

Busan High Level Forum on Aid Effectiveness: Proceedings

29 November–1 December 2011



Foreword

The Fourth High Level Forum on Aid Effectiveness (HLF-4) which took place in Busan, Korea, from 29 November to 1 December 2011 was the culmination of a process initiated with the High Level Forum in Paris in 2005 (with a prelude in Rome in 2003) and followed by the Accra Forum in 2008. But the HLF-4 is also a milestone for a new era in international development co-operation as expressed in the forum declaration, *The Busan Partnership for Effective Development Co-operation*.

This document is a compilation of the main documents from the HLF-4, put together in one single book to facilitate an easy access and complemented with some *ad-hoc* articles to provide different perspectives on what the Busan Forum was and how it was prepared.

The first part includes documentation strictly related to the forum itself. It begins with the final version of the *Busan Partnership for Effective Development Co-operation*, followed by a selection of speeches from some of the personalities who intervened at the opening and closing ceremonies and ending with the summaries of the different session held during these three days: Thematic sessions, plenary sessions and all the available summaries of official side events.

The second part includes some background on how Busan was prepared. It consists of selected articles on the lessons learned from the forum's preparation process from different perspectives. It also included summaries of the main evidence presented in Busan (the 2011 Paris Declaration Survey, the Paris Declaration Evaluation and the Fragile States Survey). This second part concludes with an article describing the work of the Working Party on Aid Effectiveness, the body who drove the international aid effectiveness process, and a selection of its main products.

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INTRODUCTION

THE BUSAN GLOBAL PARTNERSHIP: A NEW MILESTONE FOR EFFECTIVE DEVELOPMENT CO-OPERATION

Background

Three years ago in March 2009, the decision that Korea should host the final High Level Forum on Aid Effectiveness (HLF-4) received unanimous support from the members of the Working Party on Aid Effectiveness (WP-EFF). Korea's hosting the global development event holds special meaning in the history of development co-operation.

Despite the remarkable economic progress in emerging and developing countries, poverty remains a global challenge. In addition, recurring global crises such as climate change, food insecurity, and financial instability have posed a great threat to both developed and developing countries.

The donor community has made significant efforts in terms of expanding the assistance to developing countries through Official Development Assistance (ODA) and enhancing the quality of aid with a series of OECD-led high level forums on aid effectiveness, starting in Rome in 2003. Yet, the results of development co-operation have been not fully satisfactory.

With the target year of the Millennium Development Goals (MDGs) less than four years away, the Busan forum was uniquely positioned to take stock of progress and past challenges and to define new directions in development co-operation. Korea - as an exemplary case the power of effective aid - offered an inspiring setting to discuss aid effectiveness and to look beyond the horizon of aid toward effective development co-operation.

Lessons learned

Five years of implementing the Paris Declaration and a global reflection on the changing development landscape have provided invaluable lessons, putting the Busan forum in a different context from previous forums.

As evidenced in the three monitoring surveys and independent evaluations, aid effectiveness matters for development results. Yet, political will, especially from the donor, is critical to bringing further progress. The call for moving from process-oriented, technical talks to more focus on sustainable development results has been increasing over the years.

At the same time, the global community needs to adapt to a series of changes in the global development landscape. While North-South co-operation remains the mainstream of development co-operation, developing countries are increasingly becoming vital

sources of trade, investment, knowledge, and development co-operation. Moreover, NGOs, global programmes, private funds and businesses are actively engaging in development, providing innovative thinking and approaches to development. The diversity of development players and the expansion of development resources beyond aid are reshaping the global development architecture. This means that the development agenda set and led by donor countries alone will no longer be relevant and effective. This change calls for more inclusive development partnership.

In addition, aid is an important, but limited, resource for development. It is time to deepen the understanding of development in a broader context. As development is increasingly intertwined with other policy issues - such as trade, investment, the environment, security - promoting greater coherence among these policies is essential to producing better development results.

Key achievements in Busan

Against this backdrop, the Busan forum marked a turning point in development co-operation by making an important step forward in several ways.

Political discussion on aid and development

The Busan forum brought together the broadest range of stakeholders in development. Over 3 000 participants attended the meeting including several heads of states, over 100 ministers from 160 countries, 30 heads of international organisations, around 90 parliamentarians, 300 partners from civil society organisations, and more than 100 representatives from the private sector and academia.

Most notably there were high-profile political leaders in Busan including President Lee Myung-bak, President Paul Kagame of Rwanda, Prime Minister Meles Zenawi of Ethiopia, Secretary of State Hillary Clinton, UN Secretary General Ban Ki-Moon, and OECD Secretary General Angel Gurría.

The unprecedented, high level of participation reflected the gravity of responsibility and enthusiasm for the work they are undertaking in Busan. All development actors represented in Busan were tasked with responding to the increasing call for more effectiveness, accountability and, most importantly, results of their efforts.

A truly multi-stakeholder partnership: Busan's contribution to MDG 8

Unlike previous forums, the Busan forum was attended by a large number of diverse development actors beyond governments and international organisations. Accordingly, several multi-stakeholders events were organised including the Parliamentarian Forum, the Private Sector Forum, and the Youth Forum. Also, prior to the main event, the Civil Society Forum was organised with the participation of over 500 CSOs.

The Busan forum recognised these development actors as true partners in development and facilitated their substantive contributions to the Busan agenda and the outcome document, contributing to achieving the MDG of global partnership for development.

From aid to development effectiveness

It was well noted that there was much “unfinished business” in the aid effectiveness journey given that only one of the thirteen indicators of the Paris Declaration had been met. In response, participants in Busan agreed to keep the promise on aid effectiveness by

renewing core commitments including transparency, predictability, accountability and agreeing to monitor progress.

However, deepening the aid effectiveness agenda will not suffice to promote sustainable growth and development, and to respond to the rapidly changing world. To make development happen and enhance the impact of co-operation, there is a need to take a broader approach to development.

To large extent, Korea's vision for development effectiveness was largely based on its own development experience. And it was well supported by African countries through the Tunis Consensus. Aid should be used as a catalyst to leverage other development financing including trade, private investment, and domestic resources. By doing so, it can create the enabling environment to realise the country's own potential for growth and development.

OECD-UN Joint Partnership

Another global initiative agreed in Busan was to forge more systematic co-operation among global development forums, calling for a partnership between the OECD and the United Nations (UN). This proposal was well received by the participants and incorporated into the outcome document.

Departing from the previous process led by donor countries, the Busan forum demonstrated that developing countries should take the lead in setting the development agenda. The participants also recognised the role of the UN in enhancing effective development co-operation and invited the United Nations Development Programme (UNDP) along with the OECD to work together in supporting the effective functioning of the Busan Partnership. Given the UN's universal convening power and the UNDP's field presence in developing countries, inviting the UNDP as a core partner is expected to provide greater legitimacy and political clout to the new partnership.

Engagement of emerging economies

The Busan forum marked a significant progress in engaging South-South co-operation partners by recognising their complementary roles and creating a space for them under the principle of "common but differential commitments" and "voluntary participation" in the partnership. The outcome's second paragraph clearly states, "The principles, commitments and actions agreed in the outcome document in Busan shall be the reference for South-South partners on a voluntary basis."

Arguably, the paragraph lessened the overall ambition of Busan commitments. However, it is neither legitimate nor realistic to apply the same standards to South-South co-operation providers as traditional donors. South-South partners have a relatively short history of development co-operation as providers. Also, they remain developing countries and face poverty at home. The so-called "twin-track" deal, thus, was an optimal option grounded on the careful political calibration of changing realities.

Gender initiative

Korea, in close co-operation with the United States, the UN Women, and the GENDERNET, successfully placed the issue high on the effectiveness agenda.

The political support rendered by the UN Women and Secretary of State Clinton was also instrumental to highlighting the significance of gender equality and women's empowerment for development effectiveness. As a result, a special session on Gender

Equality was organised as the main event of the Busan forum and a Joint Action Plan for Gender Equality and Development was adopted. More than twenty countries and organisations rendered support to this voluntary action plan.

Closing

The Busan forum represented the high aspirations of the global development community for effective development co-operation. The impact of the emerging Global Partnership largely depends on support by all development stakeholders. In particular, the voluntary and proactive participation of emerging economies is essential to drive the new global partnership forward. Building trust through policy dialogues and knowledge sharing should be the starting point to work with these partners.

Ensuring the effectiveness of all forms of development co-operation is critical to achieve the MDGs by 2015 and promote sustainable development. However daunting a task this may be, the Busan forum demonstrated that with right spirit and strong political will, progress can be made. The Republic of Korea will remain fully committed to working closely with the global community to make the Busan spirit alive throughout the progressive transformation of the new global partnership.

Enna Park, Director General for Development Co-operation, Ministry of Foreign Affairs and Trade, Republic of Korea

PART ONE

The Event

The Fourth High Level Forum on Aid Effectiveness (HLF-4) was held in Busan, Korea, from 29 November to 1 December 2011. Over 3 000 delegates met to review progress on making aid more effective and debated the future of development co-operation. The following pages contain key documents and information from the three-day event.

1. **Forum papers:** The final version of the Busan Partnership for Effective Development Co-operation and the concept notes of the eight Building Blocks presented at the HLF-4.
2. **Selected speeches:** A selection of speeches made at the opening and closing ceremonies.
3. **Summaries of the sessions:** Including the Thematic Sessions of the first day, the plenary sessions and all the available summaries of official side events.

Forum papers



BUSAN PARTNERSHIP FOR EFFECTIVE DEVELOPMENT CO-OPERATION

1. We, Heads of State, Ministers and representatives of developing and developed countries, heads of multilateral and bilateral institutions, representatives of different types of public, civil society, private, parliamentary, local and regional organisations meeting here in Busan, Republic of Korea, recognise that we are united by a new partnership that is broader and more inclusive than ever before, founded on shared principles, common goals and differential commitments for effective international development.
2. The nature, modalities and responsibilities that apply to South-South co-operation differ from those that apply to North-South co-operation. At the same time, we recognise that we are all part of a development agenda in which we participate on the basis of common goals and shared principles. In this context, we encourage increased efforts to support effective co-operation based on our specific country situations. The principles, commitments and actions agreed in the outcome document in Busan shall be the reference for South-South partners on a voluntary basis.
3. The world stands at a critical juncture in global development. Poverty and inequality remain the central challenge. The Millennium Declaration sets out our universal mandate for development and, with the target date for the Millennium Development Goals less than four years away, the urgency of achieving strong, shared and sustainable growth and decent work in developing countries is paramount. Moreover, the Declaration identifies that promoting human rights, democracy and good governance are an integral part of our development efforts. Nowhere are our development goals more urgent than in fragile and conflict-affected states. Political will is vital if these challenges are to be addressed.
4. As we reaffirm our development commitments, we realise that the world has changed profoundly since development co-operation began over 60 years ago. Economic, political, social and technological developments have revolutionised the world in which we live. Yet poverty, inequality and hunger persist. Eradicating poverty and tackling the global and regional challenges that have adverse effects on the citizens of developing countries are central to ensuring the achievement of the Millennium Development Goals and a more robust and resilient global economy for all. Our success depends on the results and impact of our joint efforts and investments as we address challenges such as health pandemics, climate change, economic downturns, food and fuel price crises, conflict, fragility and vulnerability to shocks and natural disasters.
5. We also have a more complex architecture for development co-operation, characterised by a greater number of state and non-state actors, as well as co-operation among countries at different stages in their development, many of them middle-income countries. South-South and triangular co-operation, new forms of public-private partnership, and other modalities and vehicles for development have become more prominent, complementing North-South forms of co-operation.

6. International development co-operation has achieved many positive results. When we met in Monterrey a decade ago, we recognised that increases in volumes of financing for development must be coupled with more effective action to generate sustainable and transparent results for all citizens. Our dialogue in Busan builds on the foundations laid by previous High Level Fora, which have been proven to remain relevant, and which have helped to improve the quality of development co-operation. Yet we recognise that progress has been uneven and neither fast nor far-reaching enough. We each reaffirm our respective commitments and will implement in full the actions to which we have already agreed.

7. We can and must improve and accelerate our efforts. We commit to modernise, deepen and broaden our co-operation, involving state and non-state actors that wish to shape an agenda that has until recently been dominated by a narrower group of development actors. In Busan, we forge a new global development partnership that embraces diversity and recognises the distinct roles that all stakeholders in co-operation can play to support development.

8. Our partnership is founded on a common set of principles that underpin all forms of development co-operation. At the same time, we recognise that the ways in which these principles are applied differ across countries at various stages of development, and among the different types of public and private stakeholders involved. Lessons should be shared by all who participate in development co-operation. We welcome the opportunities presented by diverse approaches to development co-operation, such as South-South co-operation, as well as the contribution of civil society organisations and private actors; we will work together to build on and learn from their achievements and innovations, recognising their unique characteristics and respective merits.

9. Sustainable development results are the end goal of our commitments to effective co-operation. While development co-operation is only part of the solution, it plays a catalytic and indispensable role in supporting poverty eradication, social protection, economic growth and sustainable development. We reaffirm our respective commitments to scale up development co-operation. More effective co-operation should not lead to a reduction in resources for development. Over time, we will aim to increase independence from aid, always taking into account the consequences for the poorest people and countries. In this process, it is essential to examine the interdependence and coherence of all public policies – not just development policies – to enable countries to make full use of the opportunities presented by international investment and trade, and to expand their domestic capital markets.

10. As we partner to increase and reinforce development results, we will take action to facilitate, leverage and strengthen the impact of diverse sources of finance to support sustainable and inclusive development, including taxation and domestic resource mobilisation, private investment, aid for trade, philanthropy, non-concessional public funding and climate change finance. At the same time, new financial instruments, investment options, technology and knowledge sharing, and public-private partnerships are called for.

Shared principles to achieve common goals

11. As we embrace the diversity that underpins our partnership and the catalytic role of development co-operation, we share common principles which – consistent with our agreed international commitments on human rights, decent work, gender equality, environmental sustainability and disability – form the foundation of our co-operation for effective development:

- a) *Ownership of development priorities by developing countries.* Partnerships for development can only succeed if they are led by developing countries, implementing approaches that are tailored to country-specific situations and needs.
- b) *Focus on results.* Our investments and efforts must have a lasting impact on eradicating poverty and reducing inequality, on sustainable development, and on enhancing developing countries' capacities, aligned with the priorities and policies set out by developing countries themselves.
- c) *Inclusive development partnerships.* Openness, trust, and mutual respect and learning lie at the core of effective partnerships in support of development goals, recognising the different and complementary roles of all actors.
- d) *Transparency and accountability to each other.* Mutual accountability and accountability to the intended beneficiaries of our co-operation, as well as to our respective citizens, organisations, constituents and shareholders, is critical to delivering results. Transparent practices form the basis for enhanced accountability.

12. These shared principles will guide our actions to:

- a) Deepen, extend and operationalise the democratic ownership of development policies and processes.
- b) Strengthen our efforts to achieve concrete and sustainable results. This involves better managing for results, monitoring, evaluating and communicating progress; as well as scaling up our support, strengthening national capacities and leveraging diverse resources and initiatives in support of development results.
- c) Broaden support for South-South and triangular co-operation, helping to tailor these horizontal partnerships to a greater diversity of country contexts and needs.
- d) Support developing countries in their efforts to facilitate, leverage and strengthen the impact of diverse forms of development finance and activities, ensuring that these diverse forms of co-operation have a catalytic effect on development.

13. We recognise the urgency with which these actions must be implemented. Beginning implementation now – or accelerating efforts where they are ongoing – is essential if our renewed approach to partnership is to have the maximum possible impact on the realisation of the Millennium Development Goals by 2015, as well as on development results over the longer term. We will hold each other accountable for implementing our respective actions in developing countries and at the international level. As we focus on implementing our commitments at the country level, we will form a new, inclusive Global Partnership for Effective Development Co-operation to support implementation at the political level.

Realising change: Complementary actions to reach common goals

Inclusion of new actors on the basis of shared principles and differential commitments

14. Today's complex architecture for development co-operation has evolved from the North-South paradigm. Distinct from the traditional relationship between aid providers and recipients, developing nations and a number of emerging economies have become important providers of South-South development co-operation. They remain developing

countries and still face poverty at home. As such, they remain eligible to benefit from development co-operation provided by others, yet they have increasingly taken upon themselves the responsibility to share experiences and co-operate with other developing countries. The Paris Declaration did not address the complexity of these new actors, while the Accra Agenda for Action recognised their importance and specificities. While North-South co-operation remains the main form of development co-operation, South-South co-operation continues to evolve, providing additional diversity of resources for development. At Busan, we now all form an integral part of a new and more inclusive development agenda, in which these actors participate on the basis of common goals, shared principles and differential commitments. On this same basis, we welcome the inclusion of civil society, the private sector and other actors.

