposed Steps Forward:

1. **Develop an accurate measure of goods and services procured in recipient countries as well as an assessment of informal tying practices of OECD DAC members for this indicator**.

It would be important to measure the amount of products and services bought locally or regionally in recipient countries in development co-operation projects. This would provide information on the actual real sector benefits aid brings to the country. Complementing this measure, an assessment of informal tying practices by providers from OECD DAC countries would be useful along the lines of the 2009 ODI study noted above.

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[11] For evidence of continued informal aid untying see Clay, Geddes and Natali, Untying Aid: Is it Working? ODI, February 2009, page 17, accessed at http://www.oecd.org/development/evaluation/dcdndep/44375975.pdf. A study by Devex reported recently "in 2015, the top 20 recipients of USAID funding were all U.S.-based organizations. Combined, these transactions account for 70 percent of the total USAID spending for obligated contracts for the year." Ezekiel Carlo Orlina, "Top USAID Contractors for 2015," Devex, 27 May 2016, accessed at https://www.devex.com/news/top-usaid-contractors-for-2015-88181.