Where next for development effectiveness?

Recommendations to the GPEDC for Nairobi and beyond

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Key messages

• There have been four significant shifts in the global development landscape since the Busan Agreement in 2011, each of which has profound implications for the work of the Global Partnership for Effective Development Cooperation (GPEDC): (1) a new financing landscape; (2) new delivery models, including investing public finance into private enterprises; (3) new commitments to ‘leave no one behind’; and (4) new evidence about effective development practice.

• At its second High Level Meeting in Nairobi, the GPEDC should set out how it will respond to these shifts, including by updating the development effectiveness principles and Monitoring Framework so that they remain fit for purpose.

• Over a decade since the Paris Agreement on Aid Effectiveness, the GPEDC now faces two fundamental challenges to which it must adapt: waning political engagement, and questions over its function in support of the 2030 Agenda for Sustainable Development (Agenda 2030). Addressing these will require a clear articulation of the GPEDC’s theory of change and its role within the global architecture to implement Agenda 2030; a strong voice from developing countries about their needs and priorities for effective development cooperation in the SDG era; and a frank reality check to come to terms with slow or even reversing progress and what is feasible to achieve in the future.

• The GPEDC could make itself more relevant to developing countries by working more at country level on analysis of effective cooperation to achieve the Sustainable Development Goals in specific contexts; to cooperation providers by more strongly linking effectiveness to the value-for-money agenda; and to all stakeholders by becoming the ‘go-to’ place for high-quality evidence and peer learning and by building common understanding between very diverse actors.
What is the Nairobi High Level Meeting?
The second High Level Meeting (HLM2) of the Global Partnership for Effective Development Cooperation (GPEDC) will take place in Nairobi between 28 November and 1 December 2016, attended by heads of state, ministers, international organisations, representatives of civil society and business, philanthropic foundations, parliamentarians and representatives of local government. The purpose of the conference – two years after the inaugural High Level Meeting of the GPEDC in Mexico City in 2014 – is to take stock of the implementation of the development effectiveness principles and commitments; identify and showcase innovative approaches and success stories; and position the GPEDC to contribute to effective development cooperation in the era of the Sustainable Development Goals (SDGs).

At HLM2, the GPEDC will endorse the Nairobi Outcome Document, which has been negotiated by the Steering Committee and open to public comment. Participants are expected to make new individual and joint commitments during the dozens of planned plenaries, side events and other sessions, and through the announcement of new ‘Global Partnership Initiatives’ (voluntary initiatives to advance specific commitments in support of the effectiveness agenda). There will also be opportunities to review and deliberate on the progress made by all development partners on fulfilling the effectiveness principles to date, as detailed in the 2016 Monitoring Report (GPEDC, 2016) and to make recommendations for improving the Monitoring Framework in the future.

Why is it important?
We are in the opening chapter of a new era in sustainable development, anchored in Agenda 2030 and its commitment to ‘leave no one behind’, the Addis Ababa Action Agenda on development financing and the Paris Agreement on climate change. Fulfilling these ambitions will demand not only the mobilisation of substantially more resources for sustainable development, but also a greater focus on their effectiveness, quality and impact (Greenhill et al., 2015). What constitutes truly ‘effective’ development cooperation in this new era? How can it best be measured and tracked, and all actors held to account?

These responsibilities lie with the GPEDC. Yet since it was initiated in the 2011 Busan Agreement, there have been several significant shifts in the global development landscape, which have potentially profound implications for its work:

1. New financing landscape: Over the past decade, an increasingly diverse array of development cooperation providers has emerged in both the public and private sectors, creating an ‘age of choice’ for developing countries. How should the effectiveness framework be updated to account for developing countries’ preferences today?

2. New delivery models – investing in private enterprises: Aid invested in the private sector is growing in importance, especially aid channelled through development finance institutions (DFIs). While such flows are estimated to account for only 3–5% of official development assistance (ODA) currently, this share is very likely set to grow. Could, and should, DFIs and other private sector actors be governed by the development effectiveness framework – and if so, how would it need to be adapted?

