

New forms of development cooperation

The 2030 Agenda for Sustainable Development challenges traditional international development cooperation thinking in two key ways. It strengthens the call to mobilise resources beyond official development assistance (ODA) toward achieving development outcomes. It also emphasises the need for 'means of implementation' to go beyond finance, and to include both systemic and context-specific measures.

The importance of mobilising other forms of development cooperation (DC), both public and private, beyond ODA to finance sustainable development has been recognised since the Monterrey Consensus in 2002. This gave attention to domestic resources as well as private sector flows, financial and technical cooperation, and to systemic issues, including the need for increased coherence of the international monetary, financial and trading systems.

The Addis Ababa Action Agenda (AAAA) built on this by referring to an even wider range of areas for financing development post-2015. These included domestic public resources, domestic and international private business and finance, international development cooperation, international trade, debt sustainability, science, technology, innovation and capacity building. The Agenda highlighted the role of international development cooperation "in complementing the efforts of countries to mobilise public resources domestically" (paragraph 50), recognised the importance of South–South cooperation (SSC) and that of development banks and multi-stakeholder partnerships, and called for more countries to implement innovative mechanisms, instruments and modalities for additional financing.

This brief aims to generate further discussion on how new forms of development cooperation as well as strengthened policy coherence for sustainable development (PCSD) can be harnessed to deliver on the Sustainable Development Goals (SDGs). It provides a brief overview of the scale of resources available to developing countries beyond ODA as well as the different modalities of development cooperation, highlighting the need for improved evidence on the suitability of each in different contexts in order to facilitate an integrated approach to implementing the SDGs. It also touches on the central aspects of policy coherence for sustainable development and the lessons learned to date in order to underline the implications for development actors' strategies and operations in the post-2015 era.

Preparing for the 2030 Agenda and 2016 Development Cooperation Forum

The broader scope and more ambitious nature of the 2030 Agenda for Sustainable Development highlights the need to further understand the complementarities between different actors, resources and means of implementation to improve the effectiveness of development cooperation efforts.

The universality of the 2030 Agenda also puts a premium on policy coherence for sustainable development and provides the opportunity for the global community to adjust its policies and institutions to be able to genuinely address the fundamental, systemic obstacles that have limited the effectiveness of development cooperation to date.

This brief is an extract from an independent input study prepared by Development Initiatives for the Report of the Secretary-General on trends and progress in international development cooperation, in advance of the 2016 Development Cooperation Forum, to be held in New York from 21–22 July. The study is commissioned by UNDESA as part of its research project on development cooperation in a post-2015 setting, supported by UKAID.

While the brief does not provide a comprehensive overview of the study, it aims to generate further discussion on how new forms of development cooperation as well as strengthened policy coherence can be harnessed at different levels to deliver on the Sustainable Development Goals.

The brief will provide background for discussions at the DCF Belgium High-level Symposium, "Rethinking development cooperation for the SDGs: country level perspectives and lessons," to be held in Brussels from 6–8 April 2016. The Symposium is co-organized by UNDESA and the Government of the Kingdom of Belgium.



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Resources beyond ODA

Commercial flows – foreign direct investment (FDI), long-term and short-term lending to the private sector and portfolio equity investments – are the largest source of international finance to developing countries in aggregate. In 2014, at an estimated US\$1.4 trillion, these were over four times higher than aggregate official inflows – ODA, non-concessional public finance (other official flows: OOFs), development cooperation from Southern partners (SSC), activities by development finance institutions and peacekeeping operations. Similarly, private flows to developing countries – remittances and other private finance channeled through NGOs, foundations and corporate philanthropic activities – exceeded official inflows, although by a smaller amount (approx. US\$150 billion).

