

Re-engineering development cooperation institutions to deliver on the 2030 Agenda for Sustainable Development

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The world has seen the fastest reduction of poverty for the past 15 years, along with reaching several other MDG targets. Despite these remarkable achievements, there remain a number of unfinished and emerging challenges for the new 2030 Agenda for Sustainable Development to address. These include, among others, extreme poverty, inequalities within and among countries as well as other challenges associated with weak governance, natural disasters, environmental degradation, unsustainable consumption and production patterns, climate change and a volatile global financial system. The least developed countries (LDCs), in particular remain among the most vulnerable and poorest countries that have been lagging behind in achieving the MDGs.

The ambitious 2030 Agenda and its Sustainable Development Goals (SDGs) demand a paradigm shift in international development cooperation¹. In the SDG era, with multi-dimensional and interconnected global goals and an increasingly diverse range of actors at all levels, development cooperation involves not only 'financing' for developing countries but much more and signifies 'managing' development relationships for results. The universal nature of the 2030 Agenda requires the transformation of national development cooperation strategies and systems in all countries. Competent and accountable institutions lie at the heart of operationalising these new ways of development cooperation.

Drawing on the insights and evidence-based discussion in preparation for the 2016 high-level meeting of the Development Cooperation Forum, this policy brief will explore the essential institutional changes required for development cooperation institutions in both developing and developed countries. The present brief aims to discuss the complex issues pertaining to institutional frameworks in three main and inter-linked areas, including: (1) mobilization; (2) allocation; and (3) management of international development cooperation.

Preparing for the 2030 Agenda and 2016 Development Cooperation Forum

With multi-dimensional and interconnected global goals and an increasingly diverse range of actors at all levels, development cooperation in the SDG era involves not only 'financing' for developing countries but much more and signifies 'managing' development relationships for sustainable development results.

Successful implementation of the 2030 Agenda and the SDGs requires the transformation of national development cooperation strategies and systems in all countries. Competent and accountable institutions lie at the heart of operationalising these new ways of development cooperation.

This policy brief explores the essential institutional changes required for development cooperation institutions in both developing and developed countries, drawing on the insights and evidence-based discussions in preparation for the 2016 High-level Meeting of the Development Cooperation Forum.

The brief provides background for 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 the UNDESA and the Government of the Kingdom of Belgium.

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1. Resource Mobilization: Better Incentives

The achievement of the 2030 Agenda will require an unprecedented level of financial and other means of implementation. While enhancing the quality and effectiveness of development cooperation remains vital as ever, securing sufficient amounts of official support should not be underestimated, in particular for the LDCs, majority of which are aid-dependent countries¹ and in vulnerable situations including those that require immediate relief at scale.

Programme countries should have in place national development cooperation policies (NDCPs) that articulate the strategies to mobilise more official support, including official development assistance (ODA) and South-South and triangular cooperation. NDCPs should also make clear linkages with and address the role of domestic resource mobilisation (DRM) strategy, which could include the plan for extensive institutional reforms needed, for instance for enhanced national tax authorities. Country results frameworks (CRFs) can serve as an effective tool for DRM efforts, through linking the localized SDGs, resources of various streams and results as well as institutionalising an incentive mechanism for all engaged partners. NDCPs should also spell out the context-specific plans to catalyse more private capital for sustainable development financing. It is critical to ensure NDCPs are well aligned with national sustainable development plans, budgetary processes and results frameworks.

The development, implementation and oversight of the NDCPs must be anchored in competent and legitimate institutions. The existing experience suggests that the governments of developing countries ensure the effective operationalization of NDCPs – either through setting up an inter-ministerial coordination mechanism or by establishing a separate unit that assumes this coordination function.