Improving the quality and effectiveness of development co-operation

15. Progress has been made in advancing the aid effectiveness agenda, yet major challenges persist. Evidence has shown that – despite the challenges encountered in the implementation of our respective commitments – many of the principles underpinning the Paris Declaration on Aid Effectiveness and Accra Agenda for Action have contributed to higher quality, more transparent and effective development co-operation.

16. We will sustain our high-level political leadership to ensure that the commitments made here in Busan are implemented. Within this context, those of us that endorsed the mutually agreed actions set out in Paris and Accra will intensify our efforts to implement our respective commitments in full. A growing range of actors – including middle-income countries, partners of South-South and triangular co-operation and civil society organisations – have joined others to forge a broader, more inclusive agenda since Paris and Accra, embracing their respective and different commitments alongside shared principles.

17. Drawing on the evidence generated through periodic monitoring and the independent evaluation of the Paris Declaration, we will be guided by a focus on sustainable results that meet the priority needs of developing countries, and will make the urgently needed changes to improve the effectiveness of our partnerships for development.

Ownership, results and accountability

18. Together, we will increase our focus on development results. To this end:

- a) Developing countries' efforts and plans to strengthen core institutions and policies will be supported through approaches that aim to manage – rather than avoid – risk, including through the development of joint risk management frameworks with providers of development co-operation.
- b) Where initiated by the developing country, transparent, country-led and country-level results frameworks and platforms will be adopted as a common tool among all concerned actors to assess performance based on a manageable number of output and outcome indicators drawn from the development priorities and goals of the developing country. Providers of development co-operation will minimise their use of additional frameworks, refraining from requesting the introduction of performance indicators that are not consistent with countries' national development strategies.

- c) We will partner to implement a global Action Plan to enhance capacity for statistics to monitor progress, evaluate impact, ensure sound, results-focused public sector management, and highlight strategic issues for policy decisions.
- d) As we deepen our efforts to ensure that mutual assessment reviews are in place in all developing countries, we encourage the active participation of all development co-operation actors in these processes.
- e) Pursuant to the Accra Agenda for Action, we will accelerate our efforts to untie aid. We will, in 2012, review our plans to achieve this. In addition to increasing value for money, untying can present opportunities for local procurement, business development, employment and income generation in developing countries. We will improve the quality, consistency and transparency of reporting on the tying status of aid.

19. The use and strengthening of developing countries' systems remains central to our efforts to build effective institutions. We will build on our respective commitments set out in the Paris Declaration and Accra Agenda for Action to:

- a) Use country systems as the default approach for development co-operation in support of activities managed by the public sector, working with and respecting the governance structures of both the provider of development co-operation and the developing country.
- b) Assess jointly country systems using mutually agreed diagnostic tools. Based on the results of these assessments, providers of development co-operation will decide on the extent to which they can use country systems. Where the full use of country systems is not possible, the provider of development co-operation will state the reasons for non-use, and will discuss with government what would be required to move towards full use, including any necessary assistance or changes for the strengthening of systems. The use and strengthening of country systems should be placed within the overall context of national capacity development for sustainable outcomes.

20. We must accelerate our efforts to achieve gender equality and the empowerment of women through development programmes grounded in country priorities, recognising that gender equality and women's empowerment are critical to achieving development results. Reducing gender inequality is both an end in its own right and a prerequisite for sustainable and inclusive growth. As we redouble our efforts to implement existing commitments we will:

- a) Accelerate and deepen efforts to collect, disseminate, harmonise and make full use of data disaggregated by sex to inform policy decisions and guide investments, ensuring in turn that public expenditures are targeted appropriately to benefit both women and men.
- b) Integrate targets for gender equality and women's empowerment in accountability mechanisms, grounded in international and regional commitments.
- c) Address gender equality and women's empowerment in all aspects of our development efforts, including peacebuilding and statebuilding.

21. Parliaments and local governments play critical roles in linking citizens with government, and in ensuring broad-based and democratic ownership of countries' development agendas. To facilitate their contribution, we will:

- a) Accelerate and deepen the implementation of existing commitments to strengthen the role of parliaments in the oversight of development processes, including by supporting capacity development – backed by adequate resources and clear action plans.
- b) Further support local governments to enable them to assume more fully their roles above and beyond service delivery, enhancing participation and accountability at the sub-national levels.

22. Civil society organisations (CSOs) play a vital role in enabling people to claim their rights, in promoting rights-based approaches, in shaping development policies and partnerships, and in overseeing their implementation. They also provide services in areas that are complementary to those provided by states. Recognising this, we will:

- a) Implement fully our respective commitments to enable CSOs to exercise their roles as independent development actors, with a particular focus on an enabling environment, consistent with agreed international rights, that maximises the contributions of CSOs to development.
- b) Encourage CSOs to implement practices that strengthen their accountability and their contribution to development effectiveness, guided by the Istanbul Principles and the International Framework for CSO Development Effectiveness.

Transparent and responsible co-operation

23. We will work to improve the availability and public accessibility of information on development co-operation and other development resources, building on our respective commitments in this area. To this end, we will:

- a) Make the full range of information on publicly funded development activities, their financing, terms and conditions, and contribution to development results, publicly available subject to legitimate concerns about commercially sensitive information.
- b) Focus, at the country level, on establishing transparent public financial management and aid information management systems, and strengthen the capacities of all relevant stakeholders to make better use of this information in decision-making and to promote accountability.
- c) Implement a common, open standard for electronic publication of timely, comprehensive and forward-looking information on resources provided through development co-operation, taking into account the statistical reporting of the OECD-DAC and the complementary efforts of the International Aid Transparency Initiative and others. This standard must meet the information needs of developing countries and non-state actors, consistent with national requirements. We will agree on this standard and publish our respective schedules to implement it by December 2012, with the aim of implementing it fully by December 2015.

24. We will also work to make development co-operation more predictable in its nature. To this end:

- a) Those of us who committed, through the Accra Agenda for Action, to improve medium-term predictability will implement fully our commitments in this area, introducing reforms where needed. By 2013, they will provide available, regular, timely rolling three- to five-year indicative forward expenditure and/or implementation plans as agreed in Accra to all developing countries with which they co-operate. Other actors will aim to provide developing countries with timely and relevant information on their intentions with regard to future co-operation over the medium term.

25. We welcome the diversity of development co-operation actors. Developing countries will lead consultation and co-ordination efforts to manage this diversity at the country level, while providers of development assistance have a responsibility to reduce fragmentation and curb the proliferation of aid channels. We will ensure that our efforts to reduce fragmentation do not lead to a reduction in the volume and quality of resources available to support development. To this end:

- a) We will, by 2013, make greater use of country-led co-ordination arrangements, including division of labour, as well as programme-based approaches, joint programming and delegated co-operation.
- b) We will improve the coherence of our policies on multilateral institutions, global funds and programmes. We will make effective use of existing multilateral channels, focusing on those that are performing well. We will work to reduce the proliferation of these channels and will, by the end of 2012, agree on principles and guidelines to guide our joint efforts. As they continue to implement their respective commitments on aid effectiveness, multilateral organisations, global funds and programmes will strengthen their participation in co-ordination and mutual accountability mechanisms at the country, regional and global levels.
- c) We will accelerate efforts to address the issue of countries that receive insufficient assistance, agreeing – by the end of 2012 – on principles that will guide our actions to address this challenge. These efforts will encompass all development co-operation flows.
- d) Providers of development co-operation will deepen and accelerate efforts to address the problem of insufficient delegation of authority to their field staff. They will review all aspects of their operations, including delegation of financial authority, staffing, and roles and responsibilities in the design and implementation of development programmes; and they will implement measures that address the remaining bottlenecks.

Promoting sustainable development in situations of conflict and fragility

26. Fragile states are for the large part off-track to meet the Millennium Development Goals (MDGs). Achieving these goals will depend on our collective ability to understand the unique challenges facing fragile states, overcome these challenges, and promote foundations for lasting development. We welcome the New Deal developed by the International Dialogue on Peacebuilding and Statebuilding, including the g7+ group of fragile and conflict-affected states. Those of us who have endorsed the New Deal will pursue actions to implement it and, in doing so, will use:

- a) The Peacebuilding and Statebuilding Goals (PSGs) – which prioritise legitimate politics, people’s security, justice, economic foundations and revenues and fair services – as an important foundation to enable progress towards the MDGs to guide our work in fragile and conflict-affected states.
- b) FOCUS – a new country-led and country-owned way of engaging in fragile states.
- c) TRUST – a set of commitments to enhance transparency; manage risk to use country systems; strengthen national capacities; and improve the timeliness and predictability of aid – to achieve better results.

Partnering to strengthen resilience and reduce vulnerability in the face of adversity

27. We must ensure that development strategies and programmes prioritise the building of resilience among people and societies at risk from shocks, especially in highly vulnerable settings such as small island developing states. Investing in resilience and risk reduction increases the value and sustainability of our development efforts. To this end:

- a) Developing countries will lead in integrating resilience to shocks and measures for disaster management within their own policies and strategies.
- b) Responding to the needs articulated by developing countries, we will work together to invest in shock resistant infrastructure and social protection systems for at-risk communities. In addition, we will increase the resources, planning and skills for disaster management at the national and regional levels.

From effective aid to co-operation for effective development

28. Aid is only part of the solution to development. It is now time to broaden our focus and attention from aid effectiveness to the challenges of effective development. This calls for a framework within which:

- a) Development is driven by strong, sustainable and inclusive growth.
- b) Governments’ own revenues play a greater role in financing their development needs. In turn, governments are more accountable to their citizens for the development results they achieve.
- c) Effective state and non-state institutions design and implement their own reforms and hold each other to account.
- d) Developing countries increasingly integrate, both regionally and globally, creating economies of scale that will help them better compete in the global economy.

To this effect, we will rethink what aid should be spent on and how, in ways that are consistent with agreed international rights, norms and standards, so that aid catalyses development.

29. Effective institutions and policies are essential for sustainable development. Institutions fulfilling core state functions should, where necessary, be further strengthened, alongside the policies and practices of providers of development co-operation, to facilitate the leveraging of resources by developing countries. Developing countries will lead in efforts to strengthen these institutions, adapting to local context and differing stages of development. To this end, we will:

1. Support the implementation of institutional and policy changes led by developing countries, resulting in effective resource mobilisation and service delivery, including national and sub-national institutions, regional organisations, parliaments and civil society.
2. Assess country institutions, systems and capacity development needs, led by developing countries.
3. Support the development of improved evidence on institutional performance to inform policy formulation, implementation and accountability, led by developing countries.
4. Deepen our learning on the determinants of success for institutional reform, exchanging knowledge and experience at the regional and global levels.

South-South and triangular co-operation for sustainable development

30. The inputs to sustainable development extend well beyond financial co-operation to the knowledge and development experience of all actors and countries. South-South and triangular co-operation have the potential to transform developing countries' policies and approaches to service delivery by bringing effective, locally owned solutions that are appropriate to country contexts.

31. We recognise that many countries engaged in South-South co-operation both provide and receive diverse resources and expertise at the same time, and that this should enrich co-operation without affecting a country's eligibility to receive assistance from others. We will strengthen the sharing of knowledge and mutual learning by:

- a) Scaling up – where appropriate – the use of triangular approaches to development co-operation.
- b) Making fuller use of South-South and triangular co-operation, recognising the success of these approaches to date and the synergies they offer.
- c) Encouraging the development of networks for knowledge exchange, peer learning and co-ordination among South-South co-operation actors as a means of facilitating access to important knowledge pools by developing countries.
- d) Supporting efforts to strengthen local and national capacities to engage effectively in South-South and triangular co-operation.

Private sector and development

32. We recognise the central role of the private sector in advancing innovation, creating wealth, income and jobs, mobilising domestic resources and in turn contributing to poverty reduction. To this end, we will:

- a) Engage with representative business associations, trade unions and others to improve the legal, regulatory and administrative environment for the development of private investment; and also to ensure a sound policy and regulatory environment for private sector development, increased foreign direct investment, public-private partnerships, the strengthening of value chains in an equitable manner and giving particular consideration to national and regional dimensions, and the scaling up of efforts in support of development goals.

- b) Enable the participation of the private sector in the design and implementation of development policies and strategies to foster sustainable growth and poverty reduction.
- c) Further develop innovative financial mechanisms to mobilise private finance for shared development goals.
- d) Promote “aid for trade” as an engine of sustainable development, focusing on outcomes and impact, to build productive capacities, help address market failures, strengthen access to capital markets and to promote approaches that mitigate risk faced by private sector actors.
- e) Invite representatives of the public and private sectors and related organisations to play an active role in exploring how to advance both development and business outcomes so that they are mutually reinforcing.

Combating corruption and illicit flows

33. Corruption is a plague that seriously undermines development globally, diverting resources that could be harnessed to finance development, damaging the quality of governance institutions, and threatening human security. It often fuels crime and contributes to conflict and fragility. We will intensify our joint efforts to fight corruption and illicit flows, consistent with the UN Convention Against Corruption and other agreements to which we are party, such as the OECD Anti-Bribery Convention. To this end, we will:

- a) Implement fully our respective commitments to eradicate corruption, enforcing our laws and promoting a culture of zero tolerance for all corrupt practices. This includes efforts to improve fiscal transparency, strengthen independent enforcement mechanisms, and extend protection for whistleblowers.
- b) Accelerate our individual efforts to combat illicit financial flows by strengthening anti money laundering measures, addressing tax evasion, and strengthening national and international policies, legal frameworks and institutional arrangements for the tracing, freezing and recovery of illegal assets. This includes ensuring enactment and implementation of laws and practices that facilitate effective international co-operation.

Climate change finance

34. Global climate change finance is expected to increase substantially in the medium term. 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.

The road ahead: Partnering for progress towards and beyond the MDGs

35. We will hold each other accountable for making progress against the commitments and actions agreed in Busan, alongside those set out in the Paris Declaration on Aid Effectiveness and Accra Agenda for Action. To this end, we will:

- a) At the level of individual developing countries, agree on frameworks based on national needs and priorities for monitoring progress and promoting mutual accountability in our efforts to improve the effectiveness of our co-operation and, in turn, development results. Developing countries will lead in the elaboration of such frameworks which, together with any indicators and targets agreed, will respond to their specific needs and will be grounded in their aid and development policies. The results of these exercises will be made public.
- b) Agree, by June 2012, on a selective and relevant set of indicators and targets through which we will monitor progress on a rolling basis, supporting international and regional accountability for the implementation of our commitments. We will build on the initiatives led by developing countries and learn from existing international efforts to monitor aid effectiveness. We will review these arrangements in the context of the post-MDG framework. We will periodically publish the results of these exercises.
- c) Support initiatives at the national and regional levels led by developing countries that strengthen capacities to monitor progress and evaluate the impact of efforts to improve development effectiveness.

36. We accept that the strengthening of our co-operation and the adherence to both common goals and differential commitments calls for continued high-level political support, as well as an inclusive space for dialogue, mutual learning and accountability at the global level. Regional organisations can and should play an important role in supporting implementation at the country level, and in linking country priorities with global efforts. The UN Development Co-operation Forum is also invited to play a role in consulting on the implementation of agreements reached in Busan. To this end, we will:

- a) Establish a new, inclusive and representative Global Partnership for Effective Development Co-operation to support and ensure accountability for the implementation of commitments at the political level. This Partnership will offer an open platform that embraces diversity, providing a forum for the exchange of knowledge and the regular review of progress.
- b) Agree, by June 2012, on light working arrangements for this Global Partnership, including its membership and opportunities for regular ministerial-level engagement that complements, and is undertaken in conjunction with, other fora.
- c) Call on the Working Party on Aid Effectiveness (WP-EFF) to convene representatives of all countries and stakeholders endorsing this document with a view to reaching agreement on the working arrangements for the Global Partnership – and the indicators and channels through which global monitoring and accountability will be supported – in preparation for the phasing out of the WP-EFF and its associated structures in June 2012.
- d) Invite the Organisation for Economic Co-operation and Development and the United Nations Development Programme to support the effective functioning of

the Global Partnership, building on their collaboration to date and their respective mandates and areas of comparative advantage.

BUSAN BUILDING BLOCK ON RESULTS AND ACCOUNTABILITY: CONCEPT NOTE

Context

Strengthening accountability is a powerful driver to enhance the results of all development resources and to achieve greater progress towards delivering sustainable development. In recent years, there has been an increasing demand for more information on results to hold development co-operation providers and developing countries more closely accountable for the results of their partnerships, and to more clearly assess progress on poverty reduction and sustainable development. Nevertheless, development partners have in some cases set up separate systems that undermine developing countries' own capacity to define, track and evaluate their results. There has also been a tendency to only track resource flows and inputs, and not development outcomes and results.

