ECOSOC Development Cooperation Forum

Assessing the suitability of different development cooperation modalities for greater effectiveness and impact post-2015

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Development cooperation modalities in a post-2015 era

The transformative nature of a post-2015 development agenda has significant implications for development cooperation. The universality and unified nature of the proposed Sustainable Development Goals (SDGs) and the increased diversity of development cooperation actors call for reframing our understanding of development cooperation. Achieving the expansive objectives covered by the SDGs will require unprecedented amounts of financial resources, as well as other non-financial means of implementation, for example, capacity support and policy change. The SDGs place almost as much emphasis on these other means of implementation as they do on financial resources.[0] There are many different modalities for delivery of development cooperation, from official and private sources. Examples of modalities include:

- Finance – Grants (official and private by NGOs and foundations), concessional loans, blended instruments, innovative finance, public-private partnerships
- Capacity support – Organisational and human resources, sharing experiences, technology cooperation
- Policy change – changing global rules, policy coherence

Development cooperation modalities are not interchangeable. Each modality has particularities in the way in which it is provided, or in its likely effects. The effectiveness and impact of a modality is greatly influenced by the context within which it is used. Also, these modalities do not operate in isolation of one another, and a mix of these modalities may be used. Key questions that confront policy-makers are: "*Which modality or mix of modalities will be most effective for the particular context? Which modality will achieve the desired impact?*"

Key elements of an assessment framework

Decision-makers can benefit from a framework to serve as a structured mechanism for making informed choices about development cooperation modalities. The assessment framework developed by Alonso and Glennie (2015) proposes that development cooperation modalities can be assessed along four dimensions, and these dimensions in turn comprise a number of criteria, as summarised in Table 1.

Several of these criteria are not new. They draw on the principles of effective partnership among countries espoused in the Monterrey Consensus on Financing for Development (2002) and subsequent global conferences and summits, as well as the aid and development effectiveness agenda.

[0] The types of development cooperation and modalities are discussed in Policy Brief Number 1, "What is development cooperation?", in the series of policy briefs prepared by UNDESA for the DCF.

Preparing for development cooperation in a post-2015 era and the 2016 DCF

This policy brief discusses a proposed framework for assessing the suitability of different development cooperation modalities post-2015. There are many different modalities for delivering development cooperation. Policy-makers can benefit from a framework that assists them in choosing those modalities best suited to their country context. This can help to have greater effectiveness and impact of different modalities.

The assessment framework should not be used mechanistically, nor should it be the sole instrument for decision-making. The rich insights emanating from a diversity of partners and stakeholders should complement the assessment framework.

While the policy brief outlines the application of the assessment framework for financial forms of development cooperation, the framework provides a starting point for elaborating a framework for assessing non-financial types of development cooperation.

This policy brief is based on a study on "Development Cooperation and the Post-2015 Agenda" by Jose Antonio Alonso and Jonathan Glennie, commissioned by the United Nations Department of Economic and Social Affairs. The study is part of a UNDESA research project, funded by DFID (UK), on "Development cooperation in a post-2015 setting".

The brief aims to generate ideas for the post-2015 discussions, particularly in advance of the Third International Conference on Financing for Development (FFD3) in Addis Ababa, Ethiopia in July 2015 and the High-level Meeting of the Development Cooperation Forum in New York in July 2016.

United Nations Department of Economic and Social Affairs

UKaid from the British people

Table 1: Dimensions and criteria for assessment of development cooperation modalities

Dimensions	Criteria
Quality of relationships	• Promotes developing country ownership • Strengthens capacities for inclusive partnerships • Plays a redistributive role • Predictability of resources • Promotes transparency and accountability
Functionality	• Scale of resources that can be mobilised • Cost of resources • Flexibility to reorient activities • Speed of delivery • Leveraging capacity for additional resources • Promotes coordination among partners and harmonisation with country systems
Level	• Suitable for operating at: - Local level - National level - Regional level - Global level
Relevance to post-2015 development agenda	• Unfinished business relating to fighting poverty and promoting social progress • Support for transition towards national sustainable development strategies • Support for provisioning of international public goods (referring to global challenges requiring collective action)

The declarations emanating from these efforts, in various ways, emphasised amongst other things, the importance of national ownership, transparency and accountability, and the need to improve the quality of ODA and other development cooperation.

It should be noted that the assessment framework applies to those financial flows that fall within the definition of development cooperation. This means that it is not applicable to non-development cooperation flows such as foreign direct investment. It also excludes humanitarian assistance as this is provided in relation to very specific criteria and often in response to unexpected events.

1. Quality of relationships

The results of development cooperation crucially depend on the quality of the relationships promoted among the different partners involved in a particular development cooperation modality. These relationships are sometimes modulated by the modality of cooperation chosen in each case.