3. New commitments to leave no one behind: One cross-cutting objective in Agenda 2030 is the universal commitment to ‘leave no one behind’. External development cooperation will be critical to achieving this, but it will also be necessary to think differently about ‘effective’ cooperation from the Millennium Development Goals (MDGs) era. Can the GPEDC play a role in mainstreaming the implementation of the ‘leave no one behind’ agenda in practice, and what tensions might need to be addressed in doing so?

4. New evidence about effective development practice: The long-term, government-led, predictable and planned approach underpinning the effectiveness agenda may no longer be the right one. New research has shown that applying a more flexible, adaptive, context-specific and politically-smart approach can be more effective, especially in fragile and conflict-affected states. Do iterative and adaptive approaches to development contradict some of the key tenets of the effectiveness framework or could they usefully inform how it evolves?
**Box 1: Selected findings from the 2016 Monitoring Report**

**Use of country systems:** The quality of budgetary and public financial management systems in 87% of assessed countries has remained stable at moderate levels since 2010, but providers’ use of these systems has remained flat at 50% since the previous survey, and in-country procurement has actually declined.

**Results frameworks:** Development cooperation providers are largely aligning interventions to the priorities defined in national development plans and sector strategies (85% of the time), but only 62% of donor results indicators are being drawn from country-led results frameworks, and just 52% use the recipient country’s monitoring and evaluation systems.

**Aid on budget:** Two-thirds of development cooperation is now recorded on budget, up somewhat from 58% in the previous survey, but with the global average masking wide disparities between providers.

**Untied aid:** The share of untied aid (78%) remains similar to 2013 levels (74%), and still way off the target of 100%, although several major donors provide fully or almost fully untied aid. The increasing involvement of the private sector in development cooperation needs to be carefully managed to avoid further tying of aid.

**Predictability:** Progress towards the annual and three-year predictability of cooperation, important for national short- and medium-term planning and budgeting, has stagnated over the past five years, still falling short of the Busan target. It continues to be especially difficult to achieve in challenging country contexts, where implementation and absorption capacity tends to be over-estimated.

**Private sector dialogue:** Despite widespread willingness to engage in public–private dialogue, a lack of champions and a scarcity of instruments and resources to facilitate this is diminishing its quality.

**Transparency:** Overall, the transparency of development cooperation is good, and improving. The most notable progress has been in the timeliness and comprehensiveness of publicly available data, although the publication of forward-looking information continues to pose a challenge, as does the quality of data.

**Gender budget tracking:** In 72% of the countries surveyed, at least one of the three basic elements for tracking gender-related allocations is in place, and nearly half of countries have all three elements in place.

**Mutual assessments:** Greater progress is needed in the inclusiveness, transparency and meaningful accountability of mutual assessment processes and their results.

*Source: GPEDC (2016)*
1. New financing landscape

The landscape of development finance has undergone sweeping changes over the past decade. Governments now have an unprecedented array of financing options and are becoming more assertive in selecting them (Davis and Pickering, 2015; Prizzon et al., 2016). Based on ODI’s interviews with more than 150 senior officials from 13 countries (Prizzon et al., 2016; Schmaljohann and Prizzon, 2015), as well as the results from surveys of ministries of finance and planning in 40 developing countries (Davis and Pickering, 2015), several issues emerge as relevant to updating the GPEDC framework:

- Most countries across both the interview and survey data view country ownership and policy alignment as critical, with some actively turning down projects if they did not fit the government’s priorities. Eighty-three percent of survey respondents considered alignment to be important, and 58% ranked it as the highest priority.

- Another key priority in several countries is the speed of contract negotiations and project implementation. In some cases, speed of delivery was regarded as such a high priority that concessional loans were rejected in favour of less-concessional financing (for example, from China) because of the lengthy process and burdensome policy conditionality.

- Government officials interviewed also valued embedding capacity-building in projects, and often used this as a criterion for selecting a new project. This confirms the findings of a review of case studies investigating drivers of development progress (Rabinowitz and Prizzon, 2015), in which technical assistance (TA) and policy advice, either alone or combined with financial resources, were found to be critical in improving the effectiveness of government spending.