Proposal

The Results and Accountability Building Block will seek to adopt country results and accountability agreements that will strengthen accountability among partners to citizens for better development results. These agreements will take the form of a common and transparent framework, including a limited set of indicators for assessing the government's performance in implementing the national development strategy, and individual and collective development partner performance towards agreed goals for the quality of development co-operation. These agreements will be defined and led by developing countries at the country level, will use existing structures and frameworks, and will involve all possible development partners and include civil society, parliamentarians and citizens voices.

In addition to these agreements and based on discussions at the country level partners will explore together additional initiatives aimed at improving the delivery, measurement, learning and accountability for results.

The Results and Accountability building block will seek to adopt country results and accountability agreements that will strengthen accountability among partners to citizens for better development results. These agreements will be developed at country level based on the following principles:

- ***Inclusivity:*** Developing country-led processes that include specific roles based on their mandates for civil society, parliamentarians, and citizens. Involve all possible development partners will be encourage and information from the results and use accountability agreement to inform a dialogue on what is working (or not) in the achievement of results.
- ***Country systems:*** Use as far as possible existing structures and frameworks (such as national plans) and aim to reduce bureaucracy in development management.
- ***Streamlined:*** Agree joint mechanisms to assess progress against a selected set of locally defined indicators – which can be compared across countries if possible.

- ***Evidence-based decisions:*** Build baselines, joint impact evaluations and audits built into the frameworks to ensure learning about effective use of resources.
- ***Transparent:*** Partners agree to be transparent on actions and resources provided to achieve and analyse results. Easily accessible information will be made public on results achieved and donor performance, using existing web-platforms where possible.
- ***Capacity development for results:*** Development partners will support, based on demand and tailored to developing country government, parliamentarians and civil society capacity development needs in areas such as planning, delivering, monitoring, evaluation and reporting of results.

BUSAN BUILDING BLOCK ON PUSHING THE BOUNDARIES ON TRANSPARENCY FOR BETTER PREDICTABILITY, ENGAGEMENT AND ACCOUNTABILITY: CONCEPT NOTE

Why transparency?

Transparency has emerged over the past decade as a key area for improving development outcomes and addressing development challenges. Unpredictable aid flows undermine development impact as they make it difficult for aid recipients to plan and implement development priorities. More and higher-quality information on financial flows and results expected to be achieved lead to better governance, more effective policy planning, programme implementation and accountability, both at the global and at the country level.

Key elements of transparency

The building block on transparency represents a unique opportunity to commit to further action on aid transparency and fiscal transparency for better predictability, engagement, and accountability. **Aid transparency** and **fiscal transparency** are intrinsically linked. Budgets in partner countries cannot be made fully transparent without aid transparency. In addition, transparency of aid flows and transparency of partner countries' own resources are prerequisites for better accountability, which leads to sustainable and locally owned development results. The possibility for citizens to scrutinise the use of resources and government actions creates incentives for results throughout the aid chain. Governments need to support an enabling environment for parliaments, audit institutions, civil society and media to access information and engage in processes of development in their own countries.

The fulfilment of these objectives requires joint action from partner countries and development partners, both at the global and the country level, including:

- making publicly available all information on aid and other development resources from development partners that fund the provision of public goods and services, in a standardised, comparable, and timely manner and with an appropriate level of detail on sectors, programmes and projects, so that partner countries can adequately reflect them in their budget documents and processes, and optimally allocate their own domestic resources
- providing comparable and easy to access information on all development resources – including aid – and results, to the extent possible, to stakeholders in respective countries (including parliaments, audit institutions and civil society) in order to: *i)* strengthen oversight and accountability; *ii)* promote greater access and use of information by citizens; and *iii)* ensure better and locally owned development outcomes.

Recent global initiatives

Delivering on transparency commitments can become a reality in Busan, due to recent initiatives that already demonstrate progress in implementation, and have the potential to

be “game changers” as more development partners and partner countries implement them. This Building Block builds on the following key initiatives, important for accelerating progress in the area of transparency and accountability after Busan: *i*) the International Aid Transparency Initiative (IATI), *ii*) the Open Government Partnership (OGP) and *iii*) the Global Initiative for Fiscal Transparency (GIFT).¹

Actionable initiatives

The following actionable initiatives will be pursued by groups drawn on a voluntary basis from the supporters of this Building Block:

Ensure meaningful aid transparency

- Implement aid transparency by publishing: *i*) implementation schedules for implementing transparency commitments by December 2012; *ii*) comprehensive, timely, actual and forward-looking data on all aid flows that fund the provision of public goods and services, consistent with their implementation schedules, no later than December 2015 in a common and accessible format that is compatible with the standard agreed under IATI.
- Pilot IATI standards for all aid and development flows, including those from new partners and other aid flows not reported to the OECD Development Assistance Committee (DAC).
- Actively promote transparency among all stakeholders, e.g., supporting the implementation of CSOs’ self regulatory initiatives and commitments to enhance their transparency and accountability.
- Further work on the IATI “country budget identifier” to facilitate the inclusion of aid information into partner country budget documents and processes.

Establish common fiscal transparency standards

- Establish transparent public financial management (PFM) systems that capture all forms of development resources
- Provide time-bound actions to improve fiscal transparency policies and practices (including public disclosure of revenues, budgets, expenditures, procurement and audits) as part of public financial management reform strategies.
- Strengthen capacities among stakeholders, including the executive, parliaments, audit institutions and civil society, to make better use of information for decision-making and to promote accountability.

Link aid and fiscal transparency frameworks

- Make transparent and accessible information about results so that parliaments and citizens – in both donor countries and developing countries – can hold the government to account.
- Invite the private sector and civil society organisations to elaborate transparency and accountability mechanisms, and learn from their experiences and existing initiatives.
- Implement transparency commitments under the OGP initiative.

- Support the GIFT, which aims to promote standards on the quality of fiscal information that should be provided to the stakeholders, building on the International Monetary Fund (IMF) Code of Fiscal Transparency.

BUSAN BUILDING BLOCK ON MANAGING DIVERSITY AND REDUCING FRAGMENTATION: CONCEPT NOTE

Context

Evidence

The rapidly increasing number of bi- and multilateral public and private actors involved in development co-operation broadens the potential for partnerships and creates new opportunities. At the same time, increased proliferation and fragmentation also increases management challenges at the partner country level.

Key objectives

The objective of this Building Block is the development and implementation of innovative, effective, efficient and coherent strategies to:

- embrace the benefits of broader partnerships while reducing fragmentation and proliferation, and enhancing complementarity and coherence of development co-operation at the partner country and international levels
- strengthen partner countries in their management of the increasing diversity of external support, while actively involving all relevant domestic stakeholders (parliaments, CSOs, private sector).

The third draft of the Busan Outcome Document (10 October 2011), especially paragraph 21, addresses these issues. This Building Block will help to broaden the support for the relevant BOD sections, showcase relevant initiatives in Busan and focus on ambitious but manageable actions for implementation after Busan.

Proposal

Partner country level

Partner countries are in the lead. Development partners ^{should} support them consistently where their support is requested and needed, with a focus on capacity development for the management of external support.

All supporters of this Building Block commit to:

- strengthen country-led initiatives to reduce fragmentation and manage diversity as part of broader frameworks, partnerships or “country compacts” for aid effectiveness and development co-operation².
- involve all development partners and other stakeholders at the country level, including South-South actors, parliaments, CSOs and the private sector.

Note: Exchange and co-ordination with other building blocks focusing at the partner country level will be sought to ensure a coherent approach for post-Busan implementation at the country level.

International level

We acknowledge common but differentiated responsibilities towards making the landscape of development co-operation more transparent, coherent and effective.

All supporters of this Building Block commit to:

- reconfirm paragraph 19c of the Accra Agenda for Action (2008) on “thinking twice” before creating new aid delivery channels.
- actively support evidence-based improvements in global aid allocations, *i.e.* the availability and use of information, joint analysis and the elaboration of joint recommendations on aid allocations at different levels as a basis for policy decisions towards a more coherent and less fragmented multilateral and bilateral system of development co-operation (*e.g.* analyses by the OECD Development Assistance Committee (DAC) on under-aided countries and multilateral aid as well as assessments by the Multilateral Organisation Performance Assessment Network (MOPAN)).

Initiatives of groups of development partners in close consultation with partner countries

- The European Union strengthens joint programming: building on ongoing processes at the partner country level and country-led division of labour
- The United Nations (UN) “Delivering as One” reform process: co-ordination and division of labour across the UN based on partner country leadership, with eight country pilots and others having voluntarily adopted the approach
- Global Programs Learning Group initiatives: managing proliferation, supporting global and country partnerships to reduce overlaps, continuing to innovate with inclusive governance and results
- Multilateral development banks and other actors are invited to join with their initiatives.

BUSAN BUILDING BLOCK ON SOUTH-SOUTH AND TRIANGULAR CO-OPERATION: UNLOCKING THE POTENTIAL OF HORIZONTAL PARTNERSHIPS: CONCEPT NOTE

Context

South-South and triangular co-operation is about the power of sharing knowledge, mutual learning, ownership, and about the diversity of development practices. This is why it will be one of the key issues discussed at the Fourth High Level Forum on Aid Effectiveness (HLF-4) in Busan, Korea. Over the last years, many middle-income countries (MICs) – and, increasingly, low-income countries and donor countries – have been engaging in and expanding “horizontal partnerships” to find innovative and flexible solutions to address many of their development challenges. Through South-South and triangular co-operation, policy makers, practitioners and the Southern academia are discovering the power of sharing knowledge, making use of the emerging platforms and new technologies, and also of adapting solutions to their own realities.

Understanding the challenges and capacity constraints of many developing countries to unveil the full potential of South-South and triangular co-operation, this Building Block proposes to:

- promote good practices and develop capacities at the country level, aiming to achieve sustainable development outcomes, overcome poverty, reduce inequalities and fight hunger
- create and use existing mechanisms to foster the transfer and adaptation of development experiences, particularly from Brazil, Russia, India, China and South Africa (BRICS) and other large MICs to a wider range of partners.

This is an action-oriented agenda that relies on the idea that better outcomes can be achieved when development partners engage in long-term “horizontal partnerships” based on equity, trust and mutual benefit.

Commitments

Members of the building block will commit to implement the following concrete activities after Busan, based on a framework of “common but differentiated responsibilities”

- i)* design a set of South-South and triangular co-operation guidelines for effective development
- ii)* design plans that enable Southern partners to effectively engage in South-South and triangular co-operation
- iii)* boost complementary strengths among development partners from South and North
- iv)* establish knowledge sharing to better understand, learn and adapt successful development experiences from developing countries
- v)* design an evaluation framework around the contribution of South-South and triangular co-operation to global development goals.

BUSAN BUILDING BLOCK ON A NEW DEAL FOR ENGAGEMENT IN FRAGILE STATES: CONCEPT NOTE

Context

Violent conflict wastes lives and reverses development. Current ways of working in fragile states are ineffective and – despite significant investment, the Paris Declaration on Aid Effectiveness (2005) and the Accra Agenda for Action (2008) – results and value for money are modest. Three key changes are required to doing business in fragile states: *i*) efforts should be focused on key peace- and statebuilding goals as the framework for engagement; *ii*) national actors must be given full responsibility to lead their own transitions out of fragility; and *iii*) domestic and foreign resources must deliver rapid, transformative results that strengthen trust and the critical capacities to building peaceful states and societies.

Objectives

The objective of the Fragile States Building Block is to change the way national and international actors work in situations of fragility and conflict. The New Deal for Engagement in Fragile States presents a set of commitments which are expected to be agreed by participating countries and organisations of the International Dialogue on Peacebuilding and Statebuilding (the International Dialogue), under the leadership of the g7+ group of fragile countries and the International Network on Conflict and Fragility (INCAF),

Proposal

Members of the International Dialogue and supporters of this Building Block will endorse the New Deal for Engagement in Fragile States. By doing so they commit to:

- use five **Peacebuilding and Statebuilding Goals** to guide work in fragile states and to promote them as part of the new post-MDGs framework. These goals are: legitimate politics (a state for all), security for all, justice for all, economic foundations (jobs for all), revenues and services (services for all).
- enable **country-led and -owned transitions out of fragility** through country-led fragility assessments, national visions and plans that focus on peace- and statebuilding, and inclusive political dialogue. International partners commit to use country compacts as the frame for their collaboration in fragile countries.
- undertake action to **provide aid and use domestic resources more effectively** in support of peace- and statebuilding priorities, in the areas of transparency, predictability, risk management, capacity development and the use of country systems.

The International Dialogue will support partner countries and international partners in the implementation and monitoring of the New Deal for Engagement in Fragile States.

BUSAN BUILDING BLOCK ON CLIMATE CHANGE FINANCE AND DEVELOPMENT EFFECTIVENESS: CONCEPT NOTE

Introduction

Perhaps the greatest challenge of our time in sustaining progress on the Millennium Development Goals (MDGs) and poverty reduction will be strengthening our understanding of the linkages between responding to climate change and accelerating development. We are already seeing a paradigm shift towards country driven development that promotes poverty reduction, builds climate resilience and is based on low emissions. To support this country driven agenda, international public investments – including finance for development and climate – will need to be effectively channeled in support of domestic fiscal frameworks, which make best use of public resources and create an enabling environment for private sector driven green growth.

To ensure we address this challenge, we will need to work collectively as partners to promote coherence and collaboration across international processes such as that of the High Level Forums on Aid Effectiveness, the United Nations Framework Convention on Climate Change (UNFCCC) Conferences of the Parties (COP) and Rio +20. In particular, whilst recognising the distinct focus of each of these processes, lessons from Official Development Assistance (ODA) management suggest that promoting coherence in the ways in which international public finance is delivered is a key determinant of success in international support of country driven approaches. There already exist common principles across these international processes that support coherence and collaboration in the area of finance and development effectiveness – these principles include respecting country ownership and sovereignty; promoting capacity development; promoting readiness and use of country systems; and focusing on results.

When it comes to reviewing the effectiveness of ODA, many countries have already established systems and platforms for dialogue across partners. These systems and platforms might be built on and adapted to include climate finance. To ensure efficiency and effectiveness different international processes may wish to use these same country-led processes for international monitoring and avoid creating additional transaction costs through parallel / duplicative processes.

Proposal

Moving forward, this Building Block will promote coherence and collaboration across climate and development communities in three areas (below). By signing up to this proposal, development partners, international organisations and partner countries will commit to:

- strengthen linkages between climate change finance and countries' planning, budgeting and public financial management systems.

- support regional platforms that promote lesson-learning across countries and policy areas. Policy areas include ministries of finance, planning- and climate/environment-related institutions, and platforms established in Asia, the Pacific and in Africa.
- share lessons across diverse international policy processes such as the Fourth High Level Forum on Aid Effectiveness (HLF-4), UNFCCC COP and Rio +20, and pursue coherent approaches to the effective delivery of international finance based on common principles.

Consultations so far have included

Asia-Pacific: Afghanistan, Bangladesh, Bhutan, Cambodia, Cook Islands, Fiji, Indonesia, Lao PDR, Maldives, Nepal, Pakistan, Philippines, Samoa, Solomon Islands, Thailand, Timor Leste, Tonga, Vanuatu, and Vietnam

Africa: Benin, Botswana, Burkina Faso, Cameroon, Democratic Republic of Congo, Egypt, Ghana, Kenya, Lesotho, Malawi, Mali, Morocco, South Africa, Tanzania, Togo, Uganda, and Zimbabwe

Latin America and Caribbean: Honduras and Mexico

Development partners: Australia, Belgium, Denmark, the European Union, France, Germany, Japan, Korea, Mexico, New Zealand, Norway, Sweden, the United Kingdom, the United States, African Development Bank, the African Union, Asian Development Bank, European Commission, Inter-American Development Bank, NEPAD, OECD, Pacific Island Forum Secretariat, Reality of Aid, Rockefeller Foundation, Sweden, United Nations Development Co-operation Forum, United Nations Development Programme (UNDP), United Nations Environment Programme, UNFCCC, World Bank.

BUSAN BUILDING BLOCK ON EFFECTIVE INSTITUTIONS AND POLICIES: CONCEPT NOTE

Context

The current debate on development co-operation is shifting from a primary focus on how aid is delivered (the core aid effectiveness agenda) to an understanding that there need to be better linkages with how institutions and capacities in developing countries can be strengthened in order to deliver sustainable development outcomes. The initiatives under the New Consensus on Effective Institutions and Policies for Development recognise this shift and outline a new way of promoting and measuring support for effective institutions, policies and ultimately states, based on solutions specifically tailored to the country context and local processes.

