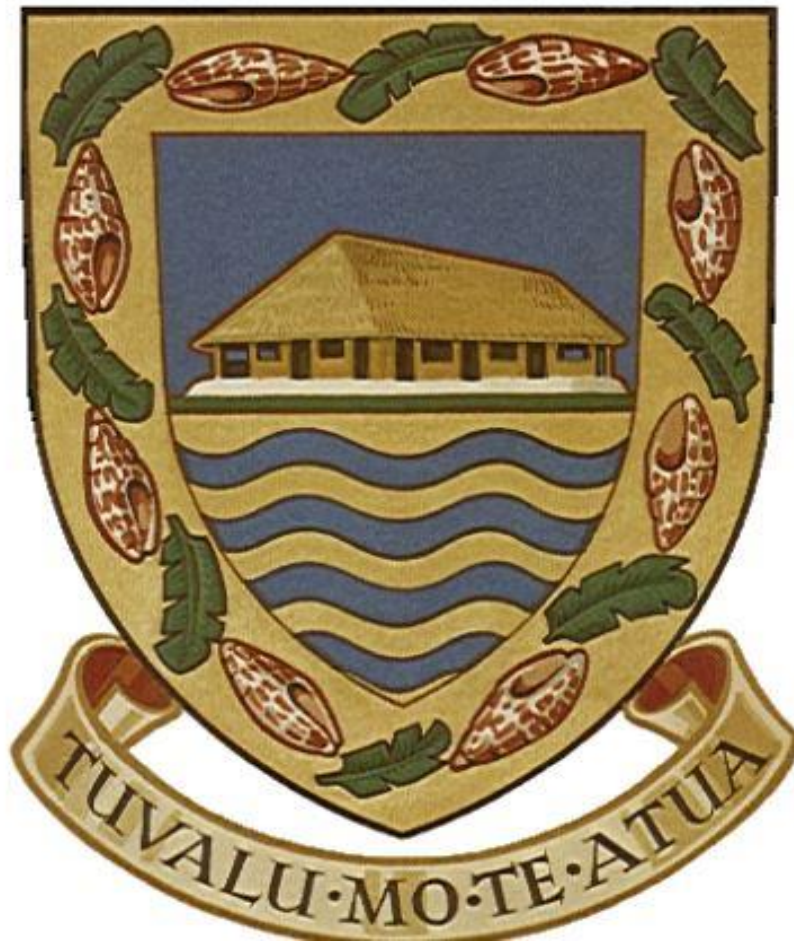


# GOVERNMENT OF TUVALU



## Tuvalu National Development Coordination Policy (2017 - 2020)

JULY 2017

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## Acronyms

ODA	Overseas Development Assistance
SDG	Sustainable Development Assistance
SIDS	Small Islands States
SAMOA	SIDS Accelerated Modalities of Actions
PFM	Policy Reform Matrix
ESS	Environmental Social Safeguard Policy
M&E	Monitoring and Evaluation
GEF	Global Environment Fund
AF	Adaptation Fund
GCF	Green Climate Fund
TKIII	Te Kakeega III
MFATTEL	Ministry of Foreign Affairs, Trade, Tourism Environment and Labour
PBACD	Planning, Budget, and Aid Coordination Department
MFED	Ministry of Finance and Economic Development
CSO	Civil Society Organisation
RTM	Round Table Meeting
DCC	Development Coordinating Committee.

## Introduction

Development cooperation is a substantial and critical component of Tuvalu's broader development efforts. In 2017, official development assistance (ODA) and climate finance alone constituted some 67 per cent (AUD\$47.6m) of total budgeted expenditure (AUD\$70.8m).

However, despite these substantial investments, Tuvalu's progress in achieving many of the millennium and sustainable development goals (SDGs) has been slower than envisaged.

One key reason for this relates to **weaknesses** in the **coordination** of available resources.

