

## 20. DEVELOPMENT COORDINATION & EFFECTIVE DEVELOPMENT PARTNERSHIPS

Prepared by the PIFS

### SUMMARY

Despite universal support for the MDGs, MSI and the high per capita ODA<sup>1</sup> in the Pacific, the region is off track in achieving most of the MDGs by 2015<sup>2</sup>. In 2009, Forum Leaders agreed to strengthen *how*<sup>3</sup> global/national targets are implemented through better use of domestic and external development resources to achieve the MDGs.

Pacific countries have intensified efforts to improve the way they identify national priorities, turn those into credible budgets, deliver and account for the results. They are exerting stronger leadership, engaging national stakeholders and directing development partners to align with their priorities and systems<sup>4</sup>. South-south cooperation to build capacity similar to the peer review<sup>5</sup> approach is proving popular.

Remaining challenges are; the weak links between national plans, budgets, and performance, weak monitoring of national results, limited human resources and institutional capacities, limited transparency and predictability of aid, aid fragmentation and low use of country systems.

Effective coordination of development resources requires strong government leadership, institutions and policies; inclusive and accountable national development partnerships and supportive development partners.

Inclusive and effective partnerships reinforce country ownership of the development process and its outcomes. Country ownership comprises primarily two key elements; (a) Governments reliant on external development funding should be principal architects and implementers of the development strategies and processes designed to benefit their country and people and; (b) those most affected by and in need of development support should have a substantive understanding of and capacity to influence and hold to account the development strategies designed to benefit them.

To this end, the role of parliamentarians, civil society, the private sector and the media are critical to reinforcing country ownership and inclusivity of all stakeholders in promoting mutual accountability across sectors and between governments and development partners.<sup>6</sup> In other words, strong support for systems, processes and institutions that promote inclusion and transparency are critical for Pacific countries to bring about behavioural change and redefine the kinds of national, regional and global partnerships needed for post-2015 implementation.

### KEY ISSUES

The adoption by the Pacific region and countries of the BPOA, MSI, the MDGs, Paris Declaration, Accra Agenda for Action and the Busan Partnership has proved useful in galvanizing regional and national actions and harnessing global development resources. Most Pacific countries have National Sustainable Development Strategies that integrates the BPOA, MSI, MDGs and Paris principles. The Pacific receives significant ODA annually, 1.5 billion in 2008<sup>1</sup> equivalent to 162USD/capita.

<sup>1</sup> Towards Human Resilience: Sustaining MDG Progress in an Age of Economic Uncertainty: September 2011, UNDP

<sup>2</sup> Pacific Regional MDGs Tracking Reports 2011 and 2012, PIFS

<sup>3</sup> Cairns Compact on Strengthening Development Coordination, 2009 PIFS

<sup>4</sup> Tracking the Effectiveness of Development Efforts in the Pacific Report, 2012 PIFS

<sup>5</sup> 9 Pacific governments have completed peer reviews of national planning, budgeting, public financial and aid management. Peer Reviews are based on the idea that to improve development efforts, it might be better for Pacific countries to seek advice from Pacific neighbours who may already have found solutions to the same challenges within similar contexts.

<sup>6</sup> Development Cooperation Regional Policy Brief – 4<sup>th</sup> High Level Forum on Aid Effectiveness, Busan 2011. PIFS

Despite commitment to the MDGs, MSI and aid effectiveness agenda and considerable ODA resources, the Pacific countries and region are lagging behind in the achievement of the MDGs and principles of aid effectiveness. Recognising the need for improved implementation and more effective use of domestic and external development resources to achieve the MDGs and improved development coordination, the Pacific Forum Leaders in 2009 agreed to the Cairns Compact on Strengthening Development Coordination in the Pacific (Forum Compact).

Evidence gathered under the Forum Compact so far indicate concerns in most Forum Island Countries over the strength of national planning and aid management systems and the usefulness of some national development plans and aid policies in setting targets, clear directions and resource allocation for domestic and external resources. Other planning and aid management issues include the overall weak alignment to government budgets, and limited coordinated monitoring and reporting on national development results.

Under the Pacific PFM Roadmap, a significant number of Pacific countries have undertaken Public Expenditure and Accountability Assessments (PEFAs) and 11 Pacific governments have public financial reform programmes to support strengthening of public financial systems. Weak procurement systems and processes, poor predictability of aid and financial reporting were identified as key PFM issues in the region.