The principles upon which these recommendations are based draw on a number of multi-stakeholder key political agreements and technical consensus documents. Recent political agreements on this issue³ recognise that stronger institutions and policies are critical to creating conditions for development. As noted by the African Union, there is demand for a fundamental transformation, reorientation, realignment and strengthening of countries' institutional frameworks. This has implications on the ways in which capacities are utilised and strengthened to translate development policies into practice at the state and institutional levels.

Objectives

The Building Block Session will aim to do three things: i) Introduce the New Approach to Effective Institutions; ii) Show case how partner countries and agencies are delivering on this agenda and iii) outline modalities to implement the New Consensus (Network of Networks).

Proposal

This building block will propose a new consensus between willing countries and institutions who agree to commitments around four separate focus areas:

- partner-led sequencing of institutional and policy change (to result in institutions delivering services more effectively)
- partner-led joint assessments of country systems and joint evaluations of risk and resilience (to not overwhelm the very institutions to be strengthened)
- country led evidence gathering on institutional performance (to clarify what makes institutions more effective and what needs to be monitored to track progress and fold back lessons into policy-making processes)
- knowledge sharing at regional and global levels (to facilitate learning on what works in different settings to make institutions more effective and reforms happen).

The discussions during the Fourth High Level Forum on Aid Effectiveness on effective institutions and policies will span a number of events which will culminate in the endorsement of the New Consensus on Effective Institutions and Policies for

Development during the Effective Institutions Building Block by ministers/heads of agencies willing to sign up to future work in this area.

BUSAN BUILDING BLOCK ON PUBLIC-PRIVATE CO-OPERATION FOR DEVELOPMENT: CONCEPT NOTE

Introduction

The for-profit private sector is a central driver of economic growth, innovation, workforce training and employment, and the satisfaction of human needs. Effective development co-operation requires acknowledging the potential contributions – and the limitations – of the private sector as a development actor. It also requires calibrating and re-focusing donor and partner country efforts in order to maximise the benefits of private sector engagement in the development process. The Busan Private Sector Like-Minded Group aims to embed in both the Joint Statement on Expanding and Enhancing Public and Private Sector Co-operation for Development and in the text of the Busan outcome document the recognition of the private sector as an important development actor, and to establish a Building Block to guide future work. This proposal describes the core themes and deliverables for such a Building Block, linkages to other private sector events at the Fourth High Level Forum on Aid Effectiveness (HLF-4) in Busan and potential next steps.

Core themes

This Building Block will build on – and attempt not to duplicate – the achievements of existing work on private sector engagement. There are many important efforts already underway to establish shared standards for conduct in partner countries. There are also several multi-stakeholder forums that work to identify voluntary contributions in the name of corporate social responsibility. The proponents of this Building Block recognise and applaud these efforts, and seek to focus efforts on a question where Busan participants have a comparative advantage: How can the practice of development co-operation be improved to catalyse private sector-led investment and innovation in areas that advance country-led objectives of sustained growth?

Based on extensive input during previous meetings in Berlin and Paris this fall, this Building Block will explore three potential innovations:

- sustaining productive country-level dialogues between private sector institutions and development stakeholders
- using development co-operation instruments as a catalyst to leverage greater investment in areas that advance country-led objectives
- identifying a forward-looking framework to support joint innovation in areas where private sector market development can transform the practice of development co-operation.

Core deliverables

This building block will pursue the aforementioned themes through three deliverables:

- a dynamic and interactive plenary session that presents new thinking on each of these themes and provides a platform for announcements

- a joint statement by public and private sector institutions on principles for partnership in development co-operation
- an open framework for joint innovation partnerships.

Links to other private sector events in Busan

This Building Block will attempt to co-ordinate with the following related initiatives in Busan to facilitate consistency:

- the Private Sector Forum: organised by the Korean host government, this event could be seen as a welcome for the private sector, as well as an opportunity to engage in an open discussion on the themes presented here, and to announce the innovation partnerships in greater detail than will be possible at the plenary session
- side events: these events, proposed by governments and selected by the organisers, are now the primary vehicle to share experience and diffuse knowledge related to key private sector themes
- the Knowledge and Innovation Space: organised by the Korean government, this event is now squarely related to our emphasis on innovation partnerships and can be an opportunity for partners to display their tools and capabilities to a general audience
- the outcome document: options will be evaluated to integrate the themes and language from this Building Block into the outcome document.

Potential next steps

Launching these components in Busan will require rapid collaboration between the Building Block leads. Some specific next steps include:

- rapidly aligning stakeholder views on this concept note, beginning with a small group consultation on core themes and deliverables, and drawing in others as appropriate
- finalising the joint statement based on input from stakeholders in Paris
- programming the plenary session, including confirming how much time is available, agreeing on key themes and participation, and checking on technology requirements and support capabilities
- developing innovation challenges by agreeing on how this framework will work, what criteria will be used to shape the challenges and then recruiting participants.

Notes

1. The Global Initiative for Fiscal Transparency (GIFT) was launched by the International Budget Partnership (IBP) in July 2011. It aims to define standards on the quality of fiscal information that should be provided to stakeholders for improved engagement and accountability.
2. Depending on the country context, strategies to reduce fragmentation could include division of labour, sector-wide and programme-based approaches, joint assistance strategies or joint programming. Closely related aid and development effectiveness issues include transparency, results and accountability.
3. These include the United Nations Least Developed Countries' Programme of Action for the Decade (2011-2020), the G20 Action Plan on Development, the Commonwealth Statement and the Africa Union Consensus and Position Paper.

Speeches



H.E. MR. LEE MYUNG-BAK, PRESIDENT OF THE REPUBLIC OF KOREA**30 November 2011**

Excellencies, Your Majesty, distinguished representatives of governments and international organisations, Partners from civil society and the private sector, honourable guests, and ladies and gentlemen, I would like to extend a heartfelt welcome to all of you who came all the way to Korea to join this event. We are honoured to have here not only representatives of developing and developed countries, but also representatives from a wide range of development stakeholders, including international and regional organisations, parliaments, civil society, and the private sector. I would like to take this opportunity to pay tribute to all of you for your noble endeavour, which is epitomised in the slogan for the Fourth High Level Forum on Aid Effectiveness (HLF-4 Towards a Better World for All

The city of Busan, where we are having this historic meeting, has a very special place in our history. This city was the last frontier where Koreans defended our freedom during the Korean War about six decades ago. This city was also where relief goods from all around the world arrived once the war was over in a time of desperate need. Busan has now transformed into the fifth largest port city in the world. With the history of war, and successful transformation into a bustling port city, I believe Busan offers an inspiring setting to discuss the new framework for effective development co-operation.

Distinguished guests, all of us around the world live in the era of globalisation, where each and every country is closely interconnected to one another. What happens in one country immediately affects its neighbouring countries and the world. Thus, the challenges we face in each country cannot be overcome by that nation alone, but require a global solution. The clearest evidence of this is the global financial crisis in 2008, which was one of the worst crises the world has ever experienced since the Great Depression. The unprecedented level of policy co-ordination by both developed and developing countries was instrumental in preventing the crisis from escalating into a global economic meltdown. A valuable lesson we learned from this experience was that developing countries are in fact vital partners for sustainable development and inclusive growth and not merely recipients of assistance. Without the partnership of healthy developing countries, the global economy cannot attain sustainable growth and enduring peace. I would, therefore, like to emphasise the importance of resolutely fulfilling the pledges we have made for Official Development Assistance (ODA) in spite of economic difficulties. I would like to take this opportunity to reaffirm that the Government of the Republic of Korea will fulfil its commitments. The Republic of Korea has successfully overcome the financial crisis of 1997. Many of our enterprises went bankrupt and more than two million workers lost their jobs during the financial crisis and the period of restructuring with a tight fiscal policy. Yet, we continued to expand the volume of ODA. We still face difficulties at home including job insecurity and youth unemployment. The Korean government will, nevertheless, faithfully fulfil our plan to double the current level of ODA by 2015 as we have announced previously. Only four years are left until 2015,

which is the target year for the Millennium Development Goals (MDGs) for which world leaders have agreed to fight against global poverty. I firmly believe that the Busan Forum will galvanise the world to achieve the MDGs and to make a better world for all.

Distinguished guests, I would like to briefly introduce the development experience of the Republic of Korea, in which the government made full use of foreign aid for development. When I was a child, Korea was one of the poorest countries in the world. Our per capita GDP stood at less than 100 US dollars, and the country was full of people without jobs. However, within half a century, Korea rebuilt itself, emerging from the ashes of a devastating war and extreme poverty to a vibrant economy and democracy. In 2010, Korea joined the Development Assistance Committee (DAC) of OECD, which is the first time a nation that became independent after World War II has joined, transforming itself from a least-developed country to a developed country.

The history of Korea's economic development and democratisation is one of the sweat and tears of ordinary people who worked hard to escape poverty and dreamed of having decent lives. People often ask me what the key to Korea's success was. Without hesitation, I say that it was the power of education. Even when they did not have enough food to put on their tables, Korean parents sacrificed everything to educate their children. These children grew up to lead the economic development of Korea. I believe that education is the key to the advancement of individuals, countries, and the world.

During the years when Korea was struggling to build itself up again from the ashes of the Korean War, many in the world have given generously to Korea. The international community provided food, and built schools and hospitals. The Korean government effectively utilised the aid it received, by designing its own long-term development plans taking into account its special needs, and by strategically focusing development resources into sectors that would best realise the country's potential for growth. Infrastructure was one such area. These efforts contributed greatly to laying a strong foundation for sustainable growth. I believe that it is crucial that governments and citizens have full ownership of their development and share the vision for advancement in order for development co-operation to fulfil its promise. I also believe that economic growth and democracy should come together in order to achieve sustainable development. And, I am very proud that Korea achieved both industrialisation and democratisation.

I myself and the Korean people believe that it is time for Korea to move forward, hand in hand with the world. Korea would like to become a true development partner by sharing with developing countries our experience of successes as well as failures, and by working together toward global prosperity.

Shared growth with the global community: Toward a new global development partnership

Distinguished guests, today, we find that there are new forms of poverty in every corner of the globe. Globalisation and information technology have contributed greatly to making a better world. However, the gap between developing and developed countries has widened and polarisation of wealth remains a challenge. We also face similar problems at home in Korea albeit it may not be as severe as in some other countries. I presented a vision of shared growth as one of the national priorities to overcome our problems. Shared growth is a vision where all members of society can gain from working together. What may seem like a zero-sum relationship can actually be a complementary one if we take a broader and longer perspective. The deepening of the development gap between developed and developing countries will become an obstacle to global prosperity and shared growth. I believe that the global community should also pursue shared growth,

where all stakeholders work together united in a common vision and purpose. The international development community has made meaningful progress in enhancing aid effectiveness and making development co-operation more accountable, notably with the Rome Declaration in 2003, the Paris Declaration in 2005, and the Accra Agenda for Action in 2008. The Busan Forum, building upon these achievements and lessons, will serve to accelerate the global momentum to achieve the MDGs by 2015 and to discuss a new co-operative framework for effective development co-operation. I would like to take this opportunity to share some views on how we may shape the future of international development co-operation.

Ownership of partner countries

Above all, partner countries should take the lead in the process of development. To this end, partner countries need to build their own capacities. The international community should support partner countries in strengthening the capacities so that they can formulate their own goals and plans, tailored to their development priorities and national contexts.

Inclusive development partnerships

Secondly, I would like to propose that we build more inclusive development partnerships. The North-South co-operation is increasingly complemented by other forms of co-operation, partnering with all the development stakeholders including emerging countries, civil society, and the private sector. If all stakeholders of development co-operation work together and learn from one another with innovative ideas and finances, our joint efforts will yield more effective development results.

Results-oriented development co-operation

Thirdly, I hope that the Busan Forum will make real progress in making more results-oriented co-operation. The ultimate goal of development co-operation is to create an enabling environment and conditions where partner countries build up their own capacities and achieve self-sustained growth. With temporary assistance and short-term programmes, we shall find it hard to reach this goal. We need to design and implement programmes from a long-term perspective with the focus on sustainable development outcomes.

Accountable development co-operation

Fourthly, I hope that here in Busan a consensus will be reached toward new principles and targets, which hold all development co-operation stakeholders accountable. It is people which lie at the heart of all forms of development co-operation. Supporting nations and people in finding a path out of poverty, diseases, and conflicts is a goal that we all share. The role of parliaments and civil society through monitoring and oversight activities is critical in enhancing accountability and transparency of development co-operation.

Enhanced synergy among global fora

Last but not least, I hope that the Busan Forum will offer an opportunity to forge an effective partnership amongst different global development fora. The UN MDGs process merits universal membership whereas the OECD possesses development policy knowhow and expertise. The G20 Development agenda promotes strong, shared and sustainable

growth by addressing bottlenecks to economic growth in developing countries. Pooling the strengths and comparative advantages of each forum will enhance their complementarity and create synergies. This shall surely take us closer to achieving the internationally agreed development goals.

Distinguished guests, during my state visit to Ethiopia in July this year, I visited several rural villages. I had a chance to work side by side with volunteers, and talked with people living in those villages. I was deeply moved by their stories of hope for a better life. When I met with students during a discussion at Addis Ababa University, I was deeply inspired by their potential and aspiration for a bright future for Africa. The vision and dream they embrace is not only for themselves. It is a vision to be shared and realised by all of us for the development of the global community. It is my sincere hope that the Busan Forum shall become a milestone of change and hope. The city of Busan, where we have gathered together, is a place that stands as the very proof that our vision and dream for development can become a reality. Let us make another Busan. Let us realise this dream by working together.

Thank you.

ANGEL GURRÍA, OECD SECRETARY-GENERAL

30 November 2011

President Lee, Your Majesty, Presidents, Prime Ministers, Ministers, Secretary-General, Madam Secretary of State, parliamentarians, civil society, private sector, ladies and gentlemen: Welcome to the Fourth High Level Forum on Aid Effectiveness.

Making aid more effective is one of our highest priorities, because we know that it can make a huge contribution in eradicating the curse of global poverty. While maintaining and even raising financial contributions to development aid is absolutely essential, it will only give its best results if we engage in a global effort to optimise the quality of official development assistance, the so-called ODA. That is why for decades the OECD has been working to forge a broad consensus on aid effectiveness. Through the Paris Declaration and the Accra Agenda for Action, or by providing platforms like the OECD-hosted Working Party on Aid Effectiveness (WP-EFF). Busan offers a new opportunity we must seize to continue and strengthen these efforts.

This is also why we are working on a new OECD Strategy for Development, to help countries tune their development policies, share policy successes and failures and engage in mutual learning. And this also explains why we have embarked on a Project on Gender Equality, on an innovation strategy, on a green growth strategy, and skills strategy. Even on a tax and development strategy. Poverty remains the ultimate systemic threat. The financial and economic crisis has reversed several positive trends. Global unemployment has risen sharply. Global poverty is growing again. There are now more than one billion people who go to bed hungry every night and billions without access to quality water, sanitation or energy.

Thus, aid effectiveness is more than a moral imperative; it is a task of great economic urgency. But we still have a long way to go. A 2011 study by the OECD, “*Aid Effectiveness 2005-10: Progress in Implementing the Paris Declaration*” is sobering: at the global level, only one out of the 13 targets established for 2010 – co-ordinated technical co-operation – has been met, by a narrow margin.

While considerable progress has been made towards many of the remaining 12 targets, we have fallen behind on our promises, just as we have fallen behind in our progress in meeting the Millennium Development Goals. We need to do more. We need a collective jolt and, most importantly, collective action.

In Busan, today, we have brought together the largest and most diverse set of development actors. Great new ideas and proposals will spring here. This Forum is a great opportunity. It can be a defining moment in a truly global effort to improve the quality of development co-operation. Let’s make Busan an action-oriented *partnership for development effectiveness*.

Effective aid CAN make a big difference! We have enough evidence to prove it. Thanks to effective aid, there are 400 million fewer people living in extreme poverty than

in 1990; advances in health care and agriculture are saving millions of lives a year; sub-Saharan Africa has made huge improvements in child health and in primary school enrolment over the last two decades.

One of the greatest examples of the power of effective aid is Korea. Fifty years ago, this country was a poor, war-ravaged country, dependent on assistance from others. Today, it leads the OECD in education, digital knowledge, green growth initiatives, business expenditure in R&D, and productivity, to mention a few indicators. Korea is now a member of our Development Assistance Committee (DAC) and its official development aid (ODA) to other countries reached 1.2 billion dollars in 2010. This is an amazing transformation. We can all learn from Korea's experience which combined strong leadership, technical capability, innovation, an exemplary work ethic, a willingness to engage the private sector and the pursuit of excellence

Ladies and gentlemen: This crisis has shown that only through inclusive multilateral co-operation can we build a stronger, cleaner and fairer global economy.

