National Development Strategies in the Time of COVID-19

Governing Board Thematic Session on National Development Strategies for Resilience & Policy Coherence

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This document is circulated to the Members of the Governing Board for INFORMATION and DISCUSSION.

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Background

1. In recent years, the adoption of a broader vision for development, illustrated by the Sustainable Development Goals, has brought national development strategies and multi-year planning back into prominence. The OECD Development Centre has placed national development strategies (NDS) at the forefront of its efforts, notably through the Multi-Dimensional Country Reviews (MDCRs) and the Mutual Learning Group (MLG), the Perspectives on Global Development (PGD) reports, and its Development in Transition (DiT) seminars with Members of the Governing Board. The COVID-19 crisis will directly affect the conversation on development planning, as it will force countries to devise more ambitious strategies in order to respond to already existing and/or new aggravated challenges – including the climate emergency and the transition to a low-carbon development trajectory – with less resources. This Thematic Session of the Governing Board aims at exploring how policy-makers can adapt NDS and their associated financing frameworks to tackle the impact of the crisis, and build more resilient development trajectories and identify suitable means for their financing.

The Emergence and Implementation of National Development Strategies (NDS)

2. Between 2006 and 2018, the number of countries that used NDS to set their development priorities and plan the policies they need to achieve their objectives, has more than doubled, now amounting to 134 countries. More than 80 percent of the world population lives in a country that has a development planning tool.1 This popularity is relatively new and has been influenced by geopolitical changes and consequent shifts in development paradigms. In the past two decades, marked by the emergence of a “goals-based” vision that puts forth the multidimensional and inclusive nature of development2, developing countries have started using NDS to position themselves within this new context.

3. The return to development strategies and planning also derives from an accumulation of experience that has shown that good strategies work. At the dedicated MLG meeting (16 October 2019), members of the Governing Board discussed the challenges that can arise in the design and implementation of NDS. The dialogue revolved around one main guiding question: what makes good strategies? The first key conclusion of this meeting was that in order to have the most impactful results, the design of NDS should be driven by execution capabilities. In the case of NDS, execution capability is the sum of capabilities of relevant actors and the processes and routines through which they interact and coordinate with each other. Effective NDS should build on execution capabilities and aim at enhancing them through execution, thus constituting a repeated cycle of interactions between capability, design and execution. Equally relevant is the ownership and national relevance of the development objectives, to ensure NDS are objective policy documents that governments use to engage on their own terms with their partners – and not window-dressing documents, catering more to the donor community.

4. As only a clear identification of a country’s development challenges can effectively drive action to tackle them, effective NDS should also be based on a multidimensional diagnosis of the country’s challenges. This must not however lead to an inefficient spread of resources across all objectives. An efficient NDS will prioritise and target resources and capabilities towards the most important obstacles to a country’s development. Although this remains a

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challenge for many countries, all actions and objectives within the NDS should be coherent, reinforcing and supporting each other. It will also be important for NDS to establish a good balance of participation, ensuring all the relevant actors participate in a productive process. The MLG underlined the importance of budget and of a medium-term financing framework as key consideration for government when designing a NDS, however noting that imposing the NDS on the national budget process could create incentives against prioritisation. Finally, the MLG discussed the various forms of implementation mechanisms and units, the importance of the political support they will receive and the determinant role played by monitoring and evaluation in ensuring success for the NDS.

A Tool for a New Model of International Co-operation for Development?

5. The Governing Board 5th Dt Seminar (On 17 October 2019) explored the resurgence of NDS and their importance for building a new model of international co-operation for development. The seminar featured a presentation by Dr. Admos Chimhowu on “New National Development Planning and Global Development Goals: Processes and Partnerships”, highlighting what is peculiar about “new” NDS and their interactions with the SDGs. While some countries still apply the “old” linear planning rationality approach to NDS, which relies on technocratic processes, more countries rely on collaborative rationality, engaging citizens and multiple stakeholders to build national consensus. Most NDS still mainly focus on transformation for economic growth, with some variations for natural resource-rich and Sub-Saharan African countries that also focus on diversification and poverty reduction. Many NDS feature clear references to the SDGs, but it is early to assess if the SDGs are effectively driving policy formulation and budget allocations decisions. Strong political backing and professionalised planning agencies are critical success factors in designing, implementing and monitoring NDS. However, costing and sources of financing are rarely accounted for in NDS, which reduces their quality and credibility.

