AP-DEF Asia Pacific Development Effectiveness Facility

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Dealing with Complexity: How Governments are Managing Financing for Sustainable Development

Lessons from Development Finance Assessments in Asia and the Pacific

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List of Acronyms and Abbreviations

AP-DEF	Asia-Pacific Development Effectiveness Facility
DFAA	Development Finance and Aid Assessment
GBS	General Budget Support
FDI	Foreign Direct Investment
FfD	Financing for Development
GCF	Green Climate Fund
GDP	Gross Domestic Product
GNI	Gross National Income
GPEDC	The Global Partnership for Effective Development Cooperation
IDA	International Development Association
IMF	International Monetary Fund
INFFs	Integrated National Financing Frameworks
MoI	Means of Implementation
MDG	Millennium Development Goals
MfDR	Management for Development Results
MTEF	Medium\term Expenditure Framework
ODA	Official Development Assistance
OECD-DAC	Organisation for Economic Cooperation and Development – Development Assistance Committee
OOF	Other Official Flows
PFM	Public Financial Management
PPPs	Public-Private Partnerships
SDGs	Sustainable Development Goals
SBS	Sector Budget Support
SSC	South-South Cooperation
SOEs	State-Owned Enterprises
TOSSD	Total Official Support for Sustainable Development
UNDP	United Nations Development Programme

Contents

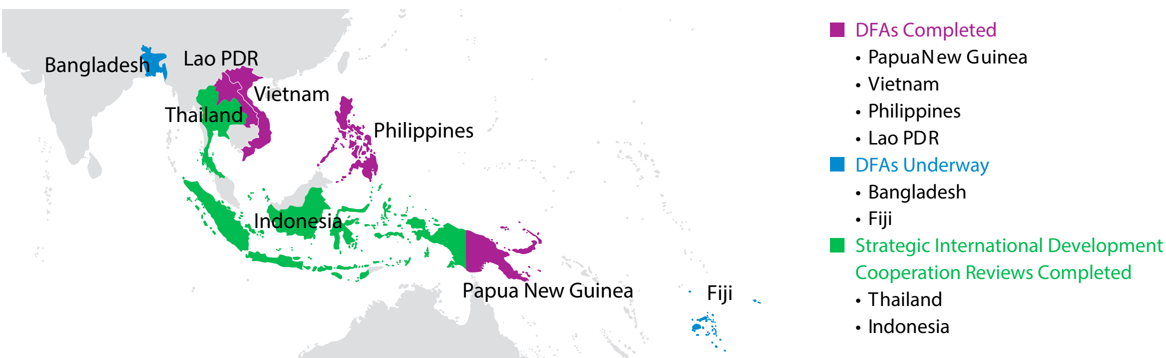
1. Introduction

The Development Finance and Aid Assessment[1] (DFAA) methodology was first pioneered in Papua New Guinea, with UNDP and AP-DEF support, in 2011. In a context common to many countries in the region, a proliferation of financing mechanisms and various donor-government dialogues on how to address development finance had been emerging. These discussions had often been fragmented and typically taking place amongst development finance specialists, but not yet rooted in key national debates on how the government might best promote the country's economic and social development.

The DFAAs were introduced as the very first development finance studies of their kind that sought to move away from fragmented views on the use of the different sources of funds that are primarily dedicated to addressing development issues. Rather, they aimed to help countries to review how their own stated national development policy aims were being reflected in public expenditures more broadly and how institutions might be adjusted to ensure that development finance is delivered in a coherent way across all areas of government.

Since the first DFAA was undertaken in PNG in 2011, three further countries have followed suit: Philippines, Viet Nam and Lao PDR, which is still in progress and for which we are presenting some preliminary findings. With four DFAAs now completed, and further DFAAs already in the pipeline, it seems an opportune moment to review this body of work and promote dialogue and learning. The DFAA process is still evolving: where they have been undertaken, **DFAAs have already played an important role in stimulating more comprehensive and inclusive reflections on development finance than had taken place previously. Discussion of the DFAA findings is timely in view of the 3rd International Conference on Financing for Development taking place in Addis Ababa in July 2015, where countries will consider how to manage the increasingly complex landscape of development finance and the need for integrated financing frameworks at the country level.** However, there is still much to be learnt on how this type of analysis can be utilised and built upon to assist delivery of development finance policy goals. There is also scope to further refine and tailor the process to better meet the requirements of countries undertaking DFAAs.

In this regard, this paper provides a comparative analysis of (i) the methodology used in the four DFAAs done to date, (ii) the initial findings that have emerged from the DFAAs and (iii) the recommendations that have been made to take the work forward at a country level. Further, drawing from this body of work, a number of proposals are then made, which look at how the methodology could be improved upon for future studies. Proposals are also made for potential complementary analyses and support that would be required to take the DFAA analyses forward.



[1] Readers will note that the title of this publication refers to Development Finance Assessments. The Development Finance and Aid Assessment (DFAA) methodology has been revised and is now referred to as Development Finance Assessment.

2. The DFAA Approach

Objectives of the Studies

The Development Finance and Aid Assessment (DFAA) aims to provide national policy makers with an overview of the evolution of the development finance and aid landscape at country level, future scenarios and prospects of development finance inflows in the next 5-10 years, and to offer credible policy recommendations and proposals on development financing. The studies seek to:

- Measure recent trends in development finance flows and their allocation to national priorities and goals
- Ascertain potential future flows of each source
- Evaluate institutional capacity to manage data and budgetary allocations
- Analyse complementarity between each and their development effectiveness.