Given the scale of commercial and private resources, it is clear that cooperation not only among diverse public actors but also between the public and private sectors needs to be enhanced and incentives aligned if sustainable development outcomes are to be effectively achieved. SDG target 17.17 underlines this by calling for the promotion of "effective public, public-private and civil society partnerships". Yet to do so, the first step is to acknowledge the wide range of actors in the 'private sector' – from multinational corporations to small and medium-sized enterprises to non-profit organisations such as non-governmental organisations (NGOs) and foundations – and the roles they can play, since each is likely to respond to a different set of incentives in different contexts.

Secondly, the quantity and quality of data and information on different resource flows – volumes, use and impacts – needs to be enhanced. Current gaps, especially on flows beyond ODA, pose a significant challenge to understanding respective roles and comparative advantages, and thus to taking full advantage of all available resources for achieving the SDGs.

For example, it is widely recognised that civil society organisations (CSOs), including NGOs and foundations, play a significant role in activities that support sustainable development outcomes. In 2013, the volume of resources disbursed by international NGOs and foundations, along with corporate philanthropic activities, was estimated at US\$45 billion, equivalent to a third of all ODA provided by members of the Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee (DAC) to

developing countries in the same year. However, data on financing from these actors, beyond the ODA that is channelled through NGOs by official sources, is sparse, incomplete and inconsistent across data sources. Therefore funding from these actors is likely to be even greater than can be currently estimated, and it is difficult to establish an accurate picture of trends and characteristics of this type of finance, including how, where and on what it is being spent. Even less is known about domestic NGOs, the resources they command and how they interact with domestic and international actors. Increased transparency and standardisation are necessary to examine how private contributions of this type, both domestic and international, could be further leveraged in the SDG era.

Similarly, the role of Southern partners in providing development cooperation is increasingly highlighted in relation to both SSC and triangular cooperation efforts. As reported by the OECD, ODA provided by non-DAC countries increased by over 50% between 2013 and 2014.¹ This contrasts with ODA from DAC countries, which increased by only 1% over the same period. However, in the case of Southern partners too, data limitations constrain the depth of the analysis that can be undertaken on their role and comparative advantages – mainly due to issues around definitions, coverage and level of disaggregation of the data. In this regard, intensified efforts at establishing frameworks to measure the quantity and assess the quality of SSC are welcome².

Enhancing transparency by all development cooperation partners, expanding the evidence base on where different resources work best and sharing findings and best practices are important priorities for implementing the 2030 Agenda effectively and ensuring stakeholders can avail themselves of all available options.

Development cooperation beyond finance

The first 2016 DCF Policy Brief identified three main types of development cooperation for the modern era: 1) financial (and in-kind) transfers; 2) capacity support (including technology cooperation and sharing of policy experience); and

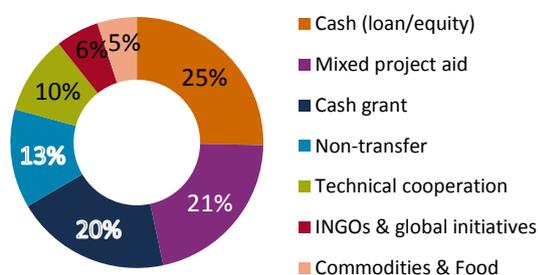
¹ This was almost entirely driven by net ODA disbursements from Saudi Arabia, which more than doubled in 2014, and were mostly delivered to neighbouring countries in the Middle East.

² E.g. the "common platform" recently proposed by the Brazilian Agency for Cooperation (ABC) as well as the Network of Southern Think Tanks (NeST) methodology.

3) policy change.³ Again, evidence - both quantitative and qualitative - on how different modalities are being used in different contexts to achieve specific development objectives needs to be further strengthened.

'Unbundling' ODA to reveal cash grants, loans and equity investments, in-kind transfers and technical cooperation (TC) among others, can inform an initial analysis of modality trends and practices. The data shows that over the past five years, the proportions of ODA delivered in the form of cash grants, loans and equity investments, commodities and food, and bilateral support to international NGOs (INGOs) and global initiatives⁴, have increased. Meanwhile the proportions of ODA delivered as TC, of non-transfer ODA, and of ODA reported as 'mixed project aid' due to lack of detailed reporting on delivery channels, have all decreased. More specifically, cash, in the form of both grants and loans and equity investments, has increased in share by 14% and now accounts for almost half of all ODA to developing countries. Technical cooperation, on the other hand, has decreased from 13% in 2010 to 10% in 2014 (see Figure 1).