With ODA playing a key role in the Pacific, it can be challenging how those resources are delivered often through a plethora of development partners and country programme, projects with management demands more suited to bigger developing economies. For instance, the Pacific region fielded an estimated 1,000 development partner missions in 2008 and 800 in 2010. And it is not uncommon for a Pacific SIDS with only 1 or 2 aid management staff to be managing 100 to 200 projects in any given year and fielding about 2 missions per week. In one Pacific country, project proposal requirements necessitated 1,500 pages of documentation places heavy management burden on limited staff in government.

The ongoing capacity issues in institutional and especially human resource in SIDS remain the biggest challenge. The limited number, high turnover, overwhelming workloads compounded by high number of in country donor missions, frequent overseas travel and in some cases lack of skills and experience of staff can often hold back or derail progress in key government initiatives.

It is critical that the role of Parliaments, Civil Society and the Private Sector in ensuring development effectiveness is recognised through more formal and regular dialogue that ensure public and private coherence in policy formulation and action. Despite constitutionally mandated responsibilities, there continues to be limited awareness in many Pacific Island countries on how Parliaments can work to ensure development effectiveness.

Civil Society Organisations (CSOs) play a vital role in and shaping national development policies and strategies and contributing to development effectiveness. Recognising this, Pacific governments and development partners acknowledge CSO's as independent development actors and commit to their capacity strengthening, provision of secure and predictable funding support and providing enabling environment conditions that maximises the contributions of CSOs in national and regional development.

Private sector growth is of critical importance to the Pacific, and improving the private sector's participation in, and contribution to, development is identified in the Pacific Plan as a key strategic objective. Engagement with the private sector is essential if national governments are to implement policies that best create the conditions for improved human development outcomes.

Development actors acknowledge that citizens need information about development planning and implementation if they are to hold government accountable for their provision. Access to information on budget monitoring and aid transparency efforts for example, are just some initiatives where the focus by

media enhances accountability by ensuring that citizens have better access to information on the services or initiatives that are designed to benefit them.

Moving forward, the Pacific will target assistance to those countries with most need in strengthening their national systems and with critical human resource capacity constraints. Capacity assistance will be provided in a mix of capacity supplementation, south south cooperation or attachments, short term TA, and targeted country/sub regional/regional training. A regional coordination framework is being developed to coordinate and facilitate development partners and FIC support to regional and country capacity development efforts including the implementation of peer review recommendations.

## BACKGROUND

The Pacific is home to one third of the 45 Small Island Developing States in the world. With the exception of PNG and Fiji, the rest of the Pacific SIDS are constrained by small administrations and limited economies of scale. Despite these limitations, the Pacific responded to the BPOA, MSI, the MDGs, Paris Declaration, Accra Agenda for Action and Busan Partnership.

Global goal setting is important to galvanise global, regional and national development action and resources for development results tailored to national policy frameworks and capacity context of each Pacific country. “How” the priorities and targets are implemented and delivered through government institutions and policies requires more concentrated efforts than has been the experience in the past.

Overall progress towards achievement of the MDGs is slow, uneven in the Pacific region. The Pacific region will not achieve most of the MDGs by 2015<sup>7</sup>. This is despite some Pacific countries receiving some of the highest per capita ODA in the world. According to 2008 figures from OECD/UNDP<sup>8</sup>, 8 of the 36 countries with per capita aid higher than \$100USD and 6 of the 26 countries with ODA that contributed higher than 10% of GNI are from the Pacific<sup>9</sup>.

Recognising the important role of ODA in the Pacific and the need for improved implementation and more effective use of domestic and external development resources to achieve the MDGs, the Pacific Forum Leaders in 2009 agreed to the Cairns Compact on Strengthening Development Coordination in the Pacific (Forum Compact). *Development Coordination* is the way in which governments set national priorities, allocate and deliver domestic and external resources (in collaboration with development partners) through national planning, budgeting, public financial and aid management systems. Effective coordination of development resources by Pacific Countries requires strong government leadership, institutions and policies; inclusive and accountable national development partnerships and supportive development partners.

Governments exercise strong leadership in development efforts by:

- Setting out their priorities with widespread consent among national stakeholders such as parliamentarians, public servants, and the civil society and private sector communities;
- Demonstrating commitment to national priorities through allocating appropriate resources/budgets to implementing, monitoring and reporting on them;
- Strengthening national planning, budgeting, public financial and aid management systems to operationalise, deliver and account on national plans and policies; and

The Pacific region is now in the 4<sup>th</sup> year of implementing the Forum Compact on Strengthening Development Coordination. Key initiatives such as the Peer Reviews of Pacific countries, regional MDGs tracking, the implementation of the Public Financial Management Roadmap, the Private Sector Dialogue with the Forum Leaders, and annual development partner reporting are now institutionalised.