Of importance here is the extent to which a development cooperation modality strengthens or undermines national ownership of the development process in a developing country. It also speaks to the extent to which a development cooperation modality enhances inclusiveness of development actors, allows predictability of resources, gives voice to marginalised groups, and promotes transparency and accountability. The redistributive role of development cooperation modalities is another criterion for assessment. For example, if the intention is to give poorer people access to the resources they need for their development, then a grant would be a more suitable modality than would be reimbursable modalities of development cooperation.

2. Functionality

The functionality of a development cooperation modality refers to its capacity to mobilise resources at an appropriate scale, the cost of resources, and speed and reliability of the modality. Functionality includes considerations of flexibility to allow developing countries to make changes and adapt the support to their particular needs. The functionality of a modality can also be assessed in terms of its ability to leverage other resources, domestic and external. This is an important consideration as development needs usually outstrip the development cooperation resources available. The extent to which a development cooperation modality promotes harmonisation amongst development partners is another criterion for assessment. Harmonisation amongst development partners has the potential to reduce transaction costs for developing countries and strengthen their ownership of the development agenda.

3. Level

The development agenda in the post-2015 era is multi-level, with goals and targets at the local, national, regional and global levels. Not all development cooperation modalities will be equally suitable for all these levels. For example, general budget support or investment projects operate basically at the national (or sometimes the sub-national) level, while multi-donor trust funds or vertical funds could be applied at national level, but are also useful at the regional or global level where a group of countries are dealing with a common issue.

4. Relevance to post-2015 development agenda

A post-2015 development agenda covers three main areas:

(i) The unfinished agenda related to fighting poverty and promoting social progress;
(ii) Support for transition towards national sustainable development strategies; and
(iii) Support for the provisioning of international public goods.[1]

Not all development cooperation modalities will be equally suited to operate in these three areas of the development agenda. For example, the provisioning of international public goods will require modalities that allow international cooperative responses, while the agenda related to fighting poverty will demand modalities with limited costs for developing countries.

Applying the assessment framework

Table 2 illustrates how the assessment framework can be applied. The table is not comprehensive – it uses a small number of examples for purposes of illustration.[2] The assessment framework seeks to provide decision-makers with insights into the advantages and disadvantages of different development cooperation modalities within a particular context. It can serve developing countries as well as partner countries. Developing countries can use the assessment framework to determine which modalities are best suited to their countries' context – their different capacities and development needs. Partner countries can use the assessment framework to recalibrate their support to programme countries.

The assessment framework should not be applied mechanistically. It provides a tool to assess the likely effectiveness of a development cooperation modality within a particular context. Although numerical scoring can be used in weighing up the various criteria used in the framework, the decision on a particular development cooperation modality will not be based solely on a numerical score. The rich insights that a diversity of development partners and governments of developing countries bring to the table through dialogue are an invaluable part of the decision-making process. Rather, the assessment should serve as a basis for dialogue between partner countries and programme countries to reach consensus on the most appropriate modalities for the country. This dialogue between programme countries and their partners is also essential for the monitoring and review of development cooperation commitments, and for promoting mutual learning, knowledge sharing and accountability.

[1] Referring to global challenges requiring collective action.

[2] The text can be replaced with a score (for example, of 1-3 points indicating the degree of effectiveness of a development cooperation modality and instrument against the criteria set out in the assessment framework, with 3 reflecting highest and 1 lowest degree).

Effectiveness vs Impact

The assessment framework focuses on the effectiveness of development cooperation modalities, that is, on whether a particular modality is appropriate for achieving its intended objectives. The assessment framework does not address the issue of the impact of development cooperation modalities. It is useful to draw a distinction between the *effectiveness* of development cooperation and the *impact* of development cooperation.

Effectiveness refers to the extent to which development cooperation (or a particular modality) has achieved its intended objectives or outcomes in the case of results-based management language. An example of effectiveness of development cooperation is "The grant delivered immunisation to targeted 1 million children under 5-years in 2012".

Impact refers to the changes or development results that have occurred following the implementation of a development initiative. These changes can be positive or negative, and they can be intended or unintended. The changes may be a direct result of the development intervention, and can therefore be attributed to the development intervention. However, in many instances, the development intervention contributed indirectly to the changes. When assessing impact, we look for the longer-term changes or improvements in the societal conditions. Measuring impact tends to be difficult as there are often many other factors that contribute to these longer-term changes or improvement.