## Objective

The objective of this policy, entitled the *Tuvalu National Development Coordination Policy (2017 to 2020)*, is to **strengthen coordination of available development resources from both Tuvalu and Development Partners** - centred on the aim of accelerating progress against the development goals outlined in the *Te Kakeega III National Strategy for Sustainable Development 2016 to 2020* and the related SDGs.

The policy builds on other international and regional policy frameworks that are relevant to development coordination and further focuses policy responses for the Tuvalu situation.

## Structure

The policy is organised into six parts:

- Part 1 outlines the international and regional policy frameworks that are relevant for development coordination in Tuvalu;
- Part 2 describes the specific weaknesses or challenges that are currently constraining effective coordination in Tuvalu;
- Part 3 prescribes a set of policy directions and strategies that the Government of Tuvalu will focus on over the next 3 years to strengthen coordination;
- Part 4 explains the institutional arrangements in place within GoT to coordinate development cooperation; and
- Part 5 sets out the approach GoT will take to monitor and evaluate the implementation of this policy – to facilitate mutual accountability and learning for improvement.

Some concluding remarks are also offered at the end.

In addition, a glossary of key terms is provided at Appendix 1.

## Part 1: International and regional policy frameworks

There are a number of different international and regional policy frameworks that are relevant to development coordination in Tuvalu. Many of Tuvalu's key development partners (Australia, European Union, New Zealand, Asian Development Bank, World Bank) are signatories to these policies/agreements.

At the international-level, the [Paris Declaration on Aid Effectiveness](#) (2005) promoted five principles: ownership; alignment; harmonisation; managing for results; and mutual accountability. These principles required:

- developing countries to set their development strategies and improve institutions;
- donor countries to align with these strategies and use local systems;
- donor countries to share information and harmonise their programs and procedures;
- focus implementation of strategies on producing and measuring results; and
- enhance mutual accountability of donors and recipients.

The Paris Declaration and component Accra Agenda for Action (2008) further outlined a set of more detailed commitments which both recipient and donor countries will undertake to deliver against the principles.

The [Busan Partnership for Effective Development Co-operation](#) (2011) reaffirms the commitments made in the Paris Declaration for Aid Effectiveness (2005) and Accra Agenda for Action (2008), and also includes some additional commitments - including specific ones relating to climate change.<sup>1</sup> Building on the lessons learned from the implementation of the Paris Declaration, the Busan Partnership emphasises four principles that are to guide strengthened coordination of development co-operation. These are (i) ownership of development priorities by developing countries, (ii) focus on results; (iii) inclusive development partnerships; and (iv) transparency and accountability to each other. Tuvalu has endorsed the Busan Partnership.

At the regional level, the [Cairns Compact on Strengthening Development Coordination in the Pacific](#) (2011) is an initiative which was agreed by Forum Leaders and endorsed by key development partners. The Cairns Compact sets out seven principles that are to guide strengthened coordination of development co-operation in the Pacific context - and which are in line with international best-practice as expressed in the Paris Declaration on Aid Effectiveness (2005) and the Accra Action Agenda (2008), and the Busan Partnership for Effective Development Cooperation (2014). The primary activities arising from the Cairns Compact have been 'Peer Reviews' which aim to develop a better understanding of the priority actions necessary to improve development coordination and in turn development effectiveness at the country level.

More recently, the [Framework for Pacific Regionalism](#) (2014) has also been mandated - which is a strategy for strengthening cooperation and integration between the states and territories of the Pacific

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<sup>1</sup> "Recognising that this resource flow brings with it new opportunities and challenges, we will endeavour to promote coherence, transparency and predictability across our approaches for effective climate finance and broader development co-operation, including to:

- a) continue to support national climate change policy and planning as an integral part of developing countries' overall national development plans, and ensure that where appropriate these measures are financed, delivered and monitored through developing countries' systems in a transparent manner.
- b) continue to share lessons learned in development effectiveness with those entities engaged in climate activities and ensure that broader development co-operation is also informed by innovations in climate finance.

region. The detailed initiatives of this framework – which are intended to be limited to a few regional-level public policy initiatives that address key challenges across the region - are yet to be finalised (scheduled for early 2018).