This time we must deliver. Busan must provide strong political impetus and leadership to step up our efforts and meet our commitments on aid effectiveness. The world's population has hit the 7 billion mark; and war, famine and sicknesses continue to decimate the most vulnerable and threaten to turn back the clock on hard won human progress in many areas of the world. The OECD is ready to increase its efforts, to help countries find common grounds for concerted action, to keep exchanging best practices, and better measure our progress in fostering aid effectiveness. We are proud to have worked shoulder to shoulder with Korea, at the OECD, in the G20 and again here in Busan. Thank you Korea, thank you President Lee. The world expects Busan to deliver better development policies for better lives. We won't disappoint them!

Thank you!

BAN KI-MOON, SECRETARY-GENERAL OF THE UNITED NATIONS**30 November 2011**

It is a great honour to meet you today. Good morning. Annyong hashimnikka. President Lee Myung-bak of the Republic of Korea, our thanks on behalf of the United Nations for hosting this important meeting. And I'd like to thank the citizens of Busan, this vibrant and dynamic city, for their warm hospitality. And I also want to thank the Honorable Secretary-General of the OECD, Mr. Angel Gurría, for his leadership.

We have noted the OECD survey on aid effectiveness, conducted in preparation for this meeting. The results are “sobering,” as you said this morning. It found that development aid has become more fragmented at a time when unity of effort is much more needed. We can, and must, do better now. Ladies and gentlemen, we meet at a critical time. Only four years remain before we hit the target of the Millennium Development Goals by 2015. And aid is everywhere under pressure. We continue to feel the bite of the global economic crisis. Many countries face growing budgetary constraints. Among the developed nations, there is pressure to cut official development assistance. Our agenda today is clear. We are here to build on the foundations we laid in Paris, Accra, and Rome before that. We are here to ensure that aid reaches those most in need, most vulnerable people who we have to take care of, that this aid is flexible, accountable, and country-driven.

With this in mind, I have four messages to deliver to all of you. First, to the traditional donors, I say: do not let this economic crisis, do not let short-term austerity deflect you from your long-term commitment to the world's poorest people. Aid has helped to dramatically reduce child mortality. It has slowed the spread of HIV/AIDS. It has reduced poverty worldwide. Cutting aid will not balance your budgets. But it will hurt the poor - the most vulnerable people of the human family. Some countries, such as the United Kingdom, despite this very difficult economic crisis, have boldly proved that it is possible to meet global commitments and domestic fiscal needs at the same time. I applaud the leadership of Prime Minister David Cameron. I call on all traditional donors to make that same choice. Assistance is not charity. It is smart investment in security and prosperity. It is an engine of growth that creates jobs and expands markets. Aid is especially important for countries in transition from conflict. No conflict-affected country has achieved even one of the Millennium Development Goals. That is why I am very encouraged that the “g7+” core of conflict-affected countries has been working with OECD donors and the United Nations to develop a “new deal” for more effective engagement. This new deal is an opportunity to focus much-needed attention on peacebuilding and state building. I urge all to pursue this important work.

Ladies and gentlemen, my second message to the countries that receive aid is equally urgent: To those aid-recipient countries, I say: Set clear development priorities and strategies. Build up your planning capacity. Deliver on your policy commitments. Enhance transparency. Stamp out corruption, which undermines trust in governance and institutions. Put in place the regulatory frameworks and incentives that will generate

private investment and entrepreneurship. And engage civil society - crucial partners on the ground.

Let me turn now to the growing club of new and emerging [donor] countries. To you, I say: step up. Europe and the United States may be struggling, but in East and South Asia, in Latin America and even Africa, many economies are growing. Millions of people have been lifted from poverty. With such success comes responsibility. This is your chance to assume your new leadership. I urge you to increase your role as donors, as our host Korea has done. I am very proud as a Korean that Korea has now become a donor country in the world from a poverty-stricken, war-devastated country. Support highly productive multilateral initiatives such as the Global Fund to Fight AIDS, Tuberculosis and Malaria - which is in dire need of increased financial support. Work with the United Nations, alongside traditional donors, to assist the least developed countries, countries emerging from conflict, countries in transition. The United Nations' Delivering as One effort aligns the work of our funds and programmes - and our peacekeeping and political support - with country priorities. It offers a coherent, country-level platform for effective aid.

Fourth, my message to the private sector. To business and industry, I say: your skills, ideas and dynamism can make the difference. Partnership is the way. Governments, the international community, private enterprise, philanthropic and non-governmental organisations, working together. I have seen the power of such partnership. I have seen it in Rwanda - President [Paul] Kagame is here with us - where the government is setting trends in gender empowerment, service delivery, internet connectivity and green growth. I have seen it in Nigeria, Ethiopia, and Bangladesh, Indonesia and Thailand, where the Global Strategy for Women's and Children's Health is a vivid example of development co-operation at its smartest. I have seen how strategic partnerships can work to Scale Up Nutrition -- another showcase for effective aid. I'd like to highly commend again, applaud the leadership of Secretary Clinton here, with whom I have been working very hard to raise awareness of Scale Up Nutrition and the Global Strategy for Women's and Children's Health. We are building a similar alliance to ensure Sustainable Energy for All. These examples point toward the realisation of the eighth Millennium Development Goal - the global partnership for development.

Ladies and gentlemen, we must be able to measure not only resources invested but the results. How we can deliver these results on the ground, to the people who are in need of our support. We need to know when aid is not delivered, or lost to corruption. That is why my first principle for effective aid is accountability. And that is why I have asked the United Nations system to develop an Integrated Implementation Framework, which will enable us to monitor global commitments to the MDGs and their delivery. My second principle is flexibility. Countries need to be able to react swiftly to shocks and changes. Aid too often comes with strings attached. Such conditionality can add to the obstacles countries already face, especially in times of crisis. We need to work in partnership so that donors and client countries are agreed on the most appropriate use of assistance. This leads me to my third principle: ownership. Aid can be most effective when recipients have a say in where it is most needed and how it should be used. Countries that are accountable, countries that receive flexible aid, and countries that have the most ownership -- will be best placed to achieve the best results. The discussions at this conference may get very detailed at times. But let us remember: aid is not only a technical matter it is a path to building the future we want: sustainable, equitable, peaceful and just. Bear that in mind – bear in mind the people who need our solidarity - and I am confident we can create a virtuous circle that will benefit us all. Ladies and gentlemen, I count on

your leadership. And let us work together to make this world better for all of us. And I thank you very much for your commitment.

Thank you.

H.E PAUL KAGAME, PRESIDENT OF THE REPUBLIC OF RWANDA

30 November 2011

Your Excellency, Lee Myung-bak, President of the Republic of Korea; Your Excellency Meles Zenawi, Prime Minister of Ethiopia; United Nations Secretary General Ban Ki Moon; United States Secretary of State Mrs. Hillary Clinton; Her Majesty Queen Rania of Jordan; Excellencies Heads of Delegations; Ministers; distinguished ladies and gentlemen.

It is a pleasure for me to be here today and contribute to this important discussion on placing aid properly among the effective tools for sustainable development. It is most relevant that we are having this conversation in Korea which in the last half a century has moved from an aid recipient country to an industrial nation that is now supporting others to develop. Other countries in Asia have made a similar transition.

Over the same period, about one trillion US Dollars In development aid has been transferred to Africa. But real per capita income today is less than it was in the 1970s and more than half the population – about 500 million people – still lives in poverty. At this rate, most African countries may not meet many of the Millennium Development Goals. It is evident that, in spite of the many aid commitments we make and meet periodically to review, we are not quite getting the desired results in Africa. At the same time, in the last two decades or so, African countries have registered average annual economic growth of between 5-8% despite low foreign investments and the global economic crisis. Such evidence of good returns even on minimal investment indicates that Africa has great promise.

These two contradictory realities are pertinent to our discussion on aid effectiveness and beg serious questions. Why has massive aid been largely ineffective and little investment productive? How can we translate aid commitments into effective development outcomes that will drive our graduation to self-sufficiency? Clearly, a fundamental shift in thinking on the use of available resources, including aid, is necessary. And I believe we cannot talk about competent use of aid without addressing impediments to its effectiveness. As the history of Asia amply illustrates, it is sound economic policies and investment capital that propelled millions of Asians to prosperity. We should therefore be talking about aid effectiveness in tandem with trade and investment – and I would add, a fair framework with clear rules and proven best practices.

Excellencies; Distinguished delegates; There is no contention about the principles of aid effectiveness that were adopted in previous conferences – country ownership, alignment with countries' priorities, accountability and so on. In my opinion, what we need to overcome are structural and attitude - related barriers that hinder the realisation of what should otherwise be obvious. For instance, in Paris we committed, and reaffirmed in Accra, to channel aid through country systems so as to strengthen national capacity to execute development plans, to budget efficiently and deliver services. It was also meant

to build the foundation for enhanced capacity and accountability towards development results. In practice, the status quo still prevails. In fact, there is still resistance on the part of some donor countries to channel their aid through national systems, which raises important issues of effectiveness and accountability.

While donors may not be entirely to blame for bypassing these systems where they are weak, or non-functional, why not use aid to build up and strengthen such critical systems? A case in point is the partnership between Rwanda's government and Mr. Tony Blair's African Governance Initiative, which uses embedded support to balance fast implementation of development programmes and transfer of skills. Other partners, such as the UK government, the EU, World Bank And African Development Bank to name a few, have also trusted our systems by choosing budget support options, and as a result, subjecting the resources to our accountability mechanisms. In the process, they have become stakeholders with an interest in seeing our systems improved – we have continued to work together on this and the good results we are witnessing should satisfy even the most sceptical partners. However, when multiple and parallel execution modalities and systems are employed, there is a significant impact on the effective allocation and use of public resources.

This can undermine the relationship between governments and their citizens if they are not seen to be credible or responsive to people's needs. When a country is not managing the resources at its disposal, how can it be held to account?

Responsibility, ownership and accountability cannot be separated. We have been able to agree on the crucial importance of mutual accountability in the development effectiveness agenda. Developing countries are accountable for delivering results on national priority development targets. Donors, on their part, have the responsibility to implement commitments made at international forums such as this one. In reality, the principle of mutual accountability has not been applied equally or fairly. While there are more demands on developing countries to account, there has been reluctance from some donors to do the same. And often this is accompanied by the introduction of issues unrelated to aid performance either as an excuse not to act or to delay commitments. Similarly, there is real danger that the huge industry that has been built around aid can become a permanent feature of our development process and perpetuate dependency, thereby directly undermining the very national systems that should instead be strengthened.

Developing countries spend more time and energy agreeing on procedures and accounting to donors and an ever increasing number of related non-state actors than in actual development work, often responding to endless questioning that no answers can fully satisfy.

Excellencies; Ladies and Gentlemen: The need to remove barriers to effective use of aid means that we must urgently fulfil the commitments we made and targets we set in the Paris Declaration. But this will only be done if aid is conceived as more than mere charity, and rather, as investment for mutual gain. Better use of aid leads to more people living healthy and productive lives, which ultimately translates into greater global demand and is also good for business. In my view, this is what aid effectiveness truly means – creating conditions for results that eventually render it unnecessary. History is replete with examples from across the world that illustrate this – so it is possible.

And since we have converged in Asia, let me point out the need for a shift in the aid regime to broaden beyond traditional donors and urge emerging economies to take on more responsibility. There are advantages to be gained from this. The countries that have

recently achieved prosperity understand well what it takes to get out of poverty and have relevant lessons for developing countries and donors alike regarding what works best. This shift inevitably means strengthening South-South Co-operation and bringing it from the margins to the centre of international development frameworks.

This should shape future development discourse and could be the lasting legacy of Busan. I would like to reiterate that there is no substitute for a well governed state in driving effective development. Such a state can co-ordinate and implement its own development programmes, and has the capacity to hold open and frank dialogue with partners. Systems That function and deliver give donors confidence and earn partner countries respect – All crucial prerequisites for development.

To conclude, let me say again that aid can be effective in achieving our development objectives if we allow greater trust in our partnerships and recognise that this is a shared responsibility built on common values and goals. Our aim should be to make this Busan conference come out with clear commitments, actions, and targets to enhance mutual respect and inclusive global partnerships – building on previous commitments on aid and development co-operation. I wish you all fruitful deliberations.

Thank you very much.

QUEEN RANIA AL ABDULLAH

30 November 2011

Dignity not Dependence; Equity not Exclusion

Thank you. It is a pleasure to join you all for this important meeting where expectations are high and where the stakes have never been higher. They've never been higher for the half of humanity surviving on \$2 a day or less or the 800 million people who live in slums. For the 67 million children denied their right to an education or the 770 million adults who cannot read or write. And they've never been higher for the 21 000 children under five years old who die every single day of diseases we know how to cure.

I start my speech to you today with these daunting and desperate statistics not to remind you of the enormity of the challenge ahead. You already know that. But, rather, to remind us all that it is for these people that we have gathered here in Busan. Because, too often, in meetings like this, politics can take precedence and the human dimension can get buried in the bureaucracy. Going forward, let us remember our common humanity.

Busan, 2011 is very different to Accra, 2008 and very different to Paris, 2005. The world has changed a lot in the last six years. In fact, we are in a constant continuum of change which is altering the context for development. On one hand, we are beset with economic downturns and record unemployment struggling with food shortages, famine, and fuel crises. Hard fought development gains are slipping back. On the other hand, we are witnessing massive shifts in global wealth and influence. Countries like Brazil, India, and China are enjoying near double digit growth and are showcasing their new capacities as donors in south-south and triangular co-operation. Several countries like Argentina, Malawi, and Malaysia have defied the global trend of inequality, and have narrowed the gap between the incomes of their poorest and wealthiest citizens. But they are the minority. Because globally inequality is rising. Crucially, it is rising in countries that are making progress towards the MDGs. It is rising in middle-income countries experiencing rapid growth. Consider the distribution of incomes globally. The 20% of the population with the highest incomes control 64–80% of all income; the poorest 20% have only 1–3 % of all income. The human costs are terrible too. Compared to children in the top 20%, a child born in the lowest 20% income group is twice as likely to die before reaching age five, three times more likely to be underweight, and less likely to attend school. The Global Risks Report recently identified inequality as a major risk to global prosperity and stability proving that as the world grows together, it is also growing apart. As it does so, we should not be surprised that in the gaps created by disparities in wealth and opportunity terrorism, corruption, disease, conflict, and hopelessness foment. I need hardly remind anybody that it was inequality – with all its associated humiliations – that fuelled the discontent on the streets of Tunis and in Tahrir Square. It is what makes protesters occupy Wall Street and beyond.

Ladies and gentlemen, this is the backdrop to Busan. This is our new development context. And as the global landscape changes around us, it's time for the global "aidscape" to change, too. We need a new development paradigm. One that is inclusive, sustainable, and mutually beneficial.

I am not saying that old partnerships, old methods of financing, and old aid models are obsolete. They are still a lifeline for many countries. What I am saying, is that they need to be adapted and edited for today's narrative. And there has never been a more exciting time to re-imagine development co-operation. We have a dynamic new ecosystem of partners; countries whose successes we can all learn from. Like our hosts, South Korea, who, in the space of a generation, have engineered a miracle on the Han River, transforming from a country ravaged by war to a model of economic success that others can follow. We have innovative mechanisms and models for funding: from private sector investment and diaspora reserves to hybrid financing and corporate philanthropy. We have extensive data to target those in need. And we have technology at our fingertips accelerating progress across all fields. In the business world, the best ideas no longer come from the top down. They bubble from the bottom up seep from the edge in. In development, this is also true. So we need a culture shift where governments switch from deciding development to facilitating it from leading partners to convening them. In 2009, the US private sector alone invested around \$1.2 trillion in developing countries. If we give them space businesses, NGOs, and engaged citizens will sign up as partners for progress. It is an exciting time to be in the business of development! We have an opportunity to lift the lives of the most marginalised and create a world that is more equitable. If we're going to be smart, the new aid era must be about equity. It's not about everyone having the same resources. It's about giving everyone the opportunity to access the same resources. Smart aid targets jobs. Let me give you a very personal example. In the Middle East, we have the highest youth unemployment rate in the world. 60 % of our population is under 25 years. 1 in 4 of them is unemployed. That is double the global average. Arab youth don't want aid money or short-term projects, they want jobs. They want to earn their salary; learn new skills. They want dignity not dependence.

Busan must do more to stimulate the conditions in which real jobs, sustainable jobs can grow. Like: increase access to banks, loans, and business advice. Like: create better opportunities for training and support government reforms for enterprise development. Like: dedicate more resources to creating small and medium enterprises. Because aid is not just about eliminating poverty; it's about creating prosperity. It's not just about fewer famines and conflicts; it's about peaceful and more prosperous neighbours. Smart aid invests in children. And that starts with a quality education for all.