The DFAA Methodology

The DFAA studies share a common general framework that is later adapted to different country realities. The general framework defines a common structure of areas of interest for the studies to analyse:

- **Introduction:** main changes in the global development finance landscape, new actors, sources and instruments and potential implications on fiscal planning at country level
- **Socio Economic and Political Context**: macroeconomic, social and political development, including progress on MDGs, human development and governance indicators
- **Institutional and Policy Context:** for each flow: (i) institutional arrangements (government department or non-government agency responsible and actors involved) and data management; (ii) policies in place; (iii) whether and how the flow enters into fiscal planning process
- **Development Finance Flows, Mapping and Analysis:** flows are grouped according to six general categories: (i) domestic public flows; (ii) domestic philanthropic flows: (iii) domestic private flows; (iv) ODA; (v) other external assistance; (vi) private, cross-border flows. For each flow the analysis covers sectoral allocation (national/subnational levels) and implications for development effectiveness
- **Comparative Analysis of Development Finance Flows and Scenario Analysis:** areas of analysis include (i) main characteristics of different flows *(*similarities, differences and overlapping areas), (ii) changes in the modalities associated with the different flows, (iii) discussion of two scenarios for the evolution of key development finance flows in the next 5-10 years, (iv) untapped sources of development finance the country may access, (v) feasibility and capacity to generate resources in the next 5-10 years to finance public expenditure
- **Conclusions and Policy Options:** key areas for reforms (institutional arrangements for decision making, funding, delivery and monitoring of development finance flows); sustainability of development finance flows in the next 5-10 years

Although all DFAAs are expected to cover the same thematic areas, there is room for flexibility to adapt the studies to country specific needs. In some cases, countries requested to strengthen analysis of particular flows, which are especially relevant for that context. This was the case of the Lao PDR study, which developed separate, in depth analysis sections for SSC and PPPs. In the case of PNG, special attention was given to the policy definition context and the study focused the analysis on providing inputs for the formulation of a new Development Finance and Aid Policy.

The preparation of each of the DFAA studies is led by a small multi-disciplinary team of researchers, combining expertise on development effectiveness policy, but also governance and public financial management in order that ODA be reviewed as part of broader institutional processes. International and national consultants are used to blend international expertise in this field with local knowledge of the country context. This inclusive, multi-disciplinary approach requires careful management, as it is not always easy to locate the different sources of data and to engage all the different stakeholders involved. Normally this leadership is provided by a designated focal point within the government (e.g. from aid management unit at Finance/Treasury).

Defining a Holistic View of Development Finance

The development finance landscape has changed dramatically in the last decade, at global and regional levels. Understanding the implications of this evolving landscape at country level is critical, especially how strategies have to adapt to make the best use of the sources of development assistance available and to mobilise additional sources. The emerging "dashboard" of development finance possibilities that governments will have to manage or influence will look very much like the one depicted in Figure 2.1 below. This implies more complex and comprehensive decision-making processes that transcend the realms of traditional public sector budgeting and require more specialised tools to support them. The Development Finance and Aid Assessment (DFAA) studies are attempting to fill this gap and provide government decision makers with a strategic support tool that is capable of providing a panoramic view of all options available and applicable knowledge to use them wisely.

Figure 2.1 A more comprehensive dashboard of development finance flows and resources

	PUBLIC	PRIVATE
EXTERNAL	1 ODA Grants and Loans Public Borrowing from K-markets South-South and Triangular Coop. INGO Donations (in-budget) Other Official Flows (OOFs) Climate Related Finance Vertical Funds (GFATM and GAVI)	2 Private Borrowing from K-markets Foreign Direct Investment (FDI) Overseas Remittances INGO Donations (off-budget)
DOMESTIC	4 Tax Revenues Non Tax Revenues Mineral Related Taxation Public Private Partnerships Public Domestic Borrowing Sovereign Wealth Funds	3 Private Borrowing Inclusive Business Finance Domestic Philanthropy and NGOs CSR Linked to Development

3. Findings

The four DFAA studies reviewed showed interesting common findings at the policy and institution levels, similar transformations in the development finance landscapes at the country level and suggest some emerging trends.

Policy and Institution-Based Findings

All the DFAA studies found that current planning and budgeting systems fall short of what will be required by the growing complexity of the development finance landscape. In all cases, the need for a higher-level integration of national planning and fiscal planning and budgeting emerged as a top priority. This would require: (i) the consolidation of Results Based Financing approaches, (ii) programme-based budgeting that enables spending to be mapped against specific development initiatives and (iii) the improvement of the quality of national and sector plans using more evidence-based strategies, policies and interventions. These needs were identified in almost all cases, including the Philippines, where the current planning and budgeting systems appear to have reached the highest standards of the four cases analysed.

The need for better tools, data and analysis emerged as a strategic policy factor. Another further recurring theme in all studies is that with this new vision, data, information and knowledge are of strategic value and key enablers of more advanced government management systems. There are several problem areas identified in almost all studies: (i) critical data is usually confined in different government areas and hard to find or not collected at all; (ii) silo production of knowledge and analysis that obstructs its effective use and integration at more general levels; (iii) higher technical capacity will be required to integrate all available information and produce the type of knowledge that is needed to inform policy decisions.