6. In the ensuing discussion, Members of the Governing Board stressed the importance of truly transformative NDS, incorporating the objectives of sustainable development and of the transition to a more inclusive and low-carbon development model. They underlined the need of adequately linking strategies to financing, highlighting the useful contribution of tools such as Integrated National Financing Frameworks (INFFs). Unfortunately, many strategies still lack an international perspective (how the international landscape affects the development trajectory) and insufficiently focus on key development issues such as gender equality, regional and territorial development, migration and digital technologies. Participants also recognised the need to aim at objectives beyond the reduction of extreme poverty and expand indicators from income metrics to broader well-being ones. They also stressed the importance for NDS to be designed in consultation with all relevant stakeholders and involve citizens, using both bottom-up and top-down approaches. Participants also agreed that NDS should be based on a continuous learning by monitoring process to tackle both cyclical turbulences and long-term structural bottlenecks. Finally, participants called for a better connection between NDS and the global arena, including the provision of Global Public Goods. Better incorporating NDS and their financing in international co-operation efforts could in turn help developing countries better align national policy issues with international challenges, including Global Public Goods. Policy dialogues at the multilateral level on NDS and international cooperation could be an important step in this direction.

National Development Strategies in the Aftermath of COVID-19

7. The COVID-19 crisis has stressed the relevance of the above discussions. It has triggered several questions on fundamental issues that relate to the nature, quality and utility of NDS, the importance of appropriate financing frameworks and the new implementation challenges due to limited fiscal resources and growing sovereign debt. The United Nation Development Programme (UNDP) estimated that the consequences of the crisis could erase up to six years of human development.3 The World Bank projected that the crisis could push between 71 and 100

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million people back into extreme poverty.\(^4\) The International Monetary Fund estimated that emerging and developing economies’ GDPs would experience a 3% contraction in 2020.\(^5\) These early estimates, and the pace at which the situation has been evolving since the beginning of the crisis, give a sense of the development crisis which is in the making. Countries will have to do more with less. NDS will have to reflect this deteriorating context and be adapted to help countries mitigate these adverse dynamics and build back better after the crisis. This means establishing development models that are more resilient to shocks. Taking stock of this situation in their Policy Statement on COVID-19 and developing countries, the Members of the Governing Board highlighted the need for the Development Centre to strengthen MDCR work on gathering evidence to inform the implementation national strategies for inclusive development and their financing, including through the use of Integrated National Financing Frameworks (INFFs). They also urged the Centre to continue working on innovative forms of international co-operation based on national development strategies, in the framework of Development in Transition.\(^6\)

8. The Development Centre has heeded the call. On 5 June 2020, the MLG-MDCR held a session on COVID-19, Resilience and Multi-dimensional Reviews - Strategic considerations and early evidence from the OECD Country Tracker. Based on the priorities listed by the Members of the Governing Board Policy Statement on COVID-19, the Centre announced that future MDCRs would include a COVID-19 module that will assess socio-economic exposure and policy resilience at the country level. This session served as a first exploration of the evidence base that will feed such assessments. First, Member-Countries delved into strategic considerations on resilience and government responses to COVID-19. This analysis led to the conclusion that policy resilience depends on a country’s capability to react adequately - through policy response and policy tools that can serve as automatic stabilisers – and on fiscal space. The MLG-MDCR then analysed evidence from the OECD Country Policy Tracker on the implementation of income support measures for informal and self-employed workers and of credit guarantees as a tool to mitigate the effects of the crisis. Finally, Member-Countries discussed evidence regarding the effectiveness of response measures from past crises. Experience suggests that quick action to step-up public expenditure and target it at qualitative long-term multipliers for sustainable development can enhance resilience in the face of a crisis, such as COVID-19. On the other hand, evidence from past crises shows that although income support measures to households and firms are important pillars of resilience, their implementation can be costly and effectively targeting them could prove difficult within highly informal economies.

Key Issues

9. The question of how NDS can help build more resilience after the COVID-19 crisis is also linked to other issues, such as how can they be financed when resources have been severely affected by the crisis, or what should the role of the State be in driving development strategies and which outcomes should they bring to societies. The pandemic has also raised the question compounding crises and of interlinkages between the national and international spheres. Developing countries entered the crisis with pre-existing vulnerabilities that are now being exacerbated. The COVID-19 crisis has put more pressure on weaker health systems, a higher number of vulnerable populations, such as informal workers and migrants, and can accentuate humanitarian and environmental crises. Furthermore, developing countries’ high dependency on demand from advanced economies, commodities prices, tourism and remittances from migrants has already exposed their economies to even dimmer perspectives. Even though governments in developing countries have taken immediate measures to contain the shock, their shrinking fiscal space might hamper these efforts and push them on a path towards unsustainable debt. For instance, estimates show that if African countries were to implement the same immediate fiscal policy measures as the largest EU