- By contrast, harmonisation was rarely mentioned in interviews with government officials, with a couple of exceptions, and was ranked as important by only 17% of survey respondents. On balance, we found that governments seem to welcome a broader set of financing choices, despite any increased pressure on their management systems. Similarly, the results agenda and the principles of transparency and untied aid did not feature prominently (if at all) in the interviews, or were the lowest priorities in the surveys.

Recommendations

- Ownership of development programmes and alignment to national priorities should remain primary objectives of the effectiveness framework given how highly countries value these.

- Aid providers should commit to increasing the speed of project financing and disbursement by identifying areas where processes can be streamlined, while ensuring adequate environmental and social safeguards are in place. This could be integrated into the Monitoring Framework by an indicator assessing the average time to make the first disbursement, with a target to reduce this within a specified timeframe.

- The GPEDC should add an indicator on aligned and coordinated technical assistance. This was among the indicators of the Paris Declaration on Aid Effectiveness, but is no longer part of the framework since Busan. It should also be expanded to include demand-driven and cost-effective TA and capacity-building. This could be measured by the share of projects that have a TA or capacity-building component, with an ultimate target of 100%.

- All relevant stakeholders should review the effectiveness of country coordination mechanisms, which may mean eliminating them in some cases or reforming them in others. If governments in developing countries agree that coordination helps their programmes to be more effective, donors should commit to supporting national development effectiveness secretariats with finance and/or TA as needed.
2. New delivery models: investing in private enterprises

Aid invested in and via the private sector is growing in importance (Carter, 2016a; UN, 2015), most notably through DFIs such as the International Finance Corporation (IFC, part of the World Bank Group), FMO (Netherlands), CDC (United Kingdom) and OPIC (United States). To give an idea of their size, the IFC invested $11.2 billion and mobilised an additional $7.7 billion in 2015 (IFC, 2016), while the European DFIs collectively invested €6.0 billion in new projects (EDFI, 2016). The extent to which these investments are concessional is unknown, due to a lack of transparent and consistent reporting, and the rules for reporting investments as ODA are currently under revision (OECD, 2016). It is estimated, however, that investments in private enterprises now account for roughly 3–5% of ODA (Pereira, 2015). Given the prevailing policy context, this share is very likely set to grow.

The GPEDC has not explicitly articulated if and how the effectiveness principles and indicators apply to DFIs and other donor-backed private investment instruments. Some indicators are clearly only relevant for assistance going to the public sector (such as the percentage of aid on budget), but many others could be applied to private-sector instruments. The GPEDC Monitoring Advisory Group (MAG) has recommended the development of an appropriate indicator for blended finance (MAG, 2016). Similarly, some have called for the framework to be adapted to account for new types of financing partnerships, while still retaining the spirit and rationale of the core principles (Lonsdale, 2016). Others argue that the existing effectiveness principles must apply to donor-backed investments in the private sector (Griffiths, 2016).

Recommendations

- DFIs and other donor-backed investment vehicles should commit to supporting national development strategies and the GPEDC should track whether donors incorporate country preferences into their investment strategies, while recognising that it would be impractical to seek wider country ownership of investment decisions.
- Countries and donors should commit to harmonising the relevant elements of country results frameworks with those already used by DFIs and other donor-backed investment instruments, rather than creating a new indicator within the GPEDC framework to assess use of country results frameworks.
- The GPEDC should monitor donor progress on establishing and adhering to rigorous procedures for identifying at-risk communities and handling grievances, based on an independent rating. Donors should commit to improve on these fronts and learn from each other’s best practice, recognising that while these activities have an associated cost – and hence should be kept within reasonable limits – they can also help mitigate risks for the DFIs.
- Donors should commit to holding DFIs to a higher standard of transparency than is currently the case when investing public money in private enterprises. Indicators should include the percentage of public–private partnerships (PPPs) that conform to Open Contracting Partnership data standards, and the percentage of investments where: (1) full beneficial ownership information is available; (2) the upfront investment case is public; and (3) some indication of the degree of concessionality is stated in order to understand the degree of ODA subsidy involved (and hence to assess its cost effectiveness).
3. New commitments to leave no one behind

The 2030 Agenda states that ‘no one will be left behind … we will endeavour to reach the furthest behind first’. Achieving this requires both reaching the most vulnerable and marginalised people (everywhere) and supporting the poorest and most fragile countries with effective development cooperation. This marks a significant shift from the preceding MDGs and calls into question what development cooperation in support of this new commitment might look like and whether the existing framework is sufficient.