Education is more than a right; it's a resource. It can combat every global humanitarian challenge today. But 67 million children are shut out of school there is a shortfall of 8 million teachers curricula are out-dated students graduate with yesterday's skills. And the majority of those out of school are girls. Girls! The best value for the development dollar there is. Yet only 9 % of ODA goes to education. It just doesn't add up. And smart aid prioritises women.

Because they are 50 % of our world and 40 % of our workforce. Because research shows that in the last twenty years, women have contributed more to global GDP than either new technologies or the emerging economies of China and India. Because women in developing countries farm, produce, and sell more than half the world's food. And when they're not doing that, they're cooking, childbearing, care-giving, finding fuel, carrying water. Women are at the forefront of our sustainable future. But every day, around the world, they're marginalised stigmatised and brutalised.

Ladies and gentlemen, everybody has a stake in global development; everybody has a part to play. Bob Zoellick said it well when he called for development to be „democratised’. Inequalities serve nobody’s interests. In fact, high levels of inequalities actually impede economic progress. In countries where income is distributed more equally, there are longer-lasting spells of sustained growth. Isn’t that our goal? Isn’t the purpose of aid to end aid? We can. And we must. The only thing that is stopping us is us.

Thank you very much.

HILLARY RODHAM CLINTON, UNITED STATES SECRETARY OF STATE**30 November 2011**

Well, good morning, and let me begin by thanking President Lee and the Korean government for the excellent preparation and for the example that we have heard about and see for ourselves here in Busan. And let me also thank the OECD for helping to organise this Fourth High-Level Forum on Aid Effectiveness.

I'm pleased to be the first American Secretary of State to attend such a forum. We've already heard some excellent addresses with a lot food for thought, and I imagine that all of the prior speeches will be studied and relied upon as we judge the outcomes of our efforts here at Busan. Let me therefore say that I will put my entire remarks on our website for anyone who wishes to read them, but let me make a few comments about how I see what we are doing here today together, because I think it's important that we recognise the accomplishments that have occurred, in some places quite dramatically, as we have heard not only about Korea but also about Rwanda. But let us also acknowledge honestly the challenges and the problems that we must address if we expect to see greater progress.

It's imperative to recognise a fact that is important in all of our deliberations. Official development assistance from governments and multilateral organisations is no longer the primary driver of economic growth. In the 1960s, such assistance represented 70% of the capital flows going into developing countries. But today, because of private sector growth and increased trade, domestic resources, remittances, and capital flows, it is just 13% – even as development budgets have continued to increase.

So what does that mean for us? Well, with official development assistance representing a much smaller share of the resources flowing into developing countries, we have to think differently about how we use it. I believe it must serve as a catalyst to spark self-sustaining progress – by helping to reduce risks that prevent companies from doing business in developing countries; by helping governments and domestic financial institutions expand credit to local small and medium enterprises; by working with governments to address the structural barriers to advancement, especially for women – and we've heard already about education, but there are also outdated land tenure laws and access to capital that are real impediments – and by lending technical assistance that helps governments build their capacity to better serve their own citizens.

In short, we need to continue shifting our approach and our thinking from aid to investment, investments targeted to produce tangible returns. And we have to be very honest about it, because wise investors choose their investments carefully. They manage for risks; they amplify their impact by trying to draw even more participants to the table. But when a particular investment is not producing the projected returns, there have to be tough decisions made about whether to modify or eliminate it.

So even as we point to progress, I don't think it's appropriate for us to dwell on our accomplishments, but instead I'd rather talk honestly about what each of us – traditional

donors, emerging economies, developing countries, the private sector, civil society, and NGOs – can do now to deliver on the commitments we have made and to produce the results we seek.

I recognise that the changes we've seen in development mean that old distinctions – like “donor” and “recipient” – are less relevant, since many emerging economies are both donors and recipients, but it is still worth taking stock of what each of us is called to do.

I'll begin with traditional donors, including the United States and the multilateral organisations represented here. Of the 13 measures of progress we all agreed to in Paris six years ago, we have achieved just one, and that just barely, related to co-ordination. Now, I recognise that these metrics are aspirational, but I believe we can and must do better. So let me describe a few of the concerns we hear about traditional donors and what the United States is attempting to do in response.

First, we need to get serious about what we mean when we talk about country ownership of development strategies. Let's be clear. Too often, donors' decisions are driven more by our own political interests or our policy preferences or development orthodoxies than by our partners' needs. But now our partners have access to evidence-based analysis and best practices, so they can better decide what will work for them. We have to be willing to follow their lead. We have tried to do that in the three-plus years in the Obama Administration, starting with recognising that development needed to be elevated alongside defense and diplomacy as one of the three pillars of our foreign policy. So we set about working not only through the State Department, but USAID and the Millennium Challenge Corporation to do just that. So, for example, our new U.S. Global Health Initiative supports country-led plans to try to strengthen health systems so our partners can eventually address more of their own health needs.

But we've also found that too often we see countries shifting resources out of their national budgets once donor money comes in, whether it is in a parallel organisation or through the national ministries. So we have a substitute effect instead of a cumulative one. So as we make decisions about country-led development strategies, our partners have to be working with us in ways that truly set the outcomes we are trying to achieve and then hold both of us accountable for doing so.

Second, our partners express concerns about what is called “tied aid”: requirements that some development contributions must be acquired through firms in our own countries. We certainly understand the benefits of untying aid and we attempted to do so. While we cannot commit to have untied all American assistance, we are working to untie as much as possible. And actually in – between 2005 and 2009, we more than doubled the percentage of assistance that is untied, from 32 percent to 68 percent. But one of the reasons tied aid has persisted is in order to get political support for the budgets that we turn into official development assistance. So we try to untie as much as possible, but recognise the political constraints that we and others operate under.

Third, we hear from our partners that we need to focus on the right measures of success. All of us know the difference between inputs and outputs, but sometimes we confuse both with outcomes. Too often, we measure success by what we put in – namely the number of textbooks delivered to schools or seeds provided to farmers – rather than what we get out. We know textbooks alone don't lead to a well-educated workforce and that seeds alone cannot produce a thriving agricultural sector. So we have to be clear about what our outcomes should be and then hold ourselves and all of our partners to them. Within our government, the Millennium Challenge Corporation has been a pioneer

in this area. And USAID recently adopted a new measurement and evaluation model that has been broadly recognised as the gold standard.

Fourth, we hear that we need to be more flexible. And the truth is that we make and implement decisions more slowly than the private sector and often more slowly than some emerging economies. Now, of course, we do have to demand due diligence to make sure that dollars are spent effectively and efficiently, but I admit that, over time, our procedures have become bureaucratic and cumbersome. So we should take, with your help, a hard look at how we streamline our protocols so we can invest faster and adjust our strategies more quickly without sacrificing either high standards or outcomes. The United States, through USAID's Forward agenda, is working to streamline our procurement process and channel more resources into government ministries that can use them efficiently.

And finally, I want to say a word about co-ordinating our efforts. This has been a topic of development conferences for so long that it is a cliché, but it is also still a problem. Many donors, like ourselves, have multiple agencies that engage in development. The United States Government alone has more than 15. And all too often, we require different measures of success, so it is easy to see how our good intentions can create frustrating burdens for our partners.

So we are trying some different approaches. Through the Obama Administration's new Partnership for Growth, the United States is working intensively with four partner countries – El Salvador, Ghana, Tanzania, and the Philippines – to identify their biggest impediments to growth, and then to co-ordinate the efforts of every U.S. agency, from Agriculture to Treasury, in helping them overcome these barriers. In addition, our Feed the Future programme now helps our partners bring together international donors to invest in the country's plan to improve agriculture and food security.

So in all of these areas, from country ownership to co-ordination, the United States is responding to the concerns we have heard. We are guided by President Obama's Policy Directive on Global Development and by the first-ever Quadrennial Diplomacy and Development Review that I commissioned to make a blueprint for how State and USAID become more nimble, more effective, and more accountable. We recently launched a Foreign Assistance Dashboard at www.foreignassistance.gov, which lets anyone with an internet connection see where we're investing and how much. And today we are taking another step. I'm pleased to announce that the United States will join the International Aid Transparency Initiative, and we will – (applause) – report data in a timely, easy-to-use format.

But just as traditional donors can work smarter and do better, so can others as well. We welcome the emerging economies that are embracing the responsibility to help solve shared challenges. For example, Brazil and Japan are partnering with Mozambique, whose climate and soil conditions are similar to Brazil's, to expand its soybean crop. And Mexico, like Brazil, is sharing lessons with all of us from its innovative conditional cash transfer programmes. All of us must live up to the international standards that the global community has committed to, starting with a commitment to help countries become more self-reliant. That means, for example, helping countries with natural resources escape the so-called "resource curse" that leaves them rich in oil, gold, or other commodities but poor by many other measures. And while national sovereignty is an important principle, it cannot become an excuse for avoiding scrutiny of development efforts, not if we want results. Transparency helps reveal our weaknesses so we can improve our work.

Being an accountable partner also means refusing to look the other way when leaders repress their own people. This year, the World Bank reported evidence that respect for economic freedom and civil and political liberties helps explain why some countries achieve better long-term economic outcomes than others. Well, it stands to reason. Any plan for growth that depends on opening new businesses will also depend on an environment where citizens can exchange ideas and compete for customers freely, and where all people have a chance to contribute to progress. It also depends on strong institutions: impartial courts, a competent, honest police force, a free press to call out corruption. Finally, I know that the historical distinction between developed and developing countries still influences how some see development, with traditional donors on one side, emerging economies and developing nations on the other. That won't work anymore. We need every provider of assistance at the table, emerging and traditional, public and private. And we need to make sure we get past the old divisions so we can deliver results for everyone.

This brings me to our developing-country partners. Today, we know donors must do more to support country ownership, but we also have to expect more from developing countries. The political will must be mobilised to take on the biggest obstacles to a country's own development. For some, it may be a court system where the rule of law only applies to some of the people some of the time, or a system of laws that prevent women from owning or inheriting property. For others, it may be a tax system that makes it easy for people to avoid paying, or fails to levy taxes at all. And for many, it is a ruling elite who protect their own interests at the expense of their fellow citizens. And in many places, it remains security, and I applaud the countries of Central America, who are working together to take on one of the biggest barriers to development, the lack of sufficient security, by working to reform a criminal justice sector and fight corruption.

All of these challenges require leaders who have the courage to make tough choices and who are willing to tell powerful people something they don't want to hear, that their taxes are going up, for example, or that their special privileges are going away. Elites in developing countries need to support political leaders who take on these tough issues that will benefit everyone by making the pie even bigger.

Developing countries also need to be smart shoppers. Be wary of donors who are more interested in extracting your resources than building your capacity. Some funding might help fill short-term budget gaps, but we've seen time and again is that these quick fixes will not produce sustaining results.

And finally, the developing countries represented here should recognise that the domestic and foreign private sector can play a productive role in development. Now, I understand that some of you may be reluctant to buy that, for understandable reasons. You have seen corporations put their profits ahead of your interests in the past, and you have suffered the consequences. But today, we see companies truly exercising corporate responsibility, like IBM and Unilever, offering sustainable solutions for development problems. If the business climate in a country is improved, if businesses can start without having to pass money through many hands and go through many hoops, you will see results, and you can create more opportunities for more people.

We recently saw an announcement in Haiti, where the Government of Haiti, working with a Korean company, Sae-A, is putting together a \$70 million investment by one of the largest garment manufacturers in the world to help build that company's first textile mill that will eventually employ 20 000 people. But it wasn't only the employment. It was also building a school and building housing and helping to model what could work, coming straight out of the Korean experience.

And now, let me say a word to our partners from the private sector and civil society. I want to thank our civil society partners for your tireless efforts to improve lives around the world and congratulate you on developing the Istanbul principles for development effectiveness. Now it is time to get to work. And let me say, most importantly, like traditional donors, you must end the practice of creating your own strategies independent of a country-led plan. It is in your interest to co-ordinate with government agencies and other NGOs. Otherwise, we see what President Kagame very eloquently described, which is parallel programmes that do not build capacity and leave sustainable outcomes.

As for the private sector, as you well know, some, if not many, in the development community are still reluctant to work with you. You can help bridge this divide. Don't wait for activists to push you to set industry guidelines for workplace safety, pay, transparency, or other issues. Take these steps yourselves and build trust.

The potential is enormous. USAID, under Raj Shah's leadership, recently launched a new partnership with the World Food Programme and PepsiCo. Together, we will invest \$6 million in Ethiopia, Prime Minister, to help smallholder farmers grow more chickpeas. Pepsi will buy those chickpeas and turn them into a high-energy paste, which the World Food Programme will then distribute to malnourished children throughout the Horn of Africa. Let's expand on models like this. We need new types of public-private partnerships, new mechanisms for sharing technology, and new ways to align your business interests with development goals.

And there is one last challenge I want to discuss, and that is to echo the eloquence of Queen Rania: leveraging the impact that women can have on effective development. If we didn't know before, certainly a growing body of research should convince us that nations which invest in women's employment, health, and education tend to have more economic growth; farmers are more productive, children healthier and better educated. So for our part, the United States is putting women at the center of our development efforts, and we are collecting data – (applause) – to make sure we're having the impact we want.

In just a little while, I will attend a meeting for the gender issues, and I thank Korea for cosponsoring that. That will be chaired by Michelle Bachelet, where we will announce our programme for trying to collect data to convince those who remain unconvinced to invest in your girls and your women if you wish to develop.

So today, I'm asking all of us to take a hard look at where we need to improve, starting with my own country's shortcomings, because the stakes are too high for anything else. And as we look ahead to future gatherings where our work will be discussed, we need to be able to say that out of Busan we really made a difference, we learned from our mistakes, we took on the hardest problems, and we held all of us, with no exceptions, to the highest standards, and then we delivered on our commitments. Not just a commitment to a certain level of funding, or even to a series of principles, as important as those are, but the ultimate commitment to improving the lives of millions of people and to helping those who are on the frontlines doing development work day in and day out, and a commitment to the idea that every person, boy or girl, should have the right to fulfill his or her God-given potential in the world of the 21st century. That is, after all, the purpose of development, and that is the goal of this forum, and it is an honor to join all of you in working to achieve it.

Thank you very much.

ANTONIO TUJAN JR, CHAIR OF THE BETTER AID CO-ORDINATING GROUP

30 November 2011

Your Excellencies, President Lee Myung-bak, President Paul Kagame; General Secretary Ban Ki-moon; Your Majesty Queen Rania. Distinguished Ministers, parliamentarians and other representatives of government. Colleagues and friends, leaders and representatives of inter-governmental organisations and civil society and other organisations – good morning.

The past year, tens of thousands of civil society organisations and networks - of trade unions, peasant farmer organisations, women's organisations, youth and indigenous, NGO's and others have met to prepare, and 500 of their representatives met here at the CSO forum in Busan.

They speak of their concerns over the worsening poverty and misery that the new Millennium now brings, the difficulties of building societies that respond to the needs and human rights of the people. But they do not despair. Outside, the people on the streets take charge of their lives, take matters into their own hands. Inspired by the Arab Spring, they act for change for a better world, occupy spaces peacefully to make their voices better heard.

Our meeting here at Busan is critical. As we all focus on working for better results for our people, we forge a new Global Partnership for Development Effectiveness – so that our developing countries along with their international partners forge better co-operation focused on outcomes for the people especially for women and the poorest.

Success is possible only if we work together and be inclusive of people and their CSO's in equal partnership in the development process; if we respect the leadership of poor countries in their development journey; if we assiduously promote and defend human rights, providing an enabling environment based on those rights for democracy to flourish. We ask for these and cannot comprehend how they cannot be accepted here at Busan.

CSO speak now with one voice – for Better Aid for the world we want.

We express our gratitude to the government of Korea not only for helping CSO's especially, but also for their firm resolve to increase assistance despite the crisis and encourage others likewise to fulfill their Monterey Consensus commitments.

As we thank all of you, we affirm that the presence of CSO's on the table is not enough when in decisions our voices are not heard. Along with millions around the world asking for rights and democracy, we say - nothing about us, without us!

Thank you.

EMELE DUITUTURAGA, CO-CHAIR, OPEN FORUM FOR CSO DEVELOPMENT EFFECTIVENESS

1 December 2011

President Lee, Your Excellencies Heads of Government, OECD, Distinguished delegates, Fellow Civil Society development actors

Ni sa Bula vinaka and warm Pacific Island greetings. On the behalf of the 300 Civil society representatives at this Forum, we thank the Government and the people of the Republic of Korea for your warm hospitality and standards of excellence in the arrangements for this meeting. Our participation as global citizens has often been marred by detentions of civil society leader at airports, not being allowed to board planes or get past immigration officials. But the smooth entry into Korea was the first good omen that our journey to Busan for a Better world was not in vain.