In addition, as part of the third Small Island Developing States (SIDS) Conference in Samoa, the [SIDS Accelerated Modalities of Action \[S.A.M.O.A\] Pathway](#) (2016) has been developed to strengthen partnerships in the SIDS context. Similar to the other international and regional frameworks mentioned above, the SAMOA Pathway outlines four principles that are to guide effective partnerships. These are (i) national ownership; (ii) mutual trust; (iii) transparency; and (iv) accountability. The SAMOA Pathway further outlines a number of specific ‘statements’ and commitments that SIDS and partners will seek to implement. Amongst other things, these include to:

- strengthen SIDS leadership regarding their own development, national institutions, systems and capacity;
- increase programme-based approaches and use of country systems for activities managed by the public sector; and
- gain access to international arrangements and modalities for the financing of development for developing countries [including climate finance] including through capacity-building and a review of application procedures.

## Part 2: Weaknesses and challenges that are currently constraining coordination in Tuvalu

There are a range of different challenges (or weaknesses) that constrain effective development coordination in the Tuvalu context. The challenges that are considered to be most significant at this point in time are outlined in Table 1 below.

Most of these challenges closely correspond to (a lack of progress against) the commitments of the Paris Declaration and Busan Partnership – from both the Government of Tuvalu side and Development Partners side.

Many of the challenges are further underpinned by a lack of human resource capacity within GoT - which is in large part a function of the small size of Tuvalu and its Government.

**Table 1 Description of key challenges affecting effective development coordination in Tuvalu**

Reference	Challenge description
1.	<p><i>Sector programming</i></p> <p>For some sectors, there are weak linkages between high level strategies outlined in the Te Kakeega III National Strategy for Sustainable Development: 2016 – 2020 (TKIII) and more detailed sector programs as outlined in Ministry Corporate Plans. This in turn constrains Tuvalu’s ability to exercise full <b>ownership</b> over investment prioritisation, and contributes to fragmentation.</p> <p>Also, there has previously been a lack of clarity about GoT-preferred sector-level planning approaches. As such, in some cases, donors have ‘driven’ the formulation of sector plans that have not clearly aligned with NSSD strategies</p>

	<p>or Corporate Plans. This in turn affects policy cohesion and creates confusion about what the investment priorities actually are.</p>
2.	<p><i>Appraisal and decision-making through the budget process</i></p> <p>GoT procedures for appraising (program and project-level) proposals are not rigorously followed – both internally and by development partners. Consequently, there are insufficient checks to ensure development cooperation proposals align with the TKIII and relevant Ministry Corporate Plans; are of high quality; and represent a worthwhile use of limited resources (including human resources) – from the Tuvalu perspective.</p> <p>Further, appraisal and decision-making on many ‘solicited’ development cooperation proposals do not align with the budget cycle. This creates some inefficiencies in these procedures, and also makes it more difficult to compare proposals against other competing priorities.</p>
3.	<p><i>Use of GoT systems for PFM, RM, ESS, and M&amp;E</i></p> <p>There is inadequate use of GoTs systems for public financial management (PFM), risk management (RM), environment and social safeguards (ESS), and monitoring and evaluation (M&amp;E) – especially for project modalities. This in turn creates confusion among GoT officials (impeding capacity building), generates inefficiencies, and makes it difficult to track financial flows (i.e. part of mutual accountability).</p> <p>There are also varying requirements and approaches used by different Development Partners for PFM (particularly procurement), ESS, RM, and M&amp;E – and these approaches tend to be too complex for the Tuvalu context. This creates confusion, impedes government strengthening in these areas, and causes inefficiencies.</p>
4.	<p><i>Aid modalities</i></p> <p>A high proportion of development cooperation is still delivered through project modalities (51%, AUD\$24.2m in 2017). This modality is very difficult to manage for GoT - a small Government.</p> <p>Also, the design of many projects are still ‘donor driven’.</p>
5.	<p><i>Climate change</i></p> <p>Climate events (e.g. extreme tide events, drought) impact on a wide range of different sector programs and projects important for Tuvalu - oftentimes substantially. Moreover, in the medium and long-term future, these risks are expected to further increase under the effects of <b>human-induced</b> climate change - presenting as a major development challenge for Tuvalu.</p> <p>Despite these challenges, there is not systematic and rigorous consideration of climate change risks (as part of the design, review, implementation, and evaluation) for all development cooperation – especially where GoT processes and systems are <u>not</u> used. As a result, many development programs/projects are not as resilient to climate events (when they occur) and hence are not as effective at achieving their development objectives as they could be.</p> <p>Also, many climate finance opportunities are through project based modalities such as the Global Environment Fund (GEF), Adaptation Fund (AF), and</p>

