



Ensuring SDG-Sensitive Development Cooperation

Summary

The *2030 Agenda for Sustainable Development* challenges domestic and international actors. The Sustainable Development Goals (SDGs) represent a multidimensional approach to development and are consequently aimed at all countries. To ensure SDG-sensitive cooperation it is not only necessary to adapt the allocation of official development assistance (ODA) to the requirements of the Agenda, but also to reinforce the role of development cooperation in international cooperation. However, there is a lack of clear guidelines for adaptation and reform.

Using five strategic questions of donor decision making, the objective is to illustrate what SDG-sensitive development cooperation includes. The reform potential of the 2030 Agenda and the effectiveness of ODA giving are significantly dependent on the ability of donors to adjust their cooperation criteria, mechanisms and instruments towards the aims of the Agenda. They should focus to a greater extent on the priorities of partners and the global common good, to coordinate themselves and focus on their comparative advantages. The goal is to establish development policy as an instrument to achieve policy coherence and reinforce the high development-relevant standards of the 2030 Agenda as underlying principles for international cooperation in all policy fields.

The following recommendations for SDG-sensitive development cooperation can be derived from the 2030 Agenda:

- 1) **Allocation channel:** Global public goods are central to the realisation of the 2030 Agenda. Therefore, the multilateral channel should be strengthened.
- 2) **Country selection:** SDG-sensitive ODA allocation is based on the division of labour amongst donors and supports particularly under-developed countries in the realisation of the Agenda. In cooperation with emerging countries it strengthens their international responsibility and the reduction of inequalities between and within countries.
- 3) **Sector selection:** SDG-sensitive sector selection requires strategic coordination and the reliable division of labour amongst donors. This enables donors' profile formation and broad national support for the Agenda. However, country-specific cooperation with each partner is also central.
- 4) **Instruments:** An SDG-sensitive instrument-mix is adapted to the conditions of the partner country and makes increased use of local systems. Evidence-based and flexible instruments contribute significantly to SDG-sensitivity.
- 5) **ODA as catalyst:** ODA can only be catalytic if the 2030 Agenda is realised, with the creation of development-relevant standards and regulations that enable the mobilisation of national, public and private investment.

These recommendations require further systematic analysis to enable learning processes and design development cooperation adaptively. The objective should be an evidence-based policy that reacts to changing conditions and is transparent and aware of its responsibility.

The 2030 Agenda and development policy

The *2030 Agenda for Sustainable Development* describes a wide-ranging transformation process and moves beyond a traditional development policy agenda by including all relevant policy fields. It formulates classic underlying principles of development policy, but also emphasises the indivisibility and universality of the SDGs to “leave no one behind”. Thus, it promotes a SDG-sensitive formation and policy coherence of internal and external policies. This requires a comprehensive understanding of sustainable development through the inclusion of global public goods (Fig. 1). Approaches for the adaptation of development cooperation are discussed below. The specific requirements of actors at national level are not discussed here.

Mobilisation ...

The 2030 Agenda calls for a global mobilisation for the common good (people, planet prosperity, peace and partnership) with the joint goal of greater mutual accountability and responsibility for the tackling of global challenges. Strategies for achieving the SDGs are currently being discussed by the various countries at international level (e.g. OECD, GPEDC, UNDCF) and amongst experts.

... but how?

The difficulty lies in the fact that the 2030 Agenda is highly comprehensive and leaves great space for different implementation strategies. Specific guidelines for the role of development and international cooperation are not provided; specification of the SDGs is the responsibility of the countries themselves. Therefore, theoretically, business as usual is also possible; the window-of-opportunity created through approval of the goals could close without visible changes.

The question of the role of development cooperation is particularly relevant, because it could play a central role in the realisation of the SDGs. At the same time, development cooperation faces known challenges such as fragmentation

due to the increasing number of donors and projects as well as the graduation of many countries from less-developed to emerging countries with high levels of inequality.