Our journey Busan in fact began soon after Accra. We took our recognition as independent actors in our own right and took up the challenge to address our own accountability for our development work. In the past three years, since Accra, more than 20 000 civil society organisations including trade unions, women's groups, youth groups, faith-based organisations and other social movements in more than 90 countries, have been consulted on the process, agenda and expected outcomes of HLF4. Then 500 of us gathered at the pre-Forum Civil Society Forum and reaffirmed that we - 300 of us - coming to this Forum would come as one and speak with one voice. That is indeed remarkable, that we ourselves find hard to believe.

We have truly valued our inclusion as equals at the HLF4 negotiating table and expect this practice to be replicated at national levels. We reaffirm our role as development actors in our own right and not an adage to government services and conduits for donor foreign policies. CSOs are a vibrant and essential feature in the democratic life of countries across the globe playing a vital role in advancing development effectiveness in order to achieve human rights, gender equality, social justice, decent work, environmental sustainability, peace and an end to corruption and impunity within a solid framework of democratic governance, rights-based approaches, and inclusive policy engagement.

In preparing for HLF4 we noted the evidence that donors and governments have defaulted on delivering on the majority of your pledges made in the Paris Declaration and the Accra Agenda for Action, but that did not deter us and so we appeal for

- Full and timely implementation of the Paris and Accra unfinished business
- Advance on and boldly deepen commitments on untied Aid, transparency through IATI standard, accountability and conditionality
- Utilise and strengthen the capacity of country systems, parliaments and local governments

- Advance strong monitoring and evaluation mechanisms based on human rights norms and standards

We call upon our own governments and parliamentarians to

- Ensure accountability to your people
- Implement development co-operation in ways that are consistent with international agreements on human rights, norms and standards
- Adopt rights based policies and approaches that are non-discriminatory, and which empower the poor, rural, indigenous, youth, people with disabilities to claim their rights
- Promote democratic ownership, decent work, the centrality of gender equality and the advancement of women and girls

We welcome development actors from the private sector and while we acknowledge the contribution of economic growth to development, we underscore our conviction that growth is not the engine room of development. Development is about fulfilling the rights and needs of people. Growth is a means to that end but which needs to be monitored and held accountable for poverty, inequalities and environmental degradation. We have witnessed how greed and unrestrained capitalism for the profit of individuals in the name of growth has led to global financial crisis and drastically affecting access to opportunities for the future generation. We call for the recognition of social partners as development actors and adherence to international human rights, norms and standards.

We are pleased to have achieved global legitimacy through the recognition and the endorsement of the Istanbul Principles and the Siem Reap Consensus on the International Framework for CSO Development Effectiveness in the Busan Outcome Document. Through this framework, we commit to improve our own practices and will strengthen our transparency and accountability as well as our contribution to development effectiveness. However, we are confronted with the reality that civil society space has been shrinking despite Accra and thus we further call upon governments to ensure minimum standards that guarantee an enabling environment for civil society organisations to fulfil their development roles, at a minimum, in keeping with binding commitments, both in law and practice, outlined in international and regional instruments that guarantee fundamental rights.

It is only in the expressions of these freedoms that development is meaningful for any woman, man, boy or girl to reach their fullest potential. It is only in reaching our full potential that we are free to contribute and claim the opportunities provided.

As human right defenders we appeal for less repressive governments and regimes and we pray that Busan will be a beacon of hope and for us as civil society here present will take the our legacy of Busan to next generation civil society leaders and take with us the vivid reminder of Busan.

Summaries of all sessions



SUMMARIES FROM DAY ONE

29 November 2011

HLF4 OPENING PLENARY: PROGRESS SINCE PARIS

In 2005, over 100 donors and developing countries committed to make aid more effective in supporting the achievement of development results when they agreed to the Paris Declaration on Aid Effectiveness. One of the distinguishing features of the Paris Declaration was the commitment to hold each other to account for implementing its principles at the country level through a set of clear indicators, with targets to be achieved by 2010.

The opening plenary reviewed lessons learned from monitoring and evaluation efforts, what unfinished business remains to be tackled, and how we can move forward and make further progress while taking into account a broadening agenda and an increasing number of actors. The discussion drew on:

- Wood, B. *et al.* (2011), *Evaluation of the Paris Declaration, Final Report, Phase 2*, The Danish Institute for International Studies, Copenhagen
- OECD (2011), *Aid Effectiveness 2005-11: Progress in Implementing the Paris Declaration*, OECD, Paris
- The Reality of Aid (2011), *Democratic Ownership and Development Effectiveness: Civil Society Perspectives on Progress since Paris*, IBON, Quezon City

The plenary began with some opening speeches, followed by a panel.

Opening

The session was opened by **Hon. Dong-seok Min**, Vice Minister of Foreign Affairs and Trade, Republic of Korea, **Mr. Brian Atwood**, Chair, OECD Development Assistance Committee, **Ms. Helen Clark**, UNDP Administrator and **Mr. Talaat Abdel Malek**, chair of the Working Party on Aid Effectiveness.

Hon. Dong-seok Min gave a welcome address, noting the importance of the event. He highlighted that Korea has shifted from being an aid recipient to becoming a DAC member.

Mr. Atwood acknowledged the people and institutions involved in the preparation of the Forum. He noted that the first day of the HLF-4 will be focused on progress made since the Paris Declaration on 2005, mainly based on the work done by the Working Party on Aid Effectiveness. He emphasised the large number of countries participating in the 2011 Paris Declaration Survey and how the Paris Declaration Evaluation showed that the aid effectiveness principles are relevant. He finalised his intervention calling for an agreement on a global compact.

Ms. Clark expressed the UN commitment for more effective development. She also emphasised how the situation has evolved since 2005, with some progress but still with big challenges. She considered that the aid community needed to focus on three points. First, the gap on the financial need to reach MDG targets should be closed. Second, in order to maximise the impact of aid investments it is essential to improve the quality of development assistance. Third, it is necessary to shift from aid effectiveness to

development effectiveness, to go beyond aid to maximise all resources for development finance. Busan is a unique opportunity to go forward on these objectives.

Mr. Malek considered that Busan was the end of a process and the beginning of a new one. He underlined four major issues that need to be analysed during the forum. First it is necessary to analyse the lessons learned since Paris. For that purpose we have the largest, more comprehensive and best quality analysis on development co-operation ever carried out. Second, we have to think on what these lessons suggest in terms on what needs to be done. Third, we have to expand our analysis to go beyond aid effectiveness for improving quality on development co-operation. Finally, a discussion on how to improve the existing aid architecture to be more inclusive and include diversity needs to be held.

Panel

The panel, facilitated by **Dr. Alison Evans** from ODI, was made up of **Hon. Amelia Nakhare**, Deputy Minister from the Ministry of Planning and Development of Mozambique, **Mr. Peter Baxter**, Director General of AusAid of Australia, **Dr. Debrework Zewdie**, Deputy Executive Director from the Global Fund to Fight AIDS, Tuberculosis and Malaria and **Mr. Vitalice Meja**, Co-ordinator of Reality of Aid Africa Network.

Brian Atwood recalled that the 2005 Paris Declaration included more than 56 commitments, and was reinforced by the Accra Agenda of Action. One of the distinctions of this process was the commitment to hold each other to account through the definition of indicators, targets and a monitoring process. The latter is carried out through the Paris Declaration Survey and the Paris Declaration Evaluation. Both processes have shown that much work remains to be done. On the positive side, Mr. Atwood highlighted that the Paris principles have focused on the right challenges and contributed to donor transparency, reduced the “driver” role of donors and supported improvements on public financial management systems from developed countries. However, he also pointed out that too little progress has been made to prioritise the needs of the poorest and insufficient capacity remains an obstacle for development.

Although the Survey showed that only one of the 13 targets of the Paris Declaration was met, the Evaluation stated that the Paris Declaration has contributed to changing behaviour. Overall results are mixed. The proportion of countries with sound national development strategies has more than tripled since 2005, but in some countries there are still challenges to provide enabling environment for civil society. Mr. Atwood reported that one third of the countries participating in the survey improved the quality of their public financial management systems, with half of them being robust enough to manage aid. But despite these figures, increased use of country systems by donors was weak. There were little advances on harmonisation on predictability of ODA flows, and efforts need to be made on untying aid.

Mr. Atwood stressed that the principles adopted in Paris and Accra need to be reaffirmed and they will require sustained political commitment, with a strong focus on the country level. Even if the nature of development co-operation is changing, the Paris Declaration remains a dynamic agenda to continue learning.

Ms. Nakhare, stated that aid management and co-ordination was a difficult task. In that sense, Mozambique has made efforts in three ways. First, they are implementing their second Poverty Reduction Strategy Paper (PRSP) which provided objectives and targets, totally aligned with the Paris Declaration indicators. Second, they have developed a co-operation policy, based on the PRSP, which allowed the Paris Declaration commitments to be monitored. Third, they have in the strategy performance assessment frameworks,

with let them to monitor the Paris commitments. They have participated in the three rounds of the Paris Declaration Survey, meeting four indicators, with progress in five and challenges in the remaining five.

Ms. Nakhare pointed out that they have developed different approaches with different donors, but they are working on a code of conduct for donors to harmonise the relationships.

From an Australian perspective, **Mr. Peter Baxter** considered that the way aid is delivered is different from ten years ago. Aid is more untied, there is more work with governments, with more alignment with good national policies, and a broader approach on development. He also recognised challenges in fragmentation and harmonisation. Finally, he welcomed initiatives like IATI and the focus on fragile states.

Recognising the importance and relevance of Paris principles, **Mr. Meja** stressed that commitments have not been honoured. Although some advances have been made, the aid effectiveness agenda itself has not produced clear effects in people's life. This is why the civil society organisations are calling for measuring actual impact in people's lives. **Mr. Meja** also expressed concerns about the shrinking space for CSOs in some developing and developed countries. He finally insisted in the importance of dialogue to modify the situation.

The Global Programs have participated in both the Paris Declaration Survey and Evaluation, stated Dr. **Zewdie**. The Evaluation recognised contributions from Global Programs in increasing the focus on results and outcomes. However, they still face challenges in reporting accurately and in a timely manner, through management aid information systems, and also on integration and harmonisation at the country level. Dr. Zewdie informed that the Global Fund is undergoing a comprehensive transformation from an emergency response to a sustainable programme. They have defined a strategy for 2012-16 and are working in a deep transformation to be in place in 18 months.

Dr. Alison Evans closed the session emphasising that the debates on the future of development co-operation should not distract us from accomplishing commitments made in Paris and Accra.

THEMATIC SESSION ON OWNERSHIP AND ACCOUNTABILITY

I. Objectives

The 2008 Accra Agenda for Action (AAA) recognised the growing consensus over the importance of including all stakeholders in national development processes; all actors count and make complementary contributions to development. This also implied that accountability on development should not be understood as a two-sided relation (between donors and recipients governments) but needs to be inserted into the complex system of domestic “accountabilities” (local and regional governance, public-private mechanisms, constitutional checks and balances etc.).

Aid can influence the balance of power and accountability in society. Care must be taken to understand how aid can positively contribute to inclusive, equitable and effective domestic modes of decision making, regulation and peaceful conflict resolution in the management of public affairs. How can all stakeholders play an effective role in decision making so as to achieve development results that benefit all citizens, particularly the poor and marginalised?

II. Moderators and participants

Moderator: James Deane, BBC World Service Trust

Panel members

Thomas Stelzer, Assistant Secretary-General for Policy Co-ordination and Inter-Agency Affairs, United Nations Department of Economic and Social Affairs.

Amanda Ellis, Deputy Secretary, Development – Foreign Affairs, New Zealand

Ibrahim Assane Mayaki, CEO, New Partnership for Africa's Development

Abdala Kigoda, Member of Parliament, Tanzania

Rosa Ines Ospina, Co-Director, Regional Initiative for CSO Transparency and Accountability

Faumuina Tiatia Faaolatane Liuga, Finance Minister of Samoa

Martin Dahinden, Secretary of State, Head of the Swiss Agency for Development and Co-operation.

Amina Rouchati, Regional Council of Tanger - Tetouan. Morocco

Discussants

Wismana Adi Suryabrata, Deputy Minister for Development Funding, Indonesia

Krzysztof Stanowski, Under-Secretary of State for Development Co-operation, Poland

Hyun-sik Chang, Vice President, Korean International Co-operation Agency

Ransford Smith, Commonwealth Deputy Secretary General

Akihiko Nishio, Director of Operations, World Bank Institute

III. Key issues discussed and main messages

Some messages emerged during the thematic session on how accountability and ownership could be put into practice:

Commitment and political will in a country: Mechanisms of accountability and ownership are basically in place. There is no need to invent or create something new. What is still missing often is political will. Once democratic intensity has reached a sufficient level, the culture of accountability that we are seeking will fall into place. Tunisia used to be seen as a good example of development but it imploded due to a lack of democratic accountability.

More involvement of parliamentarians and local governments: Even if parliaments and local governments are now more recognised as development actors, there is still room for improvement. Lacks of capacity and legal constraints in some countries are still some of the challenges that these institutions are facing, and should directly support them.

Importance of an enabling environment for Civil Society: In many parts of the world, Civil Society Organisations (CSOs) are facing a hostile environment, limiting their capacity to act as development actors, despite commitments made in Accra. Legal and practical mechanisms need to be implemented to ensure CSO participation.

More efforts to increase accountability: The Paris Declaration and the UNDCF Survey show that the mutual accountability commitment made in Paris was not met. More efforts need to be made, which implies strong leadership from partner countries and behaviour change from donors. The Cairns Compact experience showed that, with political will, advances are possible.

Citizen capacity: There is a need for a long-term vision for development that directly involves citizens. This involves writing a development history, in which citizens would play a major part.

IV. Possible next steps

In order to improve ownership and accountability, efforts should be directed to the following:

- Sound and honest information needs to be made available to all stakeholders.
- Practical and enforceable institutions and mechanisms that ensure accountability as a basis for ownership have to be reinforced.
- Elaborate the right indicators to keep track of how we are all performing on ownership and accountability, both at country and international levels.

THEMATIC SESSION ON COUNTRY SYSTEMS

I. Objectives

The sustainability of development relies crucially on capacity within countries to define, implement, and monitor policies and deliver public services through their own institutions and systems. Although the use of country systems promotes their development, evidence has shown that donors do not always respect this principle. Furthermore, where donors bypass country systems, they undermine the ability of countries to rise out of aid dependency.

The Paris Declaration (2005) acknowledged the central role country systems play in driving a country's development, committing developing countries to strengthen their systems and donors to use them to the maximum extent possible. The Accra Agenda for Action (2008) fortified this commitment, calling on donors to use country systems as the first option.

To carry this agenda forward and position country systems in the broader context of development outcomes, this thematic session drew on lessons and evidence from the country systems initiatives undertaken under the Working Party on Aid Effectiveness, the Task Forces on Procurement and Public Financial Management (PFM), and the Global Partnership on Country Systems.

II. Moderators and participants

Moderator: Mr. Cayetano W. Paderanga Jr., Secretary of Socio-Economic Planning, Philippines

Panellists:

Mrs. Mary-Anne Addo, Co-Chair of the Global partnership on Country Systems

Mr. Fifi Kwetey, Deputy Minister of Finance, Ghana

Mr. Gustavo Martin Prada, Director, Directorate-General for Development and Co-operation, EuropeAid

Mr. Joseph Mwanamvekha, Secretary to the Treasury, Malawi

Mr. Pali Lehohla, Statistician General, South Africa

Mr. Terence Nombembe, Chairman, International Organisation of Supreme Audit Institutions and Auditor General, South Africa

Mrs. Elizabeth Yanez, Under Secretary, Federal Secretariat of Public Administration, Mexico

Mr. Kennedy Musonda and Mr. Tony Hegarty, Co-Chairs of the OECD/DAC Task Force on Public Financial Management

Mrs. Ruby Alvarez and Mr. Enzo de Laurentiis, Co-Chairs of the OECD/DAC Task Force on Procurement

III. Key issues discussed and main messages

- Global progress in using country systems has not been sufficient, with bottlenecks - both political and technical - lingering. Where development partners do seem to be

making more use of country systems, the driver has been political pressure and not greater trust in the systems themselves.