	Green Climate Fund (GCF). As mentioned above, projects are difficult to manage and in many cases are still ‘donor driven’.
6.	<p><i>Protocols, missions and consultations</i></p> <p>GoT protocols for engaging with development partners are not rigorously followed, with Line Ministries often communicating directly with development partners on proposal development and <i>vice versa</i> - unbeknown to central ministries. Also:</p> <ul style="list-style-type: none"> <li>• the Tuvalu aid information management system/database is still not adequately developed; and</li> <li>• there are multiple, overlapping and duplicative development related visits.</li> </ul> <p>Amongst other things, these factors have contributed to duplication, fragmentation, and slow implementation of development cooperation efforts.</p>

### Part 3: Policy directions and strategies

This section describes the priority policy directions and strategies will take to improve development coordination in Tuvalu (refer Table 2). These are the strategies that GoT will focus on over the next 3 years.

These policy directions directly address the key challenges constraining development coordination outlined in Part 2. These policy directions are also in line with the principles and commitments made under the various international and regional policy frameworks mentioned in Part 1.

**Table 2 Policy directions to improve development coordination in Tuvalu**

Reference	Policy directions / strategies
1.	<p><i>Sector programming</i></p> <p>The prioritisation and selection of development cooperation will be based on the sector strategies stipulated in the TKIII. As outlined in the TKIII, sector strategies are to be further developed and described as programs within Ministry Corporate Plans. All development cooperation programs (and component projects and activities) are to be reflected in Ministry Corporate Plans.</p> <p>Additional sector-level policies or plans may be developed on a case-by-case basis but this is only to be done where the sector plan/policy is specified as a strategy in the TKIII. If there is a clear need for a sector policy or plan<sup>2</sup> and this is not provided for in the TKIII, the appropriate time to consider its inclusion is as part of the TKIII Annual Review.</p> <p>Development partners are strongly encouraged to provide capacity building and TA support - utilising participatory approaches and GoT policy analysis tools where applicable - to help improve the quality of strategic planning.</p>
2.	<p><i>Appraisal and decision-making through the budget process</i></p> <p>All program-level and project-level proposals - including proposals that are to be funded from external sources - are to be appraised in line with GoT procedures. To the largest</p>

<sup>2</sup> after strengthening of TKIII strategies and relevant Corporate Plans has been considered as a first-best response to addressing any planning deficiencies