State Owned Enterprises (SOEs) are emerging as a priority for future institutional reforms. The role of SOEs was questioned in almost all reports and they are perceived as a source for significant expenditure rationalisation. Most countries are dissatisfied with the dividends received from SOEs and their reduction is a key priority. In Lao PDR, the number of SOEs has been reduced by 75 per cent since the 1990s. An additional point that emerged from the DFAA studies is that investment in SOEs is not only an inefficient allocation of public resources but is also crowding out the development of the domestic private sector. This is already a main policy issue in Viet Nam where a number of strategic sectors, including fertiliser, telecommunications, insurance, cement and even sugar, are still dominated by SOEs. In Lao and Viet Nam, SOEs are also the majority user of available domestic credit leaving little space for private sector companies, especially SMEs, to access credit.

Findings from Development Finance Flow Analysis and Studies

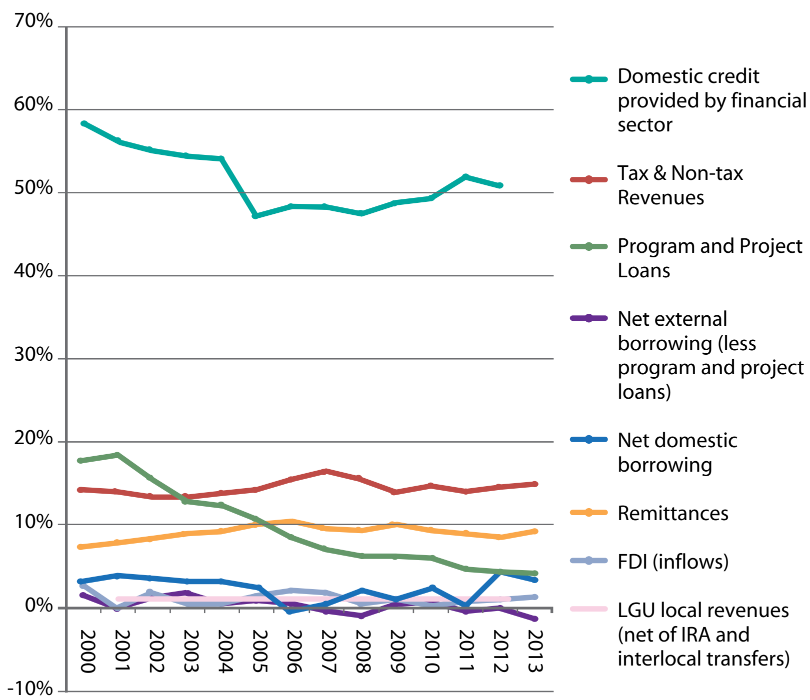
All DFAAs have identified the changing nature of ODA in the region and have raised useful questions about what to do in the future. Almost all countries were showing a marked transition from the previous paradigm to the new one. In all cases interesting scenarios emerged:

- **PNG:** the country's proposed new Development Finance and Aid Policy (DFAP) would mark a shift in focus from development cooperation to economic cooperation, to reduce reliance on aid and prepare PNG to become a Development Cooperation Provider in the long-term.
- **Philippines** is considering to re-orient the use of ODA to have a more strategic and catalytic role in attracting private capital to finance certain public goods by focusing on credit enhancements,

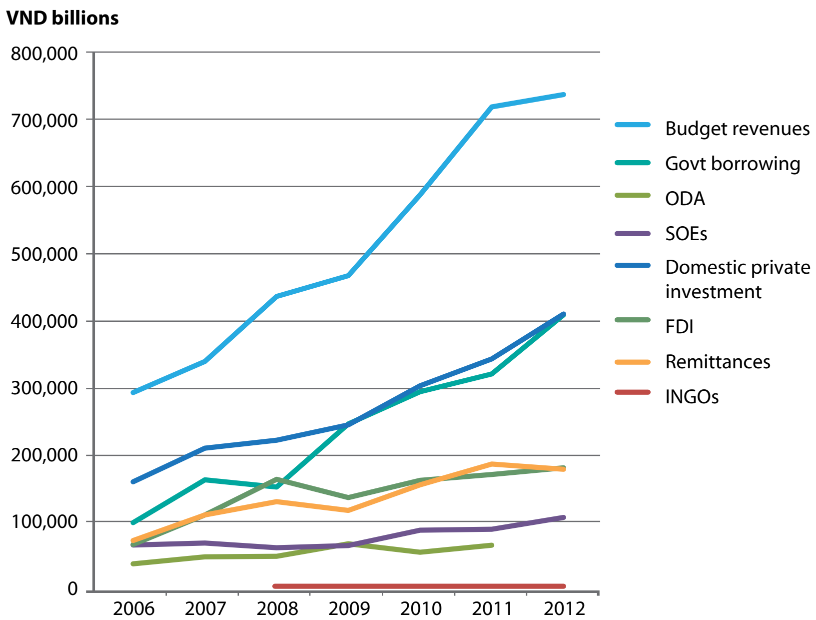
e.g. loan guarantees for projects, and to review strategy to strengthen the complementarity and value added of ODA flows.

- **Viet Nam** shows a shift of focus for bilateral cooperation: from poverty reduction to trade and from financial transfers to post-aid development partnerships. Several donors identified niche areas where they can offer a comparative advantage in policy advice and technical expertise. New assistance modalities are being designed to promote knowledge partnerships between public institutions, academic institutions and companies in Viet Nam and in the donor country.
- **Lao PDR:** this is a similar path that Lao PDR is considering to take as the country is preparing to adapt to the scenario of more drastic reduction of ODA in the medium term. Therefore, the focus is on using remaining ODA to mobilise other sources, such as South South Cooperation and Public Private Partnerships, which are considered of immediate priority.