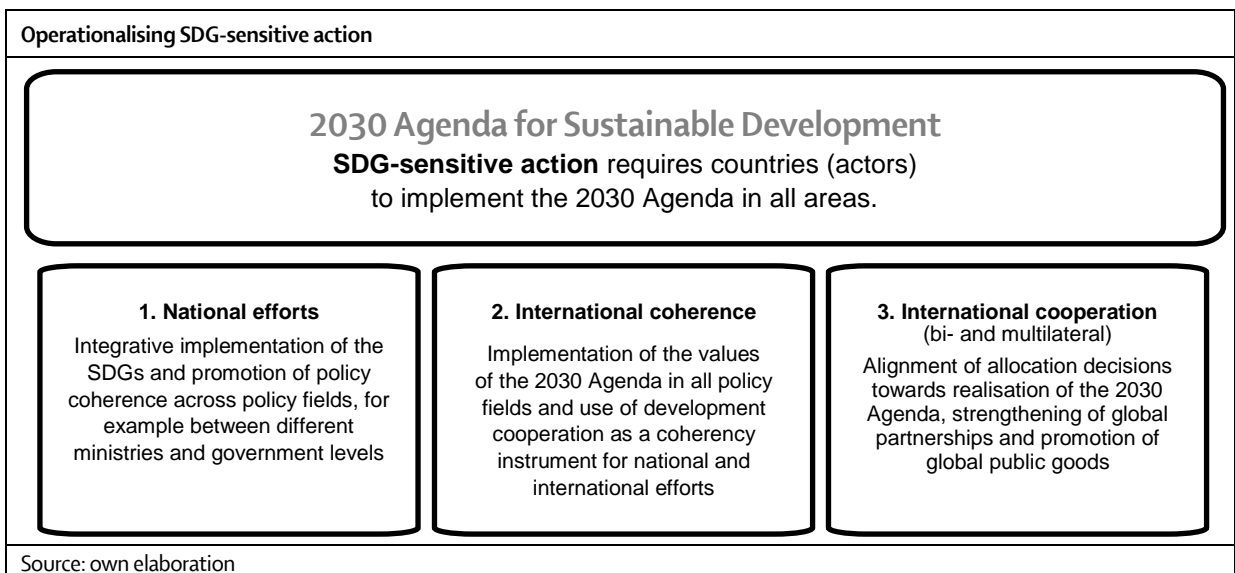
Above all, the 2030 Agenda repeats well-known obligations for ODA allocation from the past decades, i.e. 0.7 percent of gross national income (GNI) in ODA commitments. Consequently, an increase in the overall development cooperation budget is anticipated, as so far only six out of 29 OECD countries have achieved this goal. Germany is not one of them, but achieved a rate of 0.5 percent in 2015, more than in previous years (a result of the rise in refugee costs, in particular).

In addition, the increased ODA payments should play a double role: on the one hand with one third (0.15-0.2 percent of GNI) benefiting the group of Least-Developed Countries, as these have scarcely any access to other funds. On the other hand, ODA should act as a catalyst for the mobilisation of additional domestic and private investment.

The 2030 Agenda stresses indivisibility of the SDGs emphasising the promotion of marginalised populations and global partnerships. It calls for an SDG-sensitive cooperation in all target areas. If donors use the Agenda to adjust international cooperation and development cooperation in particular as an instrument for achieving international policy coherence on the basis of the SDGs, then the policy field can assume a central role in implementation. The goal should be to agree on a form of cooperation that avoids both neglected countries (aid orphans) and countries receiving large amounts of support (aid darlings) as well as a practicable division of labour in aid allocation between donors.

Donor decision-making

Consequently, donors are not only confronted with the challenge of increasing their budget, but also of adapting their strategies and making these SDG-sensitive. Five strategic questions are of central significance for donor countries:



1. Which allocation channels are best suited to the realisation of the SDGs?
2. What does SDG-sensitive country selection look like?
3. Should sectoral focal points be established?
4. What is the best instrument-mix to the realisation of the SDGs?
5. How can the catalyst function of ODA be reinforced?

Answers to these questions can help donors to formulate SDG-sensitive development cooperation.

1. Allocation channels

The size of the share of multilateral cooperation in donors' aid budgets depends on the willingness of donors to give up control of development funds, because single countries have only limited ability to introduce a focus on multilateral aid allocation. Nevertheless, the share of multilateral development cooperation in past years has increased through larger contributions from bilateral donors to multilateral trust funds (non-core funding).

SDG-sensitive international cooperation is determined by the growing significance of global public goods. Multilateral allocation is thus a key instrument in this context. Higher legitimacy resolves the problem of a lack of support for global public goods and free-riding behaviour of countries can be avoided through mutual obligations. The Addis Ababa Action Agenda (AAAA) accords particular significance to multilaterally-managed trust funds. However, this form of aid giving risks only partial guidance by the governance structure of the corresponding international institution and may therefore fail to achieve their objectives.

Donors should use the legitimacy of the multilateral system through core funding and thereby increase coordination. Thereby increase coordination. Further institutional fragmentation (the number of trust funds had already reached 290 by 2012) and rising administrative costs should be avoided. Eventually, the international community may be able to reduce the number of donors in the recipient countries and the overloading of their local structures parallel to the implementation of the SDGs.

2. Country selection

Thus far, bilateral donors have selected their partner countries in accordance with their own criteria. Consequently, not just the neediness of the developing countries is important in the selection process, but also their state capacity and donor's strategic, geopolitical and economic interests. In past decades this has resulted in a decline in support for the neediest countries, caused in many cases by their low absorption capacity and fragility.

According to the agenda, SDG-sensitive development cooperation means stronger orientation towards the least developed countries, which prominently include many African countries, small, poor island states and poor landlocked countries. The signatory countries have agreed to

use a third of the overall ODA funding (0.15 to 0.2 percent) accordingly. This is what donors shall be accountable for.