	<p>extent possible, this should be done as part of the annual budget cycle.<sup>3</sup> This will allow for the GoT to efficiently consider the proposal alongside other competing priorities.</p>
3.	<p><i>Use of GoT systems for PFM, RM, ESS, and M&amp;E.</i></p> <p>GoT is committed to continuously improving its public financial management (PFM), risk management (RM), environment and social safeguards (ESS), and monitoring and evaluation (M&amp;E) systems – building on the substantial progress that have been made in these areas in recent years (particularly in terms of PFM).</p> <p>Development partners are strongly encouraged to utilise GoT systems (PFM, RM, ESS, and M&amp;E) to the largest extent possible.</p> <p>Development Partners are further encouraged to work with GoT to develop jointly-agreed (i.e. between GoT and multiple key Development Partners) diagnostic methodologies for ESS and M&amp;E (similar to the Public Expenditure and Accountability Review methodology for PFM), with the view to establish a clear roadmap for further reforms in these areas that will meet the essential requirements of all Development Partners whilst also ensuring workability for the Tuvalu context.</p> <p>The Pacific Island Forum Secretariat (PIFS) in particular is encouraged to help facilitate harmonisation in these areas, building on the initial work undertaken as part of the Cairns Compact.</p>
4.	<p><i>Aid modalities</i></p> <p>The GoT-preferred aid modalities are general budget support and sector budget support, and would like to continue to shift away from discrete projects.</p> <p>Building on lessons learned from the last 5 years, the Government will seek to expand the Policy Reform Matrix (PRM) mechanism to other sectoral areas and other development partners.</p> <p>Whilst not the preferred modality, project-based support will remain an important modality for Tuvalu over the medium term - especially given some key climate finance opportunities are committed to using this modality. In addition to measures outlined in 1, 2, 3, and 4, the GoT will seek to improve the efficiency and effectiveness of this modality by:</p> <ul style="list-style-type: none"> <li>• encouraging Development Partners to provide capacity building and TA support to Line Ministries for designing projects utilising participatory approaches and GoT policy analysis tools where applicable. This will help improve the quality of project proposals (fit-for-context) and ensure a high(er) degree of ownership and policy cohesion (e.g. reflected in Corporate Plans);</li> </ul>

<sup>3</sup> There is some flexibility for situations where there is an unforeseen solicited opportunity and the timelines for this opportunity do not fit with the annual budget review process timelines (though it is anticipated these cases will be reduced over time as development partners become more familiar with GoT procedures). In these circumstances, it is permissible to prepare and submit development cooperation proposals (to the Planning, Budget, and Aid Coordination Division and in turn the Development Coordination Committee) outside of the annual budget cycle providing it meets the following criteria:

- i. the ODA is a new opportunity and was not foreseeable;
- ii. the size of the ODA is no larger than AUD\$1,000,000; and
- iii. the ODA request aligns with the TKIII.

The responsibility for preparing formal appraisal advice in these circumstances is the PBACD. The responsibility for making decisions (to approve or disapprove the proposal from the GoT perspective) is with the DCC. The proposal may also be considered by Cabinet at their discretion.

	<ul style="list-style-type: none"> <li>• introduce a minimum investment size of \$50,000 (to start) as a means to reduce transaction costs;</li> <li>• strongly discourage the set up of separate project management/implementation units and steering committees;</li> <li>• encourage utilisation of GoT standard (project/program-level) monitoring and reporting systems aligned to the budget reporting timelines.</li> </ul>
5.	<p><i>Climate change</i></p> <p>To help ensure development cooperation investments are climate resilient, GoT has integrated consideration of climate change risks into some select policy analysis tools.<sup>4</sup></p> <p>Development Partners are strongly encouraged to utilise these policy analysis tools as part of TA support to design and implement program and project-level development assistance. Development Partners are further encouraged to employ participatory approaches when using these tools, and build in training components as part of their support (where applicable) as a means to reinforce and further develop GoT capacity in the tools.</p> <p>To increase access to much-needed climate finance, the GoT will seek National Implementing Entity (NIE) accreditation to the Adaptation Fund (AF) and Green Climate Fund (GCF). The measures specified under the policy measures above - especially 3 - will also contribute to this initiative, and thus reinforce the importance of the measures.</p> <p>Further, the GoT has established a Tuvalu Survival (trust) Fund to help with recovery and reconstruction efforts following (natural) disaster events. Development partners are encouraged to also allocate climate finance directly to this facility.</p>
6.	<p><i>Protocols, missions and consultations</i></p> <p>Institutional arrangements that are in place in Tuvalu to coordinate development cooperation internally and mechanisms for externally co-ordinating are outlined in Part 4 (Institutional arrangements and mechanisms for development coordination). The intention of this section is to help clarify these arrangements to all GoT officials as well as development partners so they are more rigorously followed.</p> <p>In addition Development partners:</p> <ul style="list-style-type: none"> <li>• are requested to provide adequate advance warning of planned missions to Tuvalu and to be prepared to make adjustments to the timeframe to ensure effective Government participation; and</li> <li>• should be aware of the budget calendar, which can affect availability of personnel, particularly in the Ministry of Finance and Economic Development, in the period September to December.</li> </ul>

<sup>4</sup> These are a (i) risk assessment matrix, (ii) a cost-benefit analysis work-planning tool, and (iii) a guidance note for developing program/project-level M&E frameworks.