Development Finance Flows in Philippines



Development Finance Flows in Viet Nam



One surprising feature is the low incidence of South-South and Triangular Cooperation in most of the studies. The exception is the Lao PDR study, as the government specifically requested a special analysis of SSC to be included in it. The other three reports addressed the issue rather superficially or not at all. However, the emerging information mainly attempts to measure recent trends in development finance flows. Not much is provided to ascertain potential future flows of each source, the difficulties to align them with national priorities and goals and to evaluate institutional capacity to manage data and budgetary allocations. The Lao study provides a full assessment of the institutional capacity but does not analyse future flows and projections for South-South Cooperation with great precision. In all cases, quantitative data is scarce or missing, and this is probably indicative that it is hard to find. However, this would be an important outcome that is not expressly mentioned in the reports, as it is for other sources. The analysis of how to make better use of Triangular Cooperation and its integration in future ODA strategies could also add value to the DFAAs.

Outcomes from DFAAs

Bangladesh is using the DFAA to inform institutional restructuring within the Ministry of Finance to more effectively manage flows of development finance in the country.

Papua New Guinea has drawn on the DFAA to formulate a **new Development Cooperation Policy.**

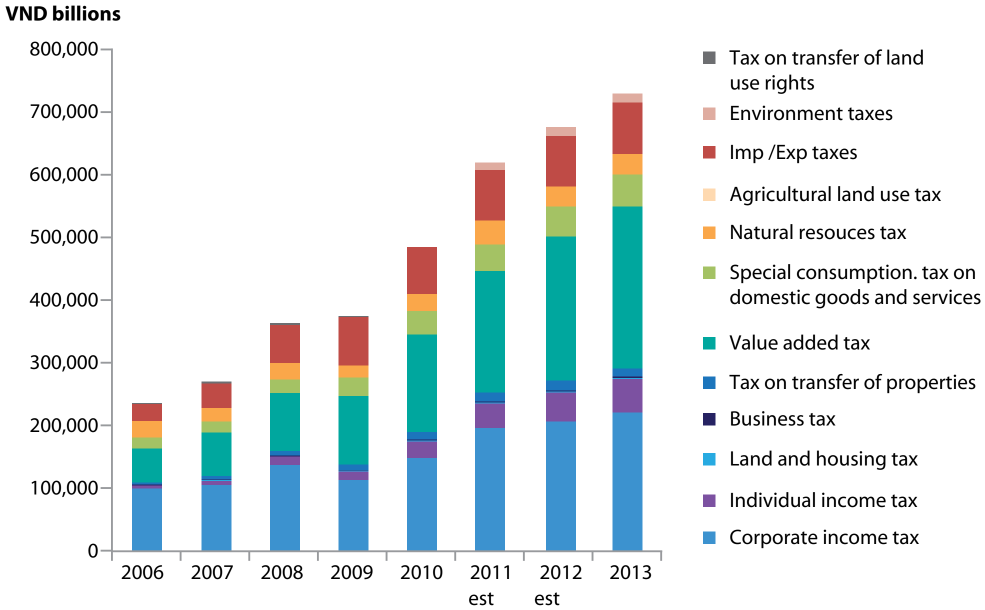
In **the Philippines**, the DFAA has contributed to thinking through the financing of the Sustainable Development Goals.

The DFAA in **Vietnam** has been used to inform the national development cooperation dialogue.

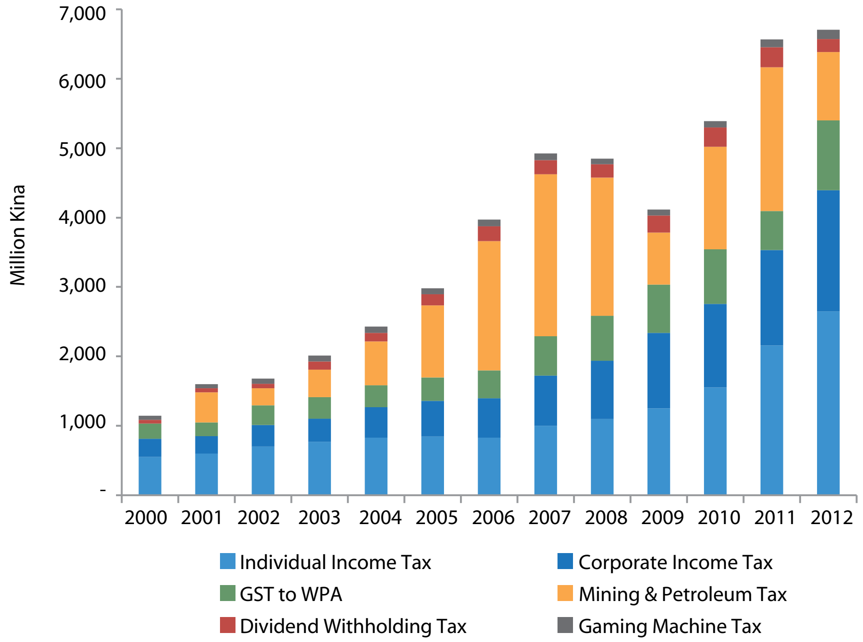
Lao PDR has used the DFAA to **inform the revision of the Vientiane Declaration on Aid Effectiveness**, to broaden the scope beyond ODA to include consideration of other development finance flows.