Nevertheless, targeting does not restrict the geographical allocation of SDG-sensitive aid. Global partnerships, trilateral cooperation and the combating of regional inequality still calls for cooperation with all country groups. The Agenda promotes country group-specific cooperation which, in the face of scarce public funds, should nonetheless not occur at the expense of less-developed countries. It should foremost be complementary in nature. The importance is to agree on the division of labour among donors and not overburden weak institutions of partner countries.

3. Sectoral focus

The donor and partner countries agree on the intervention sector in the allocation process. In this process, each donor considers the circumstances and requirements of the partner country to a varying degree. Germany is regarded as a responsible partner with moderate own interests in this respect.

According to paragraph 55 of the 2030 Agenda, the broad spectrum of development-relevant sectors of the SDGs is "integrated and indivisible" and should be adapted in the implementation process to account for "national circumstances". With this the Agenda emphasises that a unilateral, donor-led focus should be avoided in the allocation of aid resources. In addition, the Agenda also calls on donors to focus increasingly on sectors such as healthcare and climate in order to take the growing significance of global public goods into account. Donors are consequently faced with the challenge of considering possible trade-offs and synergies between goals to a greater extent, for example between climate protection and economic growth.

For individual donors it is rarely possible to support all sectors of the various SDGs at the same time. Important here is improved division of labour on the basis of existing specialisation via programming shared by all donors and thus increased support of multilateral institutions for better coordination. However, a prerequisite is that the requirements of the partner countries are the basis of cooperation decisions. Donor interests should take a back seat in sectoral choices and global public goods should be central for all actors in the decision-making process.

4. Instruments

The instruments of bilateral development cooperation encompass a broad spectrum of different cooperation patterns. Project aid leaves more control with the donor. Programme aid, such as sector and budget aid, transfer funds directly to the recipient countries' financial system. The latter has the potential to promote the responsibility of the partners and national development strategies to a greater extent. The choice between project and programme-based instruments is therefore on the one hand dependent on state capacity. On the other hand, it is based on the trust of the donors in the governance of the partner countries. In

recent years, donor interests have increased in significance again (see, for example, the latest UK aid strategy published in 2015). Consequently, the allocation of project funding has grown and political approval for budget aid has declined.

However, SDG-sensitive allocation means that partner countries are assisted in realising their own strategies. In addition, it is important to focus more strongly on evidence-based approaches. These are based upon existing knowledge and experience. They promote learning processes through cost-benefit analyses, evaluations (such as randomised control trials) and monitoring, thereby also supporting the follow-up process of the Agenda. Innovative and promising approaches are results-based funding where ODA disbursements are tied directly to measurable results, e.g. the number of pupils finishing school. They promise high levels of efficiency, as the recipient countries are incentivised to achieve the agreed goals with the lowest possible costs. At the same time, recipient institutions are strengthened and donor interests are accounted for. However, not all sectors are equally suitable for evidence-based approaches. It is important to avoid the favouring of high-performing development areas at the expense of lower performing sectors in order to guarantee the flow of funding.

Donors should focus to establish a flexible instrument-mix and to enable learning processes through evidence basing and the flexible adjustment of instruments. Thus, ensuring the SDG-sensitive allocation and utilisation of ODA funds.

5. Catalyst role

The potential of ODA funds for the acquisition of additional domestic and private financial resources has been highlighted for many years. The catalyst role of ODA is again emphasised by the 2030 Agenda and the AAAA in particular, to enable SDG-sensitive resource allocation. The argument: risk spreading through ODA, making it easy for investors to invest in innovative, sustainable projects that are too risky without public funding. Blending (for example through interest subsidies) and guarantee services (such as through the Global Alliance for Vaccines and Immunization, GAVI) are two options for promoting catalytic investment

through ODA. Strengthening of national tax systems should also increase the capacity of partner countries to mobilize domestic funds for the provision of public services. However, this will only be successful if the existing capacity of the national tax systems and institutions and its current development are taken into account.

There are few examples and scarcely any systematic evidence to back up the catalyst effect of ODA. It is not only difficult to prove the additionality of the funds, as ODA is fungible, but also to prove that investments would not also occur without ODA funds. The challenge lies in reproducing development-relevant experiences and channelling domestic and private resources into SDG-relevant projects. This calls for the adaptation of regulation and the creation of high developmental standards. Public support should only be used as subsidies for planned investments where it is certain that these can have development-relevant effects.

The 2030 Agenda formulates high standards and values for development. A consistent implementation of the Agenda would therefore strengthen the catalytic effect of ODA. In this it offers donors the opportunity to orient private investments more strongly towards acknowledgment of the common good and to promote domestic capacities in the partner country.

Summary

In many areas of cooperation, the 2030 Agenda offers an opportunity to tackle long-known challenges concerning the role of development cooperation and the use of ODA. It enables development policy to be used as instrument to achieve domestic and international policy coherence by setting high development-relevant standards. Countries should cooperate as partners in order to set sustainable processes in motion. The universality and indivisibility of the SDGs to “leave no one behind” are therefore the core principles of development cooperation: the choice of allocation channel, every country selection, every sector focus and the instrument-mix. ODA may serve as catalyst through the consistent implementation of these standards and principles.



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