## Part 4: Institutional arrangements and mechanisms for development coordination

This section explains the institutional arrangements that are in place in Tuvalu to coordinate development cooperation internally and externally – so this is clear to all GoT officials as well as development partners.

It also outlines some of the key mechanisms that are in place to further facilitate coordination with with development partners.

### Institutional Arrangements

The responsibility of mobilising development cooperation with development partners lies with the Ministry of Foreign Affairs, Trade, Tourism, Environment and Labour (MFATTEL). MFATTEL act as the diplomatic window for all solicited and unsolicited development cooperation proposals. Accordingly, Development Partners are requested to channel all solicited development cooperation opportunities through MFATTEL from the outset.<sup>5</sup>

The responsibility for coordination within GoT, rests with the Planning, Budgets and Aid Coordination Division (PBACD) of the Ministry of Finance and Economic Development (MFED). PBACD are responsible for day-to-day coordination of development cooperation and ensuring this is in accordance with GoTs planning and decision-making procedures and its systems for implementation to the largest extent possible. PBACD are also responsible for preparing appraisal advice on all solicited and unsolicited (program-level and project-level) development coordination proposals.

Furthermore, the Development Coordination Committee (DCC) provides higher level oversight of development cooperation coordination in Tuvalu – and hence the implementation of this *Tuvalu National Development Coordination Policy (2017 to 2020)*. It is also responsible for (second-stage) appraisal of new ODA proposals – drawing technical advice from its Line Ministries as appropriate – and, in some cases, decision-making.

An *ODA Handbook* has been developed which provides more details on the procedures pertaining to coordination of program-level and project-level development coordination. The Handbook is intended to be a quick reference guide to further assist officials from the GoT fulfil their requirements under *Tuvalu National Development Coordination Policy: 2017 – 2020* and relevant sections of the Budget Manual and Financial Instructions. Importantly, the Handbook is also intended to be used as a mechanism to help align and harmonise Development Partner procedures with Government of Tuvalu systems. A copy of the Handbook is available at [portal.gov.tv/ODA](http://portal.gov.tv/ODA).

In addition, as outlined in the Handbook, it is noted the responsibilities for preparing and implementing ODA projects involving Kaupule (Local Government), civil society organisations (CSO), and/or private sector organisations are the same as arrangements for the national budget process.

Moreover, GoT will progressively improve (in phases) its aid information system/database to, among other things, improve tracking of development cooperation proposals and implementation and

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<sup>5</sup> This is required for all new development cooperation opportunities, including where there are established coordination arrangements between Development Partners and Line Ministries (e.g. CROP focal points).

communications between GoT Ministries. GoT will also develop a webpage (on the GoT portal) dedicated to development cooperation administration.

## **Key mechanisms to coordinate with development partners externally**

The Donor Round Table Meeting (RTM) is a forum for high-level dialogue between the GoT and development partners on issues such as progress against the TKIII (in terms of delivery against milestones, achievement of outcomes); evaluations of key sector strategies; and priorities for the Government and ODA going forward. The forum also discusses resource estimation as well progress against coordination strategies (as outlined in this policy document and other related international and regional frameworks).

Going forward, the meetings of the RTM are intended to be held every two years in Tuvalu. The actions and deliberations of the forum will be published on the development cooperation webpage (to be developed, on the GoT portal).

As well, development partners are consulted at regular meetings with regard to sectoral strategies and programs - particularly for health, education, governance reform and infrastructure.