In response to these needs, developed countries should consider, among other actions, to institutionalise the necessary measures, including legislative reforms, and develop well-defined strategies to effectively communicate results and secure national commitments to meet the 0.7 per cent of GNI as ODA target as well as the 0.15-0.20 per cent GNI commitment for LDCs². The commitment of at least 0.20 per cent of GNI to LDCs was strongly encouraged in the recent Addis Ababa Action Agenda (AAAA).³ Development cooperation actors more broadly should seek to scale up innovative mechanisms that effectively align private incentives with the sustainable development agenda.

Box 1. Legislative Reform in United Kingdom to Secure National Commitment to Meet ODA Target

Introducing the new law on ODA Target, the United Kingdom delivered on its pledge to spend 0.7 per cent of gross national income (GNI) as ODA in 2013, becoming the first in the Group of 7 to meet this commitment. The main implications of the International Development Act 2015 include:

- It places a duty on the Secretary of State to ensure that the 0.7 per cent target is met by the United Kingdom in the year 2015 and each subsequent calendar year;
- Accountability for meeting the 0.7 per cent target is to Parliament, rather than the courts; and
- The Secretary of State must make arrangements for the independent evaluation of the extent to which UK ODA provided by the United Kingdom represents value for money. The Secretary of State must include in each annual report a statement as to how he or she has complied with this duty.

Source: <https://www.gov.uk/government/news/international-development-official-development-assistance-target-bill-2015-receives-royal-assent>

With the broadening scope of the global development agenda, all line ministries and sectoral institutions may collaborate more closely with national development cooperation agencies or designated entities, which could lead to more effective resource mobilisation. The existence of a unified national vision on development cooperation will be an essential to create greater solidarity across all sectors and ease competition among line ministries for limited resources. This is one of the key areas that can benefit from effective knowledge partnerships.

¹ See DCF Policy Brief No. 1 (February 2015), available here: http://www.un.org/en/ecosoc/newfunc/pdf15/2016_dcf_policy_brief_no.1.pdf
See also E/2014/77

² Set in 1981 in the Substantial New Programme of Action in Paris

³ See Paragraph 51

The below questions will further guide the discussion on resource mobilisation:

- What improvements could be made in the SDG era to the conventional practice of setting targets, such as the GNI targets for ODA, with a view to better incentivizing stakeholders to engage and finance?
- What institutional changes are needed at national level to ensure balance between ‘coordinating provider-programme country relationships’ and ‘promoting multi-stakeholder investment for common interest’?
- What are some of the good examples of institutional reforms undertaken in development cooperation institutions, which resulted in more effective leveraging of private investments for global development goals?

2. Resource Allocation: Better Alignment

Development cooperation actors should align their vision and plan for resource allocation with the priorities of the SDGs, so that development cooperation should go where the needs are greatest and the capacities to mobilise domestic and international resources are weakest. Moreover, the recent independent study⁴ for the UN Development Cooperation Forum points out the need not to disregard but move beyond the country eligibility criteria to enable a stronger focus in particular on people, namely, the poorest 20 per cent of the world. This requires further studies, which look into the possible measures that take into account other key factors, such as the national and institutional capacities, in addition to the severity of needs people face. In addition, while effective targeting will aim to have the biggest impact at the lowest cost, too much focus on results could have the unintended consequence of leaving out some of the most vulnerable populations that require investments and development efforts for longer periods of time.

From programme countries’ point of view, the relevant government ministries and institutions face bigger challenges in mapping out the totality of available resources from various financing streams to make more informed decisions on fiscal planning and budgeting, while endeavouring to promote greater predictability and transparency of aid.

Experience highlights the need for external actors to better align their allocation decisions with national priorities of programme countries, rather than be driven predominantly by their own political/economic interests. Allocation of international public finance and other support is a reflection of a government’s or other actor’s vision for development cooperation. Such vision needs to evolve with the 2030 Agenda and AAAAA, through a consultative process engaging also all the relevant institutions beyond development cooperation/aid ministries. Also important are more focused approaches to help to direct their cooperation for longer periods of time on fewer countries and sectors, based on their comparative strengths.