Moreover, there may be under-explored tensions between some of the effectiveness principles and what is needed to ‘leave no one behind’ in practice. Some governments continue to ignore or wilfully marginalise certain groups. For instance, 75 countries currently criminalise sexual acts between same-sex consenting adults (ILGA, 2015), and 52 have no specific constitutional provisions to guarantee gender equality (UN Women, 2015). In fragile and conflict-affected countries where government institutions may lack legitimacy and/or capacity, they may be unable or unwilling to lead the development agenda in such a way that the effectiveness principles – particularly in relation to country ownership – can realistically be fulfilled. Yet these are precisely the environments in which external actors need to prioritise building up resilient institutions, as recognised in the New Deal for Fragile States.

**Recommendations**

- The GPEDC should put greater emphasis on country rather than just government ownership and expand the concept in practice beyond central government to include local actors. The existing monitoring indicators only cover aid to the government sector. The GPEDC should foster commitments and develop indicators on effective development cooperation for sub-national governments, parliaments, civil society organisations (CSOs) and other non-governmental partners.

- The GPEDC should expand the indicator on gender equality (tracking and publishing resource allocations to achieving gender equality) to cover all vulnerable groups in a given country context.

- The GPEDC should better highlight issues of fragility and make a commitment to implement the New Deal in a flexible, problem-driven and locally-owned way.

- All countries should commit to disaggregating their results frameworks, based on local dynamics of vulnerability and marginalisation, and external partners should commit to support countries to collect and analyse this data. In many countries, national statistical systems currently do not allow a proper understanding of who is being left behind. Agenda 2030 calls for data that is ‘disaggregated by income, sex, age, race, ethnicity, migration status, disability and geographic location and other characteristics relevant in national contexts’. The GPEDC should also collaborate with the Global Partnership for Sustainable Development Data.

- The Nairobi Outcome Document should promote a focus on long-term rather than short-term results, and should commit all actors to better manage and share risk and encourage experimentation; for example, drawing on language from the New Deal for Fragile States.

- The Outcome Document should also include a clear commitment that inclusive partnerships and mutual assessment reviews should include representatives of marginalised and at-risk groups.

- Governments and development cooperation providers should commit at HLM2 to ensure that published information is accessible to those left behind, including, for example, being available in local languages and in formats that can be readily understood by non-literate populations. Furthermore, as far as possible, activity information provided to the International Aid Transparency Initiative (IATI) and the OECD Creditor Reporting System should be geocoded and as disaggregated as possible.
4. New evidence about effective development practice

Momentum for the GPEDC and the development effectiveness process has waned. At the same time, another movement aimed at making development more effective has arisen. This is variously referred to as ‘doing development differently’ (DDD), ‘adaptive programming’ and ‘problem-driven iterative adaptation’ (Andrews et al., 2013; Bain et al., 2016; Wild et al., 2015). It represents a challenge to the framework established at Busan and has no official process behind it, but is driven by development practitioners who have become frustrated by the rigid, bureaucratic nature of traditional development interventions. There are some similarities with the GPEDC principles, particularly an emphasis on local ownership, but DDD is about how development cooperation should work at the project level, rather than high-level dialogue between providers and governments, and (as yet) no monitoring indicators have been proposed. A further potential difference is between the emphasis on predictability in the GPEDC framework versus the adaptive nature of DDD approaches, which can sometimes mean interventions start with ‘small bets’ and then scale up what works and scrap what does not (Bain et al., 2016).