One of the emerging trends is that domestic sources of finance had a rapid expansion in all countries, and that for most counties this is likely to continue. In nominal terms, tax revenues had staggering growth in all countries. In Lao PDR tax revenues rose by almost sevenfold: from US$ 205 million in 2000 to US$ 1.36 billion in 2013. Similar expansions happened in the Philippines, PNG and Viet Nam. In relative terms, increases were more moderate, but still significant. As a percentage of GDP, tax revenues rose from 11.6% to 14.5% in Lao PDR and from 12.85% to 13.29% in the Philippines in the same period. The present level of tax revenues to GDP in PNG is 24.4%. The only negative trend happened in Viet Nam, where this ratio fell from around 30% to 22.3% in the same period. This was explained by a number of factors, mainly related to Viet Nam's transition to Middle Income Country. Moderate growth of tax revenues as a percentage of GDP show that there might still be some room for improvement in this front.

Expanding Tax Revenues in Viet Nam



Expanding Tax Revenues in PNG



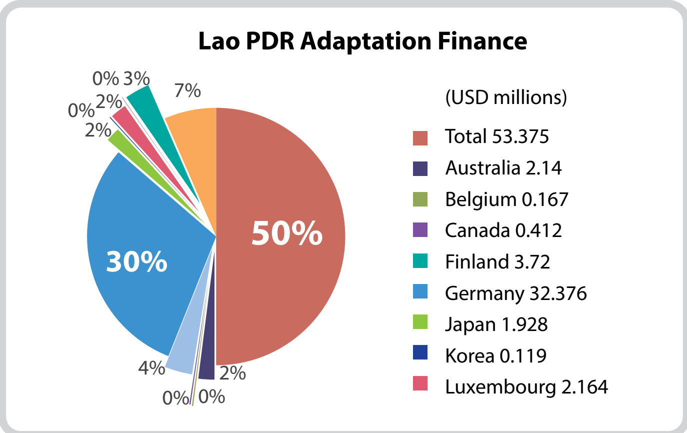
Most studies found that there are good opportunities for increasing non-tax revenues in the near future. This is mainly related with the corrections that will be implemented to resolve the disappointing performance of SOEs mentioned before. Most countries are in process of reforming the status of SOEs, which is expected to produce better overall returns. The PNG report shows that non-tax revenue increases are possible by improving the royalties from the mining and petroleum sector, which are on average more favourable than in other resource-rich developing countries both in terms of royalties (2%) and in profit tax (30%). For this purpose, the government is developing a number of measures, which include a review of the mining and petroleum legislation.

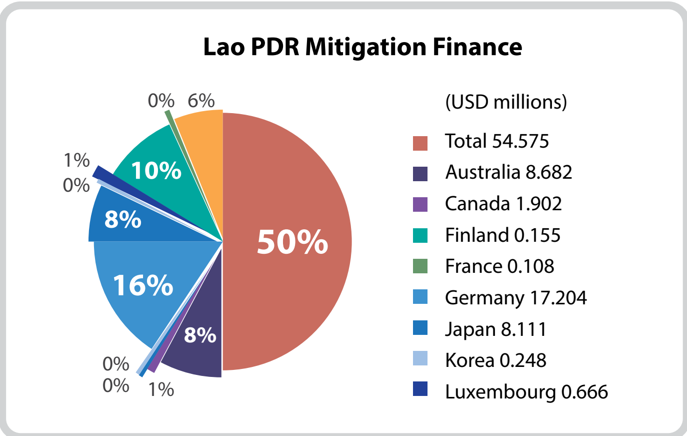
None of the studies analysed if reforms to the tax structure were also necessary to provide more opportunities to tackle inequality and improve inclusive growth. The analysis mainly focused on the evolution of the tax flows, but not on their nature. Therefore, it is not possible to infer if there is room for improvement in the implementation of progressive tax systems (and pro-poor and gender sensitive redistribution systems) and the gradual reduction of regressive tax structures that have disproportionate negative impacts.

Although the analysis of government expenditures is not a requirement in the DFAA framework, most studies took it into consideration. The emerging outcome is that prudent fiscal policies are being applied in all countries where expenditures were analysed (Philippines, PNG and Viet Nam). It also showed that measurements of government spending were particularly difficult to obtain in PNG where country information is hard to obtain and no information on functional classification of public expenditure is available on IMF Government Finance Statistics. With the exception of Viet Nam, none of the studies analysed the opportunities for improving for pro-poor or gender sensitive orientation of government expenditure to manage inequality.

Most countries are getting ready for climate finance, but they are not there yet. Studies show different levels of awareness and preparation for climate finance:

- **In PNG** substantial institutional changes are taking place with the creation of the National Climate Change Committee (NCCC) and the Office of Climate Change and Development (OCCD). Tracking





climate finance flows and in particular their relationship with official development assistance is still a rather challenging task. Climate finance to PNG is still negligible compared to ODA flows (totalled less than 0.03% of ODA flows), but is expected to continue rising.