## **Monitoring and Evaluation of the Tuvalu National Development Coordination Policy (2017-2020)**

A monitoring and evaluation (M&E) framework will be developed for the *Tuvalu National Development Coordination Policy (2017-2020)*. The main focus of the M&E framework will be to support learning for improvement for the GoT. It will also support (mutual) accountability.

As part of the M&E framework, annual progress reports will be prepared by PBACD for consideration by the Development Coordination Committee (DCC). Also, an in-depth evaluation study will be undertaken in 2020 – and will be coordinated with other activities to input to the end-of-plan evaluation of the TKIII. Progress reports and in-depth evaluation reports will also be communicated and discussed with development partners at the RTM.

To the extent that it is useful for GoT, the M&E framework will align with the monitoring work currently being undertaken as part of the Busan Partnership and other relevant international and regional policy frameworks. The M&E framework will be developed and operational by end 2017.

## **Concluding remarks**

The *Tuvalu National Development Coordination Policy (2017 – 2020)* outlines a set of targeted yet ambitious policy directions that are considered most important to improve development coordination in Tuvalu over the next 3 years. These improvements in turn will help ensure the benefits of development

investments are maximised and we - Tuvalu and Development Partners together - are more effective at achieving our **shared** development goals.

In the face of climate change, development coordination and in turn development effectiveness takes on an increased level of importance and urgency. Without strong progress against development goals in the short and medium term, Tuvalu may not be resilient to sea level rise and changes in other climate events – threatening our survival as a nation. GoT and Development Partners are thus encouraged to work in partnership to implement these reforms as a matter of priority.<sup>6</sup>

The GoT also calls on renewed efforts to strengthen development coordination at the regional level. This should build on the initial work undertaken as part of the Cairns Compact (primarily Peer Reviews) and could consider (i) more targeted initiatives aimed at harmonising development partner approaches to PFM, ESS, RM, and M&E; and (ii) supporting PICs efforts to access and manage climate finance through NIE modalities. These such initiatives could be incorporated under the Framework for Pacific Regionalism.

For more information on the *Tuvalu National Development Cooperation Policy* please contact the Planning, Budget, and Aid Coordination Division (PBACD).

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<sup>6</sup> A *Tuvalu Foreign Policy* is also currently under-development. This policy will align with any relevant parts of the *Tuvalu National Development Coordination Policy (2017 – 2020)*.

## Appendix 1 Glossary of key terms

**Development cooperation:** in some quarters, development cooperation remains almost synonymous with financial aid, or even more narrowly, with “official development assistance”. But development cooperation is most commonly understood to include all forms of support from external sources including official development assistance, climate finance, technical assistance and south-to-south cooperation for the purposes of assisting recipient countries to achieve economic development and welfare objectives (adapted from Development Cooperation Forum).

**Official Development Assistance (ODA):** ODA is financial aid provided by one country (typically OECD countries) to another country (typically developing countries) for the purposes of assisting recipient countries to achieve economic development and welfare objectives. Further it is concessional in character and carries a grant element of at least 25 per cent (adapted from OECD).

**Climate finance:** climate finance is financial flows provided by external sources for the purposes of adaptation and mitigation. Climate finance is considered distinct from ODA, as the basis for its provision is to *compensate* for loss and damage caused by greenhouse gas pollution – rather than ‘aid’.

**Technical Assistance (TA):** TA is expertise provided by one country (typically OECD countries) to another country (typically developing countries) for the purposes of assisting recipient countries to achieve economic development and welfare objectives.

**South-to-south cooperation:** is a term historically used by policymakers and academics to describe the exchange of resources, technology, and knowledge between developing countries, also known as countries of the Global South.

**Development coordination:** Development coordination is the combination of, and relationships between, aid coordination and the national government systems and procedures. The aim of development coordination is to improve development effectiveness – real progress towards achieving development objectives/goals (WHO, 2009).

**Aid coordination:** the established mechanisms and arrangements that country governments and their external partners (development partners) follow to administrate aid (WHO, 2009).