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economies so far, all other conditions remaining equal, Africa’s government debt-to-GDP ratio would increase from 57.6% *(2019)* to about 85%.*

10. This will raise immediate concrete issues regarding the **financing of NDS**. Many developing countries might face a situation where the crisis and measures to fight off the consequences of the crisis will further deteriorate public budgets that were already limited before the pandemic. **How can States finance a NDS to recover and build back better if they do not have the necessary resources to do so?** Fiscal revenues in many developing countries remain insufficient to finance public policies, such as the expansion of social protection systems and universal health coverage – key instruments to reduce vulnerabilities. The need for progressive fiscal reforms has been highlighted as an urgent necessity in many developing countries, in addition to ongoing international efforts to achieve a more conducive international tax system that tackles tax evasion and Base Erosion and Profit Shifting (BEPS). Many in the international community are calling on policy-makers to scale up global investment and set up international development plans similar to the Marshall Plan to fund the recovery. In July, the Member-States of the European Union (EU) have agreed to launch Next Generation EU, a multi-year plan to finance the recovery from the crisis. **International co-operation** might play a crucial role in providing the necessary funds to build back better development trajectories. Furthermore, many countries have encountered issues when costing and financing NDS and linking development priorities to their national budgets. Since most countries will have to do more with less, the **COVID-19 urge them to rethink and enhance the financial efficiency of their NDS and public expenditures.**

11. **With fewer resources and despite their key role in containing the immediate effects of the crisis,** **States will have to face exacerbated human development and social issues,** such as inequalities and subsequent discontent. This may lead many to question their ability to drive development strategies towards **more sustainable and resilient trajectories for their societies.** As highlighted by the MLG-MDCR meeting, resilience requires a society capable to mount a response that minimises the destructive impact of a crisis like the COVID-19 pandemic. In order to do so, NDS will have to aim at building the necessary social capital for such reactivity by addressing vulnerabilities, such as lack of social protection coverage or gender inequalities. Further engaging citizens in participatory processes in the design of NDS could contribute to building social resilience and enhancing citizens’ ownership and lay the ground for a **new social pact at national level.**

12. **The COVID-19 crisis also pushes developing countries to take a deeper look into the interconnection between national and international challenges.** On the one hand, despite a resurgence to prominence in recent years, NDS have not been sufficiently considered in international co-operation initiatives. Concurrently, despite including references to international challenges, such as the SDGs and the climate goals, NDS have not sufficiently accounted for the interlinkages that exist between national and international policy issues. NDS will have to better apprehend global challenges in order for developing countries to find a balance and **become more resilient to external shocks.** It will therefore be crucial to explore which international co-operation tools would enable developing countries to include these dimensions in their NDS. A reinvigorated multilateral cooperation system can help produce global public gods and address the systemic challenges to resilience, through a **new global deal for development.**

**Main questions to be addressed**

13. The COVID-19 crisis has had tremendous and lasting consequences on sustainable development, whose full impact is yet unknown. The pandemic and the ensuing crisis have generated a conversation on the necessity to build back better models, focused on resilience. This thematic discussion is part of the on-going discussions within the Governing Board on what countries can do to tackle the vulnerabilities that the crisis has exacerbated and address the growing interconnection between national and international policy issues. Today, many countries use some kind of national development strategy to coordinate policies that will help them reach their development targets. Moreover,

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participatory process to design and implement strategies can help improve social capital, which can play an important role in reducing social vulnerabilities and resilience.

14. It will therefore be crucial to explore how National Development Strategies, both as policy tools and process, can help countries tackle vulnerabilities and building resilience to overcome the crisis and build back better; how they can be financed; and how their impact can be monitored and enhanced. In addition to experts' inputs setting the scene, the following questions can help inform the discussion during this Governing Board Thematic Session:

- How could national development strategies realign their focus to address the vulnerabilities that the COVID-19 has exacerbated in your country or in partner countries and help achieve greater resilience? What specific policy issues should be addressed as priorities within national development strategies? Have you observed a shift in these priorities since the beginning of the pandemic or as part of the stimulus and recovery plans to overcome the crisis?

- As developing countries will have to face exacerbated challenges with fewer resources and limited fiscal space, how can national development strategies be financed? What could be the role of international co-operation in funding the recovery? How can Integrated National Financing Frameworks (INFFs) support resource mobilisation, better public finance management and alignment with the SDGs?

- In your country's experience, do national development strategies sufficiently articulate national priorities with global challenges such as climate change/transition to low carbon development or global health? How can these interlinkages between national and international dynamics be enhanced? What role could international co-operation play?