- **In the Philippines** climate change is one of the recommended areas to focus future ODA. There are few climate change adaptation and mitigation projects. As per FY2013, there were a total of 18 programs amounting to PHP95.97 billion [US$ 2.26 billion] that have climate change adaptation and mitigation components. This represents approximately 19% of total ODA in the same period.
- **Lao PDR** is committed to Climate Finance and although the commitment is firm, relatively little has been done to establish a full operational framework for Climate Finance. It is expected that with investment in human resources capacity, Lao PDR will be able to attract international sources of climate finance and invest in sustainable development. Total commitments in 2011 were about USD 100 million, mainly provided by European donors. However, the country still has to develop capacity to absorb committed funds and successfully bid before the international financial institutions for these earmarked funds.
- **In Viet Nam** the government has made a strong commitment to tackling climate change. It is a signatory to the most important international agreements, including the Kyoto Protocol. There is a National Climate Change Strategy 2011 and a Green Growth Strategy 2012. The Government has established a national Climate Change Committee and appointed the Ministry of Natural Resources and the Environment (MONRE) as focal point. It has established a National Target Programme for Responding to Climate Change, to channel both international and domestic resources. At present, however, there is some confusion on institutional responsibilities, with MPI, MONRE and the Ministry of Agriculture and Rural Development (MARD) all responsible for coordinating different aspects of the response. The DFAA also drew from a UNDP/WB supported Climate Public Expenditure and Institutional Review (CPEIR) which has laid down a number of recommendations regarding aligning international and domestic public finance for the climate change response.

Some DFAAs revealed very interesting perspectives for strengthening micro credit and financial support to the bottom of the pyramid. The reports from Lao PDR and the Philippines presented descriptions of government policies and tools used to promote financial inclusion that are very useful. However, the studies just scratch the surface of a number of possibilities for interaction with other sources, for example ODA and OOFs where synergistic approaches could be explored to expand availability and balance risk sharing. These interactions could feed the proposed recommendations and strategies for future ODA allocation. It also did not emerge how to link SME finance with other cross-cutting country issues such as climate change, gender empowerment, and poverty alleviation and the possible application of new instruments such as social capital markets, green finance, agriculture finance, and financing women-led SMEs. None of the studies addressed the other market niches that could be developed to sustain the emergence of more dynamic, technology based SMEs (as seed capital, venture capital, etc.), which, for example, could be a strategic factor in Viet Nam's transition to MIC.

All studies show that there are some areas that will be hard to analyse. This is the case of: (i) domestic Corporate Social Responsibility (CSR) investments, (ii) domestic individual philanthropy and NGO donations, (iii) International NGO (INGO) donations, (iv) off-budget direct donations from donors and possibly this is also the case of SSC. For all these flows, the studies show anecdotal information based on informal sources that limit the rigor of the analysis. There are some trends emerging from all these situations that will deserve more attention in a future review of the DFAA methodology. The discussion will inevitably lead to review (i) the convenience of developing, or strengthening national information sources, (ii) stronger compliance from donors with existing national information systems; (iii) better usage of international data sources as for example IATI; and (iv) the need for developing specialised regional information systems.

4. Recommendations and Actions Emanating from DFAAs

A common feature identified in all DFAAs is the need to develop more comprehensive financing strategies and core government management capacities. There is general consensus on the need to develop targeted, evidence-based policies, smart and integrative strategies to mobilise resources and sound institutions to implement them. The emerging paradigm will require substantial improvements of core government capacities. Main avenues suggested in the studies include (i) substantial improvements to whole-of-government strategic management capacity; (ii) defining new conceptual and institutional paradigms for fiscal finance management in a much wider context; (ii) a focus on improving the quality of public spending and investment.

The need to prioritise improvement of efficiency and effectiveness of ODA and PFM reform policies also emerged in all DFAAs. Knowing the strategic value of ODA and the likeliness of its scarcity in the near future, all countries are decided to obtain the maximum possible benefits of what is available. The main recommendations that emerged in the studies are pointing in this direction and show a wide range of areas that need consideration: (i) strengthen the quality of plans and programs, (ii) accelerate the pace of PFM reforms, (iii) develop sector finance strategies where ODA is used to trigger more flows; (iv) improve the quality of evidence and especially, strengthening the functioning of Aid Management Information Systems.

All studies showed that several regulatory reforms are needed to unlock the potential of key financial sources and deserve a more strategic and integrated treatment. The reports show that several regulatory reforms are essential to accelerate the introduction of some of the most important flows, such as Foreign Direct Investment, Public-Private Partnerships for infrastructure development and inclusive finance. These regulatory reforms usually require the integration of policy areas that are fragmented, and sometimes the strategic re-prioritisation of certain reforms. For example, creating an enabling environment for attracting more FDI may require revising anti-monopoly legislation, labour laws and environmental regulations and developing new national and regional tax incentive systems as one single package. In almost all cases, new institutional solutions are proposed to better address the crosscutting nature of the reforms that are required.

Not all studies proposed 'next steps' or specific action plans. The main exception is PNG, as the report provided a roadmap for the implementation of the key recommendations made in the report. In all other cases, the recommendations are very well articulated, and show a wide range of reforms and changes that should be taken forward. They all fulfil the purpose of the DFAA framework: *'to provide credible policy recommendations and proposals.'* However, they do not always analyse how these recommendations could be implemented and if their implementation would require special agendas or plans. Bridging the gap between reality and the very wide scope of potential DFAA recommendations demands further methodological discussions that are presented below.

5. Building on DFAAs: Key Questions for a Methodological Review

The studies reviewed also pose some methodological questions that would be convenient to analyse to strengthen the DFAA methodology:

1. **A better balance between history and future.** One methodological complication that is visible in all the studies is to find an adequate balance between historical descriptions and future projections. The methodology calls for a comprehensive account of a very wide range of macroeconomic, social and political facts, including progress on MDGs, human development and governance indicators since 2000. At the same time the framework demands an outline and discussion of two scenarios for the evolution of key development finance flows in the next 5-10 years. The studies showed that is difficult to balance between: (i) an historical analysis, which provides adequate context, and a robust enough outline of trends, (ii) an equally robust analysis of potential future scenarios. Government guidance on how to balance this will be key in future studies.