One motivation behind DDD is that development interventions often deliver the form rather than the substance of an outcome (Andrews et al., 2013). From this perspective, it would be easier to score favourably in a Busan-style monitoring exercise, but harder to ensure that donors and partners are adhering to the effectiveness principles in any meaningful way. DDD emphasises that a disjuncture between appearance and reality is more likely when the political environment has been ignored. The analysis behind the need to ‘do development differently’, and the insistence of the importance of real-world incentives, could be useful in helping to explain the limited political traction of the GPEDC process. They might also inspire the GPEDC to consider more locally-led and adaptive ways of achieving effective development.

As one example, the use of country systems has always been a cornerstone of aid/development effectiveness. However, traditional donors have largely failed to meet these commitments (see Box 1). Nairobi offers an opportunity to discuss why and to take a more politically-informed and pragmatic approach. Providers should recognise that ‘country systems’ are not monolithic, but have distinguishable components, some of which may be stronger/weaker, or more/less risky, given the specific political context (see CABRI, 2016; and Hart et al., 2015).

Recommendations

- The GPEDC should seize the opportunity of HLM2 to have an honest debate about why the effectiveness principles, especially country ownership, appear to be so hard to achieve. If the respective political realities in donor and partner countries mean that commitments to local ownership are unlikely to be met, then the GPEDC should consider ways of making development cooperation more effective in this real-world context, rather than denying such realities, taking inspiration from DDD and similar approaches. For example, donors should commit in Nairobi to put all aid at least on plan, on budget and on parliament (those components of country systems carrying lower fiduciary risk).

- The GPEDC should work with the DDD community to consider the merits and pitfalls of attempting to create indicators that track whether development interventions are adaptive and results oriented. One possibility could be to record the frequency with which project design incorporates from the outset a feedback loop so that activities are adapted in response to learning from results.

- The GPEDC should revisit the question of whether predictability is always desirable, if shutting down failures and scaling up successes sometimes implies unpredictability. Conversely, the DDD community should articulate how its approach might work in settings where partners value predictability.
Beyond Nairobi: addressing fundamental questions and challenges

The HLM2 takes place at a critical juncture: a moment in which to review the evidence and lessons learned from a decade’s attempts to implement the aid and development effectiveness agendas, and to look ahead to the future role of development effectiveness. If Agenda 2030 is ‘what’ needs to be achieved, and the Financing for Development process represents the ‘who’ (with the Addis Ababa Action Agenda identifying the roles, responsibilities and relationships between various development financing actors), then the GPEDC represents the ‘how’.

In addition to making progress on the specific actions recommended above, the GPEDC should seize the opportunity of the HLM2 to chart the way forward as the ‘how’. In order to do so with political credibility and practical relevance, it must address at least two fundamental challenges.

The first fundamental challenge is that political engagement in the development effectiveness process has waned.

The Paris Declaration can be seen as the high-water mark of the earlier – and narrower – aid effectiveness movement, boosted by a North–South coalition of CSOs and governments of developing countries calling for specific solutions to specific problems of traditional aid coordination and implementation. Holding OECD donors’ feet to the fire on core aid commitments through regular monitoring and accountability was the central proposition of the Paris process and was a relatively clear and straightforward exercise. There were successes, notably on aid transparency, alignment to country strategies and, possibly, more broadly in shifting the power dynamics regarding aid, enabling developing countries to have a stronger hand. Even so, successive Monitoring Reports (GPEDC, 2016; GPEDC, 2014b; OECD, 2011) reveal glacial progress or even decline in many areas of the original ‘core aid’ part of the agenda (see Box 1), especially in recent years.

However, since the Busan Agreement in 2011 – which significantly broadened the agenda from ‘aid’ to ‘development’ and brought in emerging and South–South providers, the private sector, philanthropic organisations, civil society and many others – it has been argued that ‘accountability has been sacrificed at the altar of inclusiveness’ (Cole, 2016). The GPEDC has retained as its core function regular tracking and accountability through the Monitoring Framework and biennial reports. Yet given that major development actors such as China and India have been notably absent from the GPEDC process thus far (Keijzer and Lundsgaarde, 2016), even traditional donors have never fulfilled their original commitments, the targets are voluntary in nature, and there is a lack of consequential attention to the results, the GPEDC’s ability to bring about real change is at risk.