The assessment framework can be enhanced with additional criteria that address the impact of development cooperation. The following criteria may be useful additions to the assessment framework:

- Has a limited number and scope of policy and procedural conditions
- Is associated with the ability to clearly assess the degree of additionality vis-à-vis other, official resources
- Promotes gender equality and empowerment of women
- Addresses social inequalities and social exclusion
- Contributes to fighting climate change and reducing environmental damage

Questions for reflection

The assessment framework provides a proposal and is work in progress. *Would such a framework be useful for you to assess the suitability of different modalities in particular contexts?*

The assessment framework in Table 2 has been designed primarily for financial types of development cooperation. Non-financial development cooperation, in particular, capacity support is expected to grow in importance in a post-2015 development agenda. *How can the proposed framework be adapted to assess non-financial types of development cooperation?*

The effective application of the assessment framework requires dialogue between governments in programme countries and their partners. While there is a well-established process of dialogue between governments, this is not the case between governments and the private sector. *How should governments engage the private sector in applying the assessment framework?*

Table 2: Assessment of development cooperation modalities[3]

Development cooperation modality	Official Grants	Official Loans and other market-like interventions	Private or blended sources[4]
		Quality of relationships	
Promotes developing country ownership	GBS tends to promote broader country ownership, compared to grants tied to specific purposes or investment projects	Concessional loans or equity investments tend to promote more limited country ownership	Private grants (NGOs and foundations), innovative finance) tend to promote more limited country ownership
Strengthen capacities for inclusive partnerships	Grants in form of GBS, multi-donor trust funds and multi-lateral institutions tend to promote inclusive partnerships	Loans are less likely to strengthen capacities for inclusive partnerships than grants	Private or blended sources are less likely to strengthen capacities for inclusive partnerships than grants
Plays a redistributive role	Grants/investment projects can target poorer people and have a positive redistributive role; GBS depends on the redistributive patterns of the public expenses	Loans, equity investments and other market-like modalities tend not to target poorer people	Blended sources have less redistributive effects than private grants (NGOs or foundations)
Predictability of resources	GBS, multilateral and multi-donor funds offer greater predictability of resources, compared to grants to NGOs and investment projects	Loans offer limited predictability of resources, except in case of multilateral loans	Private and blended sources offer limited predictability except in case of some public-private partnerships
Promotes transparency and accountability	Higher levels of transparency and accountability in GSB, and multi-donor funds than investment projects	Limited transparency in concessional loans and equity investments, moderate levels of transparency and accountability in multilateral loans	Moderate levels of transparency and accountability in private or blended sources
		Functionality	
Scale of resources that can be mobilised	GBS and multi-donor funds able to mobilise larger scale of resources than multilateral grants and core support to NGOs	Concessional loans multilateral loans and multi-donor reimbursable funds better able to mobilise large scale resources than equity investments	Public-private partnerships better able to mobilise large scale resources than most private grants and innovative finance
Cost of resources	GBS lowers transaction costs of development cooperation. Grants do not generate obligations of repayment by recipients	Reimbursable loans generate obligations of repayment of the loan and interest by recipients.	Private grants do not generate obligations of repayment.
Speed of delivery	GBS, multi-lateral institutions and multi-donor funds have long negotiations, compared to investment projects and support to NGOs	Loans, as well as other market-like instruments, tend to be slow in terms of delivery	Private grants tend to be speedier in delivery than innovative finance, equity investments and public-private partnerships
Flexibility to reorient activities	Bilateral grants tend to be more flexible than multilateral grants	Concessional loans, equity investments, multilateral funds tend to have limited flexibility	Private grants tend to be more flexible compared to public- private partnerships and vertical funds

[3] This assessment framework as presented here is applicable only to financial development cooperation.
[4] A distinction should be made between purely private sources on the one hand, and blended sources on the other. These have been grouped here for sake of brevity.

Leveraging capacity for additional resources	Grants have moderate capacity for leveraging additional resources	Loans tend to have better leveraging capacity than grants	Private grants and innovative finance have less capacity for leveraging additional resources than public-private partnerships
Promotes coordination among partners and harmonisation with country systems	GBS promotes coordination and harmonisation to greater extent than other forms of grants	Loans tend to be limited in promoting coordination and harmonisation	Private or blended sources tend to be limited in promoting coordination and harmonisation
Level			
Suitable for operating at: Local level National level Regional level Global level	Grants are most suited to local and national levels. Multi-donor trust funds are suited to national and regional levels. Grants to multilateral institutions are suited to all levels.	Concessional loans and equity investments are suited to national level. Multi-lateral institution loans are suited to local, national, regional and global levels. Multi-donor funds are suited to national, regional and global levels.	Innovative funds and blended sources are particularly suited to national and global levels. Private grants are generally more appropriated at local and national levels.
Relevance to post-2015 development agenda			
Unfinished business of poverty reduction	GBS, core support to NGOs, investment projects, multi-lateral institutions and multi-donor funds	Concessional loans, multi-lateral institutions and multi-donor funds	Private grants, public- private partnerships and vertical funds, innovative finance
Support to transition towards national sustainable development strategies	GBS, investment projects, multi-lateral institutions and multi-donor funds	Concessional loans, equity investment, multi-donor funds, and multi-lateral institutions	Private grants, public- private partnerships and vertical funds, innovative finance
Support for provisioning of international public goods	Multi-lateral institutions and multi-donor funds	Multi-lateral institutions and multi-donor funds	Public- private partnerships and vertical funds, innovative finance

GBS=General Budget Support

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