2. **Situate policy makers in their emerging development finance context and give guidance on specific measures to take to strengthen management.** The first part of the studies attempts to tell the reader: 'you are here' and the second what here means in terms of policy and institutional reform. The DFAAS need to balance the breadth of their analysis and giving their analysis enough depth on particular issues, for example the DFAAs might focus more on the links between flows and progress on particular development results and MDGs. The studies deal with volumes of concepts for which a sound analysis demands highly qualified and often specialised technical inputs or studies. Future DFAAs might strengthen focus on particular technical areas, for example:
    - *Public Finance Analysis*. The treatment of key areas such as public expenditures, macroeconomic and fiscal stability does not often describe the relative importance of the data presented (for example, fiscal deficits, debt/GDP levels, etc.). As it is not usually compared against known limits or boundaries, it leaves the reader with no appropriate references to assess the relevance of the situation described. Moreover, in many cases the information presented in separate flows is interrelated but are sometimes treated as if they were independent variables.
    - *ODA Analysis.* The assessments of the quality of the country's capacity to manage ODA could be further strengthened. Issues like the alignment of national plans with budgets could be strengthened with more detail on how bad or good the situation is drawing from established Paris Declaration and Busan monitoring indicators if available.

3. **Links with other analysis would help strengthen the depth of DFAAs – particularly in relation to PFM.** The DFAAs are called to report on some highly technical areas, for which *credible policy*

recommendations and proposals can only emerge from specialised assessments that would require a thorough analysis and more time and resources than the DFAAs themselves. According to the methodological framework, DFAAs should report on subsets of the typical findings that would emerge from Public Expenditure Reviews (PER), Public Expenditure and Financial Accountability (PEFA) assessments, and would benefit from the availability of other studies such as Medium Term Expenditure Frameworks (MTEF), Medium Term Budget Frameworks (MTBF) or Public Expenditure Tracking Surveys (PETS), which are not always available. This poses an interesting question to add to the methodological discussion: should the DFAAs try to build on existing knowledge and analysis or attempt to overlap and provide partial (and technically more limited) views on the same issues? This could lead to a number of different options:

- A revision of some methodological aspects of the DFAAs and to lower the expectations of the study regarding some Public Financial and Public Sector Management areas.
- Use the DFAAs as an umbrella and an opportunity to identify the need for the development of these other additional studies and schedule them accordingly.
- Coordinated approaches with the donors who are financing the other studies and synchronise agendas to offer maximum possibilities for DFAA analysis outcomes.

4. **Comparability of DFAAs: is it possible/advisable to work with measurable indicators?** It would be interesting to give some thought to the idea of producing measureable indicators that could be used to: (i) make assessments of the progress of a country over time and (ii) compare different country performances. For these purposes, again, a better integration with the existing analytical corpus may be a good idea, for example, some PEFA results would be very useful in several parts of the analysis. For some other areas, the indicators of the GPEDC monitoring framework may come in handy as well.

   Not all of what is registered in the DFAA can or should be measured with quantitative indicators, but there are several that would add value. For example: some studies used ODA/GDP ratios, but only the PNG DFAA related them with aid dependence, (which is generally measured with this indicator) and compared the value with the internationally accepted threshold by which ODA/GDP should be less than 10%. It would be worth exploring with some more detail the opportunity of finding a good set of SMART indicators (such as for example, allocation/disbursement ratios, average cost of remittances, etc.) that could be used to improve the comparability of the analyses.

5. **Focus of the recommendations: Feed-back or Feed-forward?** It would be important to discuss what is the main purpose of the DFAAs: to document the relative position of the country at a given point in time, or to present actionable decisions for governments to act upon? The type of recommendations and measurements to be used would be different depending on each case. For example: the DFAAs could attempt to assess for each flow, the country's level of readiness comparing present status with internationally recognised benchmarks or checklists. This would provide tangible references for the governments to prepare their action plans and agendas.

   The methodology adopted for future DFAAs may need to delve into more detail as to not just describe the relevance of development finance sources, but the relevance of particular types of finance to the specific policy objectives of the country. This would also produce focused and actionable recommendations and guide strategic discussions about the best possible choices for future ODA allocations, for example. Implementation of the DFAA's recommendations is also an issue that deserves more attention. It is clear that the DFAAs should not attempt to propose a detailed action plan to implement their recommendations. This would require substantial work that is only possible after the government is convinced and willing to implement them. On the other hand, the final answer of the DFAAs should not be: "you need a plan". The right balance is somewhere in between and deserves careful consideration.

6. **Content Standardisation and Quality at Entry.** While differences in country interests and situations call for flexibility in approach to the DFAAs, there may also be value in pursuing a more internationally consistent methodology for defining a *Development Finance and Aid Assessment* and some standards that will be respected in all reports, this would require for example:

    - DFAAs could use the exact same architecture of economic measurements, data systems and coherent data sets (annex shows the present dispersion of criteria used in different studies)
    - Statistical annexes should be provided in all cases, with the data (and official sources) used for the different charts that are presented in the core of the reports

The size of the report is also important. Current reports show a wide dispersion in size and writing styles. The areas that the DFAAs attempt to describe are very broad. To produce a quality summary of all of the individual blocks in a relatively short space is a tough challenge to the capacity of synthesis of any author. It would be perhaps required to edit the core reports using standard procedures by specialised editors. The quality at entry of the analysis is important for the credibility of the assessment report to all stakeholders. The QA process needs to check for both accuracy and quality of supporting evidence and for compliance with the DFAA methodology and the draft studies should qualify for quality endorsement. In this sense, systems like the PEFA CHECK could be useful models to inspire a solution.