Figure 1: The 2014 ODA bundle



Source: Development Initiatives calculations based on OECD Creditor Reporting System (CRS)

Specific donor practices and country needs reveal important narratives beyond aggregate trends. For example, while TC has been decreasing as a share of ODA in aggregate terms, it remains significant in a number of countries. In 2014, TC to the Central African Republic increased over twelve-fold from the previous year and accounts for over a fifth of

all ODA disbursed to the country, with governance and security being the largest recipient by sector.

As ODA and other resources need to become increasingly flexible in response to different contexts, so there is increasing need to look beyond volume trends to how modalities are used. TC, for example, can be provided to support diverse needs of countries in different contexts and stages of development, from strengthening tax systems and wider domestic resource mobilization in countries in conflict and post-conflict situations, to reducing carbon footprints in middle-income countries. Some modality uses will be more appropriate than others, demanding clear understanding of what works best, where. For example, while developing countries with relatively robust economies would benefit from lending at or near to market rates, for others anything other than concessional financing would likely jeopardise their debt sustainability.

Country-level case studies can also provide useful insights on the impact of specific development cooperation modalities. This is particularly true for means of implementation beyond finance, on which analysis is likely to be based on more qualitative aspects, including political economy issues.

For example, a recent overview of case studies on public-private partnerships for development has provided useful insight on common success factors for effectively engaging private businesses to achieve sustainable development goals and objectives. These include, among others, establishing in-country institutional platforms for inclusive cross-sector dialogue; identifying common areas of interest between public and private parties; independent monitoring and verifying of results; and transparency in sharing data and other analytical information.⁵

Increased coherence

Within the 2030 Agenda, the SDGs provide an explicit call to "enhance policy coherence for sustainable development" (SDG target 17.14).

³ What is development cooperation?, 2016 DCF Policy Briefs No. 1, February 2015.

⁴ The INGOs & global initiatives component of the bundle comprises ODA to research bodies, or to special-purpose funds with no specific geographic focus, including CRS records coded as promotion of development awareness. It also includes ODA given as core support to donor-country NGOs. It does not, however, capture all ODA spending that may be termed global public goods.

⁵ The role of the private sector in development effectiveness: common components for success in future partnerships, 2015 Busan Global Partnership Forum, Plenary session 2. A report from the Partnering Initiative and UK Aid ("Unleashing the power of business: A practical roadmap to systematically engage business as a partner in development", 2015, also provides useful insight on how partnerships can be effectively established depending on the stages of a country's development; the type of business involved; and the type of development outcomes being sought.

Before this, MDG 8 provided the framework in which the ‘global partnership for development’ was to be strengthened and systemic development policy issues addressed. But, among other shortcomings, this goal lacked a strong normative foundation to hold development actors to account. This is reflected in the mixed progress to date in increasing policy coherence for development (PCD).

The universality of the 2030 Agenda and the more holistic nature of the development outcomes set out in the SDGs have expanded the scope of PCD to concern all countries, irrespective of their developmental status, and to take into account the full range of policies that can contribute to sustainable development in all its dimensions, not only basic needs. While PCD was primarily aimed at avoiding “donor policies that might conflict with development objectives”,⁶ policy coherence for sustainable development (PCSD) broadens (1) the range of actors responsible for ensuring policy coherence; (2) the range of policies to be considered for overall coherence (including possible trade-offs between policies e.g. growth and environment); and (3) the “building blocks” for enhancing coherent outcomes.