The second fundamental challenge concerns the nature of the GPEDC’s role in support of Agenda 2030.

One of the stated objectives of the HLM2 is to ‘position the Global Partnership to effectively contribute to implementation of the SDGs and the Addis Ababa Action Agenda’. Yet the GPEDC’s articulation of this vision to date has been relatively weak (for example, see GPEDC, 2015). There are potential duplications and tensions with other forums and platforms, particularly the UN Development Cooperation Forum (DCF). For example, the GPEDC and DCF both act as high-level forums for multi-stakeholder dialogue promoting knowledge-sharing on effective development cooperation. According to Keijzer and Lundsgaarde (2016), two years of deliberations between their respective leaderships have failed to determine clear complementarities between them, leaving the discussion unsatisfactorily open.

How the GPEDC could respond to these challenges

These are two huge challenges, which cannot be answered overnight. But the Nairobi meeting will be considered a failure unless it charts a clearer way forward for the GPEDC. In order to do so, three key elements will be required:

- A clear articulation of the GPEDC’s theory of change and its role within the global architecture in support of Agenda 2030, as one that contributes something useful, unique and politically attractive.
- A strong voice from developing countries about their needs and priorities for effective development cooperation in the era of the SDGs.
- A frank reality check to come to terms with why progress has been slow or even reversing, why the GPEDC’s political engagement and accountability function has been so weak, and what could feasibly be achieved in the future.

The core offer of the development effectiveness process is almost certain to remain the setting of norms and standards (the Principles) and measuring and tracking these over time (using the indicators of the Monitoring Framework). But if this exercise is to have continued relevance, the framework must better reflect the four shifts we have identified above: (1) country priorities in the new financing landscape; (2) new delivery models such as investing in private enterprises; (3) new commitments to leave no one behind; and (4) new evidence about effective development practice.

Yet the question still remains of how well this technical norm-setting and monitoring exercise can translate into meaningful political accountability without seriously improving upon existing traction. In light of this, we conclude with three ideas that the GPEDC should consider in Nairobi and beyond.
1. **Making it relevant in developing countries:** The GPEDC has a unique combination of access to technical expertise and inclusive breadth of providers, and aims to be ‘globally light, country heavy’. It could extend its work on national monitoring profiles by supporting or feeding into country-level analyses (such as the UNDP-led Development Finance Assessments) to analyse how external development cooperation – as a complement to domestic financing – can be most effective and have the greatest impact in achieving the SDGs. This process could look at the capabilities, responsibilities and comparative advantage among the constellation of different actors, financing flows and partnerships in each specific national and sub-national context. The results of these country analyses could be distilled and shared for peer learning.

2. **Making it relevant to development cooperation providers:** In recent years, many donor countries have slashed their aid budgets and pursued a drive towards cost effectiveness and value for money. One potential way for the GPEDC to heighten its political relevance in these countries would be to champion its work in these terms, including by producing compelling evidence linking the effectiveness framework to the value-for-money agenda, especially in fragile and challenging contexts.

3. **Making it relevant to all stakeholders:** Beyond the ‘core’ function of norm-setting and monitoring, the GPEDC has two other (interlinked) roles, both of which will remain vital to its future relevance. First, in continually deepening and updating evidence about what makes development cooperation effective, the GPEDC can position itself as the ‘go-to’ place to learn how to do development well. This might be especially useful for newer providers or long-standing donors taking up new objectives (such as the ‘leave no one behind’ commitment). Second, and relatedly, the inclusiveness of the platform – while it may have weakened focus and accountability – provides an opportunity to foster higher-quality dialogue between different kinds of stakeholders. Bringing very diverse actors together towards shared norms, language and understanding of effective cooperation will likely be crucial to realising the ambition of the SDGs.
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