6. Conclusions and Further Steps

The post–2015 Sustainable Development agenda currently being drafted is an opportunity for genuine transformation. The approaching conclusion of the Millennium Development Goals (MDGs) has stimulated global moves towards crafting a more ambitious successor agenda of Sustainable Development Goals (SDGs). The achievement of the SDGs will require the mobilisation of an unprecedented amount of financing and other Means of Implementation (MoI). To succeed in achieving them, countries will need to develop more advanced capacities, especially the capacity to plan and implement comprehensive Integrated National Financing Frameworks (INFFs). These comprehensive frameworks should take into account the mobilisation of a holistic financing structure of private and public sources- both domestic and international.

The DFAAs were introduced to provide countries with this broader analysis of the different sources of funds that could be primarily dedicated to addressing development issues and to support decision makers with a holistic view of all the finance options available and knowledge to use them wisely. The implementation of the first four studies is showing promising results. The DFAA experience was regarded as highly positive by all governments and the studies are currently being used to inform government discussions on key development finance and policy issues.

The methodology of the DFAAs will be further refined to adjust it to the changing needs of the emerging, post-2015 financial landscape. The methodological questions posed in this report are currently being analysed and will be addressed in a DFAA Methodological Guidance Note. It is expected that this note will inform further discussions with government, development partners and other key stakeholders on how to improve the capabilities if this analytical tool to better support country efforts to finance the achievement of the SDGs.

Annex: Key Statistics and Analysis Presented in the Four DFAA Studies [2]

	Philippines	PNG	Viet Nam	Lao PDR
Domestic				
Public	[T] Total Revenue ($)		Total Revenue ($)/yr By type of revenue Total Revenue as %GDP/yr	
Tax		Tax/GDP Total revenues $	Composition of tax ($)/yr VAT/Corporate Tax	Some figures no tables/charts
Non Tax				Some figures no tables/charts
Mineral		% royalties	Some figures no tables/charts	Some figures no tables/charts
SOEs	-	Total revenues $	Borrowing /yr	Figures, no tables/charts
PPPs	Pipeline of major projects ($)	No quantitative info	Total Investment (U$) By Sector	No figures
Expenditure	Composition/sector (%) [T]Allocation ($) by sector / yr	PI5 issues (no GFS) BudgetxSector ($)	$/yr (missing refs) [T] Allocation ($) by sector /yr List off off-budget funds (no $)	-
Borrowing	[T] Total ($) + Debt as % GDP (Gross - Net) Composition/type (%)		Composition $/yr (nat/subnat/SOE) Composition $/yr (ODA/Con/NConBonds/other) Public Debt by owner	Some figures no tables/charts
Philantrophy	CSR/no data	No aggregate figures	N/A	N/A
Private	Total Resources ($) (bank/non banks)/yr Composition of bank loans (pie) 2000-2013	Credit as % GDP	Credit Growth (%)/yr Total Loans ($)/yr by recipient (SOEs, etc)	Some figures no tables/charts
Inclusive Finance	No aggregate figures			
External				

[2] **Notes**: (i) the fields in red were added by some studies and were not required by the DFAA methodology ; (ii) [T] indicates that a table with figures is provided; (iii) fields left blank means that no quantitative analysis was provided

	Philippines	PNG	Viet Nam	Lao PDR
ODA	[T] Grants/Loans (U$) By year & status [T]Loans (U$) by yr/donor [T] Loans (U$ and %) by regions/yr	ODA as % GNI Donor % Budget [T] Donor Contr ($) Type of ODA in % Sector Allocation ($)	Commited+disbursed (U$)/yr (Bilateral-Multilat) Net disburments (U$)/yr(Bilateral-Multilat) CommitmentsxSector U$ and % by type (loans/grants/total) Comm+Disbursed by sector (U$)/yr CommitmentsxRegion U$ and ODA/capita	Some figures no tables/charts
Non ODA				
Vertical		No aggregate figures	Some figures no tables/charts	No aggregate figures Data for GFATM/GAVI (US$/yr) Composition of Climate ($)
OOFs	-	[T]TotalxDonor (U$)	Total OOF (U$)/yr (ODA Loans/ Grants)	Some figures no tables/charts
Philantropphy	-	Incomplete (US only) (US$/yr)	Total INGO (U$)/yr	Incomplete/anecdotical
SSC	-	[T] China only ($)		No figures
Public Borrowing	Gross + Net ($)/yr Debt as % GDP Composition/type (%)	Overall budgetary surplus/deficit as % GDP	Public debt by owner Total public borrowing 2006-2012 in current prices Composition of government borrowing	
Private				
FDI	In U$ +% of GDP/yr	In U$ +% of GDP/yr	GDP/Sector $)/yr / State/Non State/FDI [T] By Sector (U$ and %) FDI as %GDP/yr	Some figures no tables/charts
Remittances	[T] In U$ and %GDP/yr Compared with ASEAN Geo- origin ($)	Incomplete (U$)	Total ($) /yr	Some figures no tables/charts
Borrowing				Figures, no tables/charts
TOTAL	All flows as % GDP/yr Comparative size ($)	Bar chart (U$/yr) by of flow Composition Trends: (pie) 2000 and 2009		

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