Central aspects

Political commitment, coordination mechanisms, and monitoring and impact reporting have long been considered the three “building blocks” of PCD. However, additional elements have been identified for policy coherence in the SDG era. These relate to the need to go beyond institutional aspects, such as coordination mechanisms, and to ensure that coherence is an integral part of the policy planning process – including policy objectives, mechanisms and tools for policy design, and policy implementation at different levels. More specifically, the 2030 Agenda will necessitate the need for five levels of coherence: 1) between global goals and national contexts; 2) among international agendas and processes; 3) between economic, social and environmental policies; 4) between different sources of finance and other means of implementation; and 5) between actions of different actors and stakeholders.

Consequently, the central aspects of PCSD include: (1) setting up explicit institutional mechanisms for coherence, including commitment by political leadership, central overview, coordination capacity and monitoring systems; (2) managing policy

⁶ Better policies for development 2015: Policy coherence and green growth, OECD.

interactions at different levels to anticipate, detect and resolve policy conflicts; (3) addressing context-specific factors that can contribute or hamper development (such as institutional or regulatory set-ups); and (4) considering policy effects (including effects on current wellbeing; trans-boundary effects; and intergenerational effects).⁷

Lessons learned to date

A number of important lessons have emerged from implementing PCD and other processes (e.g. Mutual Accountability) to date that are important to consider in the move toward PCSD:

- Political commitment at all levels is crucial.
- A well-defined action plan for policy coherence can assist in defining and improving coordination mechanisms.⁸
- Sector or issue-specific approaches to development have missed important linkages – a ‘whole-of-government’ approach is needed to meet the SDGs.
- Parliaments and CSOs have a key role to play in monitoring progress on policy coherence.
- Monitoring needs to go beyond institutional mechanisms to include the impact of different policies on development outcomes.
- In addition to state actors, multilateral institutions must also strengthen the integration of policy coherence into their own systems and interventions.

The 2030 Agenda provides clear opportunities to strengthen the debate around policy coherence and demands significant progress to be made in this area.⁹ This will include changes in ways of thinking and in operational approaches by development actors, both state and non-state, as well as partner governments to achieve and sustain the SDGs.

Next steps: maximising the opportunities of new forms of DC and PCSD

⁷ Ibid.

⁸ E.g. Denmark’s Action Plan For Policy Coherence for Development, Ministry of Foreign Affairs of Denmark, 2014

⁹ The Center for Global Development’s Commitment to Development Index gives an overview of progress made by 27 of the richest countries in pursuing policies that benefit worldwide development: www.cgdev.org/publication/ft/commitment-development-index-2015

At the national level, new forms of development cooperation and the increased coherence demanded by the SDG framework call for stronger planning, coordination and alignment tools such as national development cooperation policies and country results frameworks. If designed in an inclusive and participatory manner, these tools can facilitate, among other things, a whole-of-government approach to development, including increased coordination and coherence across line ministries and between central and local authorities. They can also provide a basis for multi-stakeholder buy-in and engagement, including involving non-state actors in operationalising specific policies. As a prerequisite, however, and as underlined in SDG 17.15, developing countries' governments need to be given the policy space to identify priorities for poverty eradication and sustainable development, based on context-specific needs.

At the international level, new forms of development cooperation and the increased coherence demanded by the SDG framework call for increased knowledge sharing and mutual learning among all countries on what works best and where, with key forums and platforms identified to help facilitate this. In addition, key

institutions, including the International Monetary Fund, World Bank, World Trade Organization, and the United Nations development system will need to integrate PCSD into their own systems and use it as a guiding principle in all the support they provide. Moreover, the several voluntary commitments and initiatives that were created to support the implementation of the SDGs will need to be monitored with the view of including them in broader policy coherence frameworks.

At all levels – local, national and international – the increased range of actors, resources and instruments and the more holistic nature of the development outcomes set out in the SDGs pose new challenges. However, they also provide a new framework in which multiple stakeholders will have to collectively engage in a coherent and integrated manner.

Overall, increased evidence on the comparative advantages of different types and modalities of development cooperation as well as on the impact of specific policies, both domestic and international, on development outcomes, will be important in ensuring an integrated and coherent approach to implementing the SDGs.

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