The shift from donor-recipient relationships to multi-sectoral and multi-stakeholder partnerships requires the institutionalisation of more inclusive approaches throughout the consultative and decision making processes for resource allocation in all countries.

The following questions will facilitate the further discussion on resource allocation:

- Noting the high concentration of ODA on a small number of developing countries, what institutional changes are required on the part of both providers / programme countries to encourage more balanced distribution of resources based on the needs and the lack of country capacities?
- What are some of the case stories exemplifying the successful institutionalisation of inclusive consultative and decision-making processes for resource allocation, in particular international public finance, in different countries, developed and developing?

⁴ Full study (January 2015), available here: http://www.un.org/en/ecosoc/newfunc/pdf15/un_improving_oda_allocation_for_post-2015_world.pdf
See also DCF Policy Brief No. 2 (January 2015), available here:
http://www.un.org/en/ecosoc/newfunc/pdf15/un_improving_oda_allocation_for_post-2015_world_policy_briefing.pdf

3. Resource Management – Better Integration and Coherence

In response to increasingly interconnected global challenges and actors, the international community has devised a more integrated package of solutions that attempts at greater policy coherence: the SDGs and AAAAA. Policy coherence for development (PCD) has been largely of concern to development providers, which aim to prevent their policies from having any inadvertent, negative impacts on developing countries. The 2030 Agenda, however, through its targets on policy and institutional coherence under Goal 17, introduces a broader concept of policy coherence for sustainable development (PCSD), calling for integrity of policies within and among all governments as well as between different internationally-agreed development agenda (IADGs) (e.g. Istanbul Programme of Action (IPoA)) and the domestic policies to promote policy space, country ownership and better synergies.

With the 2030 Agenda entering into its implementation stage, there have been initial attempts to localise the SDGs and reformulate or adjust their sector plans (including NDCPs) in parallel. An essential element of progress will be increased coherence between development cooperation and non-development cooperation policies (e.g. trade, investment, monetary and fiscal policies) of both provider and recipient governments. For instance, the DRM strategy in developing country should be coherent with other domestic, regional and global policies governing related issues such as tax, customs and development cooperation. Effective inter-ministerial coordination and multi-stakeholder partnerships, engaged by parliamentarians, local governments, CSOs, the private sector, etc., are central to achieving the higher-level of policy integration, stronger social contract and broad-based country ownership.

Box 2. Initial Whole-of-Government Approach towards PCSD in Uganda

Uganda is undertaking a whole-of-a-government approach to ensure coherence in mainstreaming the SDGs in their national development strategy and in aligning goals / targets of line ministries with the upcoming national sustainable development strategy.

Following the setting of the SDGs, the Uganda Bureau of Statistics and the National Planning Authority (NPA) have sought to integrate attainment of the goals within the national development planning and monitoring, through a step-by-step process:

- i) **Aligning the national development plan with the SDGs** – In 2015, the second National Development Plan (NDP II) 2015/16 – 2019/20 was developed in line with the SDGs, including the principle of policy coherence for sustainable development (PCSD). Currently, the Uganda Bureau of Statistics is working to enhance the alignment of NDP II indicators with those of the SDGs, including by: (1) identifying the types of data which are attainable through existing data collection mechanisms, including in other ministries; and (2) formulating strategies for collecting data through other means (e.g. survey). This process has been supported by UNITAR as well as UN local offices in Uganda, such as UNFPA.
- ii) **Aligning line ministries and local governments with the SDGs** – The NPA is now working to ensure that sectoral plans, budgets and policy statements of government ministers are aligned to the NDP II and SDGs attainment, with a view to their inclusion in the wider monitoring and evaluation processes, spearheaded by the Office of the President and Prime Minister. Each Ministry that is deemed compliant with the SDGs by the NPA will receive a “certificate of compliance”. The next stage will be to localise the SDGs at the local government level (district) and ensure local development plans inform and are aligned with NDP II. The NDP II will undertake its mid-term review in January-June 2018.