<sup>7</sup> Pacific Regional MDGs Tracking Reports 2011 and 2012, PIFS

<sup>8</sup> Towards Human Resilience: Sustaining MDG Progress in an Age of Economic Uncertainty: September 2011), UNDP

<sup>9</sup> ditto

Early results include, increased and sustained high level political interest and action on strengthening FIC systems of planning, budgeting, public financial and aid management, intensified tracking and addressing remaining MDGs challenges, and increasing engagement of private and NGO sector stakeholders at the highest policy making level in the region. Overall Pacific countries are exerting stronger leadership and ownership of their national development agenda and are guiding development partners to align and harmonise assistance with their needs and within their capacity limitations. They are investing more effort and resources in their capacities and systems of national planning, budgeting, aid management and in particular in public financial management. Quite significantly, the Pacific region have embraced the peer review process and found value in the south-south exchange of solutions to common and often longstanding development coordination issues in the Pacific. By the end of 2013, all 13 FICs will have completed the Forum Compact Peer Review Process.

Development partners on the whole are responding to the Forum Compact by supporting countries' own efforts in strengthening their public financial management systems, planning, budgeting and aid management processes and capacities. Some development partners are also intensifying efforts to coordinate and harmonise their support with other development partners with some notable improvement in efforts to jointly plan, deliver and monitor results at the country level. The increasing number of sector wide approaches and programmes, Joint Policy Reform Matrices for Budget Support and aid policies is improving mutual accountability for results at the country level.

Whilst there has been much progress over the past three years, there remain significant challenges to be addressed. A significant number of FICs will not achieve all the MDGs by 2015. The ongoing capacity issues in institutional and especially human resource in smaller island states remain the biggest challenge. The limited number, high turnover, overwhelming workloads compounded by high number of in country donor missions, frequent overseas travel and in some cases lack of skills and experience of staff can often hold back or derail progress in key government initiatives. There is still some work to be done to improve the quality of and use of planning documents, the linkages between the planning and budgeting processes, reduce fragmentation of aid delivery, improve predictability and disbursement of ODA as agreed and improve the use of country public financial management systems including use of national results frameworks. The complexity, volume and rigidity in procedures, project management requirements of some development partners continue to overwhelm small island administrations.

For development partners, overall there are still some efforts to be made to reduce fragmentation, improve aid predictability and transparency and using country public financial management systems. The Pacific region has agreed to initiate the peer review of development partners in 2014. This will allow the region to exert the same scrutiny on development partners and their commitments made at the global, regional and national levels to improving the effectiveness of financing for development. Australia has volunteered to be the first development partner to be peer reviewed by the region and the UN has also indicated interest.

Moving forward, the Pacific will target assistance to those countries with most need in strengthening their national systems and with critical human resource capacity constraints. Capacity assistance will be provided in a mix of – capacity supplementation (over medium to long term), south south cooperation or attachments amongst FICs, short term TA, sustained ongoing “mentorship” programmes in selected areas, targeted country/sub regional/regional training, and possible establishment of a Pacific Help Desk. A regional coordination framework is being developed to coordinate and facilitate development partners and FIC support to regional and country capacity development efforts including the implementation of peer review recommendations.

## KEY DOCUMENTS & HYPELINKS

Towards Human Resilience: Sustaining MDG Progress in an Age of Economic Uncertainty: September 2011, UNDP

<http://www.forumsec.org/resources/uploads/attachments/documents/Cairns%20Compact%202009.pdf>

<http://www.forumsec.org/resources/uploads/attachments/documents/Tracking%20Effectiveness%202012.pdf>

<http://www.forumsec.org/resources/uploads/attachments/documents/MDG%20Track%20Rpt%20web%2020122.pdf>

<http://www.forumsec.org/resources/uploads/attachments/documents/Synthesis%20of%20Development%20Partner%20Reporting%20on%20Aid%20Effectiveness%20in%20Forum%20Island%20Countries%20OPTI%20MISED.pdf>

[http://www.forumsec.org/resources/uploads/attachments/documents/Pacific\\_Aid\\_Effectiveness\\_Principles\\_Final\\_2007.pdf](http://www.forumsec.org/resources/uploads/attachments/documents/Pacific_Aid_Effectiveness_Principles_Final_2007.pdf)

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<sup>i</sup> Cairns Compact 2010 reporting