Sources:

<http://npa.ug/wp-content/uploads/NDPII-Final.pdf>

<https://www.unitar.org/uganda-hosts-first-post-2015-national-briefing>

Furthermore, the integration is taking place at institutional and system levels. As called for in the AAAAA, more programme countries are keen to develop the integrated national financing frameworks (INFFs) to better manage increasingly diversified and fragmented development cooperation. INFFs present great potential to enhance the institutional cohesiveness and better coordination by integrating the national planning, budgeting, financing, monitoring & evaluation (M&E) and other relevant functions with a whole-of-government approach. As an integral part of these efforts, the country results frameworks (CRFs), for instance, can also be linked to the national budgetary processes and medium-term expenditure frameworks. The operationalisation of INFFs is further supported by the adoption of integrated financial management information systems (IFMISs) and other relevant ICT tools.

It is critical for providers to support the institutional / technical capacities of governments of developing countries and cooperate by making corresponding adjustments that are system-wide and mutually reinforcing. For instance, the elimination of providers' parallel implementation units and the increased use of country systems will result in enhanced inter-operability and cost-effectiveness in administrative processes for both providers and partners.

The principles of integration and coherence should ultimately be implemented by development institutions and practitioners across the board. Multi-sectoral and multi-stakeholder approaches of development cooperation post-2015 demand a wide range of skill sets, institutional set-ups and modus operandi of all engaged partners. Capacity support is paramount. Fostering solid knowledge partnerships and technology transfers, in particular to strengthen the national human resources capacity and support the development, deployment and diffusion of science, technology and innovation (STI) and information and communications technologies (ICTs) including through South-South and triangular cooperation, will drive more tailored implementation with sustainable results.

Existing institutions need to acquire such skills by learning from successful experiences. But, learning alone cannot fill the capacity gap. Execution institutions must be made more open and flexible to take in talent that do not exist within the institutions, such as the expertise to manage the innovative financing instruments and leverage the private finance. The global, regional and country presence of institutions also need to be reviewed. Also, the institutions must overcome path dependency and ensure that bureaucratic boundaries do not hinder tailor-made local solutions. Whatever institutional models are adopted, the focus should be towards strengthening the ability to identify and respond to demands in the field in a swift and context-specific way. This is a key area of focus on the ongoing ECOSOC Dialogue on longer-term positioning of the UN development system, in the context of the 2030 Agenda for Sustainable Development⁵. The discussions within the ECOSOC Dialogue on the longer-term positioning of the UN development system aim to agree on proposals to reorient the functions, funding practices, governance structures, organizational arrangements and partnership approaches of the UN development system to respond to these needs, in order to deliver on the ambitions of the 2030 Agenda.

The below questions are proposed for further discussion on resource management:

- What are the remaining challenges in ensuring coherence and synergies between development cooperation and non-development cooperation policies in both provider and recipient countries? What institutional changes would be essential?
- What roles can development cooperation play to support developing countries' capacities to develop and operationalise the INFFs and incentivize the providers to align their cooperation efforts through undertaking necessary institutional adjustments?

Conclusion

Successful implementation of the 2030 Agenda and the SDGs hinges upon the active engagement of all development actors, from all countries, in making necessary institutional changes for the effective mobilisation, allocation and management of finance and other means of implementation. Successful institutional reforms require context-specific and demand-driven approaches. Global and regional policy fora on institutional evolution should facilitate the opportunities for knowledge sharing and mutual learning including through South-South cooperation.

While the structural reforms of development actors are often vital, the true synergistic impact will be felt when goals, resources, capacities and incentives are well aligned through sound policies and partnerships. The strategic role of development cooperation in the SDG era will largely lie in inter-connecting these elements and facilitating the optimal ways one relate to another.

⁵ For further information see here: <https://www.un.org/ecosoc/en/oas-qcpr>

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