- A culture of risk aversion persists, with donors often tying their assistance to their own private sector. Partner countries (Ghana, Malawi) called on donors to work with them on jointly managing this risk.
- The definition of country systems should be expanded to involve all stakeholders, including civil society and other non-state actors. A broader involvement of society will increase national ownership of development processes and produce home-grown solutions for capacity development.
- The Government of South Africa highlighted the key roles of national statistical systems and supreme audit institutions as cornerstones of capable states. Both types of institutions support state accountability and transparency. To improve the delivery of public services, the GoSA urged support for a global partnership model with clear roles for developing and developed countries to attain mutual goals, a framework for improving statistical systems under the Busan Action Plan for Statistics, and the independence and guaranteed financing of supreme audit institutions.
- The Government of Mexico presented its experience in reforming its public procurement systems, eliminating 16 000 rules and regulations – many of which were often in opposition to the country's public policy on purchasing goods and services. In addition to resulting in US\$ 2 billion in savings, the reforms have enabled the country to buy goods and services more quickly, of better quality, and supportive of small and medium enterprises. The new e-procurement system provides transparency and a more level playing field for bidders.
- The co-chairs of the OECD/DAC Task Force on Public Financial Management presented mixed results concerning the quality of PFM systems and their use. Further efforts to increase the quality of the systems using change management and political economy methods would be useful. New strategic directions in Public Financial Management are embedded in the Manila Consensus on PFM endorsed in June 2011 and include strengthening PFM as a tool for good financial governance, enhancing skills of practitioners to achieve better outcomes, strengthening fiscal transparency, improving accountability via oversight institutions, and partnering at the international level.

IV. Main conclusions and possible next steps

The moderator offered the following main messages to feed into the Forum's high level session on effective institutions:

- Country leadership is key, with a focus on results, change management, and effective sequencing of institutional and policy change.
- Partners should build on the strategic roles of public financial management, procurement, and oversight functions for development effectiveness and transparency.
- The use and development of statistical systems supports a culture of evidence-based policy making. Evidence-gathering on institutional performance and capacity development can better inform decision making.
- Global knowledge sharing, peer-peer support, and South-South co-operation stimulate the development of country systems. The use of country systems in the

delivery of assistance can in turn play a catalytic role in building effective institutions.

As noted by the co-Chairs of the Global Partnership on Country Systems, and as was evident in the panel discussion, the country systems agenda remains very much relevant for aid effectiveness, but as importantly, for building institutions that contribute effectively to development outcomes.

THEMATIC SESSION ON MANAGING FRAGMENTATION

I. Objectives

An increasing number and diversity of stakeholders invest in development at the country level, contributing financial resources, capacity building and knowledge to achieve development goals. At the same time, the proliferation of donors at the country and sector levels pose critical challenges to the effectiveness and impact of development co-operation due to often fragmented efforts.

This fact was acknowledged in the Paris Declaration (2005), which called for a pragmatic approach to the division of labour to increase complementarity and decrease transaction costs. The scope was broadened to international division of labour across countries in the Accra Agenda for Action (2008), also committing donors to use existing channels for aid delivery before separate new ones are created.

Despite these commitments, fragmentation – or the growing number of donors contributing relatively small volumes of aid – continues to increase in all regions except the Americas. On this basis, the objective of the thematic session was to define and initiate new priority areas for collective action, while engaging a broad partnership of actors.

II. Moderators and participants

Moderator: Ms. Alison Evans, Overseas Development Institute

Panellists:

Mr. Brian Atwood, Chair, Development Assistance Committee, OECD

Mr. Friedel Eggelmeyer, Director-General, BMZ, Germany

Ms. Maria Kiwanuka, Minister of Finance, Planning and Economic Development, Uganda

Mr. Kosti Manibe Ngai, Minister of Finance and Economic Planning, South Sudan

Mr. Ronald Nkusi, Director, External Finance, Ministry of Finance and Economic Planning, Rwanda

Mr. Vincent O'Neill, Director of Policy, Planning and Effectiveness, Irish Aid – Department of Foreign Affairs, Ireland.

Ms. Lidia Fromm for Mr. Julio Raudales Torres, Minister of Planning and Development Co-operation, Honduras

Mr. Michael von der Schulenberg, Executive Representative of the Secretary General and Head of the UN Integrated Peacebuilding Mission in Sierra Leone (UNIPSIL), on behalf of the UNDG

Mr. Serge Tomasi, Co- Chair G20 Development Working Group; Director of Global Economy and Dev. Strategies, Ministry for Foreign Affairs, France

III. Key issues discussed and main messages

- Despite efforts and joint initiatives, fragmentation continues to increase, but given that aid allocations are not static, there is always a window of opportunity to address

this problem. Some political incentives for doing so include global commitments, peer reviews and institutional processes that engage actors around common initiatives. Trends in multilateral aid show a proliferation of overlapping multilateral programmes and trust funds, also pointing to the incoherence of the system.

- Partner countries (Uganda, Honduras, Rwanda, South Sudan) reaffirmed the fact that aid comes in too many small slices from too many donors with different conditionalities, creating high transaction costs and making it difficult for partner country governments to own and manage their development.
- Partner countries familiar with donor exits insisted on the “disconnect” between headquarters and country offices and the importance of considering the non-financial relationship with donors, especially with regards to governance and human rights.
- The Government of Rwanda explained how they led the division of labour process in their country backed by the political commitment founded on the country’s medium-term development strategy. They initiated the process by evaluating the number of donors in crowded sectors and limiting the sector investment from donors on the basis of criteria (experience in the sector, volume of resources, donor mandates). Throughout the process the GoR used a matrix to negotiate priorities and to secure political buy-in.
- Ireland spoke of its presence in fewer than 20 countries, mostly in sub-Saharan Africa and indicated that this concentration made both political sense (parliamentarians demanded rationalisation) and economic sense, but required strong country leadership and good co-operation structures with other partners. They argued that the centralised structure may actually limit the “disconnect” between headquarters and country offices since decentralised structures may give the impression that the country office has more authority than is actually the case.
- Bilateral donors are also responsible for the incoherence of the system. They have country-level programmes, and simultaneously fund global funds, the UN system, trust funds and MDBs and these channels can undermine each other.
- To give an example of fragmented efforts in Sierra Leone, 32 different strategy documents written by UN entities, bilateral donors and the government were consolidated into a single joint strategy called “Agenda for Change” jointly written by all actors in-country.
- France raised the question of global coherence given that each donor uses different allocation keys, leading to a situation of under-aided countries. EU joint programming was discussed as a response to aid fragmentation to deliver more efficient, coherent and visible aid
- The South Sudanese minister threw into relief the challenges faced by a new and fragile state. Speaking of the legal requirement that all government expenditures are recorded on budget, and the tension this creates with donors who want to find a way around this, he indicated the problem his government faces in terms of accountability and political manoeuvring since a project for a certain constituency may not be on budget.

IV. Main conclusions and possible next steps

Panellists and the moderator referred to possible steps forward in their conclusions:

- Set country-level indicators that monitor proliferation and the sector division of labour;
- Make more use of pooled mechanisms and joint programming;
- Greater transparency on the part of donors (including NGOs) on volume and conditionalities;

There was general consensus that many of the technical complications are known, as are some of the solutions. Now was the right time to move this agenda forward with political will. Finally, the moderator highlighted how development partners need to respect that just as they choose to concentrate on certain countries, partner countries have the right to choose their friends and how many of them.

THEMATIC SESSION ON AID PREDICTABILITY AND TRANSPARENCY

I. Objectives

To promote a better understanding of the issue of aid predictability, discuss current practices of partner countries and development partners to improve the predictability of aid in their respective countries, and implications for development operations and effective delivery of results. Furthermore, the event was intended to provide valuable inputs to the Transparency building block discussion that took place on Day 2 at HLF-4.

II. Participants

Moderator: Neil Cole, Executive Secretary, Collaborative Africa Budget Reform Initiative.

Panellists:

John Rwangombwa, Minister of Finance, Rwanda

Samura Kamara, Minister of Finance, Sierra Leone

Peter Baxter, Director General, Australian Agency for International Development (AusAID), Australia

Anne Sipiläinen, Under Secretary of State, Finland

Kyle Peters, Director, Operations Policy and Country Services, World Bank

Karin Christiansen, Managing Director, Publish What You Fund

María Antonieta Guillén de Bográn, Vice-President, Honduras

III. Key issues discussed and main messages

1. Why does aid predictability matter?

Unpredictable aid flows undermine development impact as they make it difficult for aid recipients to plan and implement development priorities. This is especially pertinent for heavily aid dependent countries. Aid volatility has implications on the level, composition and sustainability of public spending, as well as on a government's ability to plan and execute the national budget. More and better quality of information on financial flows, projects and programmes that are being financed, and results expected to be achieved lead to more effective policy planning, programme implementation, and accountability.

Aid predictability has cross-cutting implications on development co-operation. However, the concept is not well understood. Aid is predictable when partner countries can be confident about the amounts and the timing of aid disbursement. This definition highlights two important aspects of predictability - the transparency of aid information, and the reliability of this information, which is related to the institutions and policies of development partners and partner countries for planning and budgeting.

Medium- and longer-term predictability issues have effects on plans to finance budgets. From a partner country perspective, budgeting is linked to monitoring policies which fit into a clear economic framework. Any delay on planned disbursements affect a partner country's macroeconomic plans.

2. Initiatives supportive of aid predictability

Australia has commitments made to double aid by 2016 and its growing economy helps maintain predictability. Australia's annual budget provides three-year estimated aid allocations that are published each year. There is significant development of new four-year indicative allocations at country level and partnership agreements that set out minimum levels of funding from AusAID and from the partner governments. A new transparency charter for AusAid has been established which enables it to publish internal audit reports.

For Finland, the key aspects of predictability are dialogue and transparency. It has an annual budgetary process and multi-year framework (rolling plan), which its parliament approves. Finland indicated this process needed to be done together with key development partners. Another aspect Finland considered important was bilateral dialogue with other donors to know what they were doing and planning. IATI and the OECD's forward looking survey were important tools in this process.

3. Key policies that make a difference

Open data initiative: to introduce mobile applications for bank finances, geo mapping, aid data transparency.

IATI is putting policies and systems in place which provide aid information to partner countries.

Donors need to encourage effective communications in countries and fields where they are active.

From a partner country perspective, aid transparency should be closely linked to use of country systems. Aid predictability becomes more powerful when more aid is recorded on budget.

IV. Main conclusions and possible next steps:

Aid Predictability has cross-cutting implications on development co-operation. However, the concept is not well understood. Aid is predictable when partner countries can be confident about the amounts and the timing of aid disbursement. This definition highlights two important aspects of predictability - the transparency of aid information, and the reliability of this information, which is related to the institutions and policies of development partners and partner countries for planning and budgeting.

While the issue and its implications are clearly recognised, actions to address it are lagging behind. Improving the predictability of aid, therefore, remains a critical issue for the development community.

Overall Public Financial Management (PFM) practices in partner countries and aid predictability are interdependent. Improvements in PFM will support improvements in aid predictability and vice versa. Conversely, weak aid predictability can be counterproductive to attempts to strengthen PFM in partner countries. The ability to make good use of information about aid largely depends on the quality of the information provided by donors and the quality of processes and systems in partner countries.

In the context of the current financial crisis and predictability donors need to be careful not to put in place rigid structures for delivery and management of aid in a world becoming more volatile. How can systems already in place respond to that rapid change?

It is impossible to achieve better aid, more ownership, less fragmentation, and greater accountability without transparency. Standards on aid reporting can facilitate efforts to

make aid more transparent and predictable on the side of development partners. IATI represents the ongoing global effort to make aid flows more easily accessible and comparable. While the work has gotten off to a good start, more countries are needed to join the common standard. In addition, the standards will need to be better linked and aligned with the country budget classification systems.

THEMATIC SESSION ON RESULTS

I. Objectives

Managing for development results (MfDR) is at the heart of the development effectiveness agenda. Developing countries need effective public sectors to deliver results, using the full range of development resources available. Partner country-led reforms, long-term support from donors and the nurturing of change agents are key elements for ensuring a systematic results orientation in public sector management.

The purpose of the session was to reflect on the evidence from monitoring and evaluating the Paris Declaration and Accra Agenda for Action which shows insufficient progress in realising the commitments on MfDR. It provided an opportunity to reflect on lessons learned to date, with a view to identifying good practice that could be scaled up to further progress and support in the context of the Busan agenda, drawing mainly on country experience and how donors and other development partners can best support country efforts.

II. Participants

Moderator: Stephen Groff, Vice-President, Asian Development Bank

Keynote speakers:

Dirk Niebel, Minister for Economic Co-operation and Development, Germany

Rolando Tungpalan, Co-Chair of the WP-EFF Global Partnership on Managing for Development Results and Deputy Director General, National Economic and Development Authority, The Philippines

Charlotte Petri Gornitzka, Director General and Head of the Swedish International Development Co-operation Agency

Panellists:

Karin Slowing, Minister of Planning, Guatemala

Charles Machinjili, Director, National Statistics Office, Malawi

Velayuthan Sivagnanasothy, Secretary, Ministry of Traditional Industries and Small Enterprise Development, Sri Lanka

Richard Ssewakiryanga, Executive Director, Uganda NGO Forum

Joachim von Amsberg, Vice-President, World Bank

Debrework Zewdie, Deputy Executive Director Global Fund

III. Key issues discussed and main messages

- Political leadership is significant in driving the results agenda, inspiring institutions and public servants to translate political discourse and vision into specific operational practices and ensuring that financial resources follow. Experience in Guatemala suggests the need for revamping the planning function which had been dismantled following reforms during the previous decade.

- For the results agenda to be a truly country-owned initiative, governments are responsible for setting the targets and leading the overall process but need to involve all relevant stakeholders. Civil society can play a critical role in providing perspectives on possible implications of results focus, including possible associated risks, and the need to be realistic and pragmatic.
- Defining results can neither be simplistic nor mechanistic. The focus on development effectiveness suggests a shift from easily measurable outcomes to the overall effectiveness of development assistance and from attribution to overall contribution.
- Results-based public sector management is seen as a key driver for development effectiveness. While systems exist in many instances, the challenge is to make each of the public sector management components (budgeting, planning, implementation, monitoring and evaluation) results oriented and ensure linkages to support learning and evidence-based decision making. Speakers recognised the importance of results-based public sector management systems for improved decision making. They stressed the role of Communities of Practice on MfDR in nurturing change agents to support reforms.
- Multilateral development banks have played a key role in sharing best practices on corporate results frameworks, promoting transparency and open data initiatives. Their approach to results provides tools for accountability and informs results-based dialogue with stakeholders.
- Speakers from developing countries confirmed the relevance the Seoul Statement on Results and unanimously emphasised the need for donors to pull together with them so that they can really achieve results. This requires effective use of country systems and a shift away from parallel systems for data collection and reporting. Donor-driven evaluation could shift towards more joint evaluation to encourage partner capacity development and mutual learning.
- More needs to be done to engage politicians and donors to recognise the importance of statistics for evidence-based policy making. Malawi emphasised the importance for statistics to be based on national development priorities. The Congo highlighted some of the challenges it is facing in implementing its national strategy for the development of statistics, including the urgency and difficulties of conducting a population census.
- Country-led capacity development building on existing country systems is important for countries to own results and be held accountable for bettering people's lives. Monitoring and evaluation should not be seen as an afterthought as demonstrated by the Global Fund which invests 5-10% of its funding in building systems.

IV. Main conclusions

The moderator made the following concluding remarks:

- Sustained results aimed at reducing poverty should be at the heart of aid and development effectiveness. Panel members therefore reconfirmed the relevance of MfDR. This agenda requires reinforced political commitment.
- An effective public sector is necessary to deliver results. To drive necessary reforms, partner country leadership, both at political and technical levels, is essential.
- Results at the country level should be defined by results frameworks. These frameworks should underpin national plans and drive the process for measuring,

reporting and accounting for performance. The benefits of involving civil society and the private sector in developing and implementing these frameworks were highlighted as well. Transparent and relevant statistics are important to enable informed decision making.

- Significant scope remains for development partners to better manage aid delivery. Some innovative initiatives, such as results-based financing and emerging best practices on results reporting, were presented, while the need to learn lessons and recognise the implications and limitations of these approaches was acknowledged.
- What is required going forward is a comprehensive results agenda consisting of initiatives to better deliver, measure and demonstrate results.
- The presentation on the Building Block on Results and Accountability emphasised that country agreements on results and accountability should be defined and led by partner countries and tailored to the specific country context. It should serve as a platform for jointly exploring initiatives to better manage for results, building on existing frameworks.

THEMATIC SESSION ON CAPACITY DEVELOPMENT

I. Objectives

Capacity development (CD) has long been understood as critical to increased and sustainable development effectiveness. Consensus is emerging around key principles for country-led capacity development, as well as the importance of putting these principles into practice – as reflected in the Cairo Consensus on CD, the Bangkok Call to Action on Technical Co-operation for CD, the Addis Ababa Third Regional African Consultative Meeting on Aid Effectiveness and the Bogotá High Level Meeting on South-South Co-operation and CD. Recognising that capacity development remains a binding constraint to the ambitious goals of the Fourth High Level Forum, concrete, far-reaching actions are urgently needed to advance the practice and knowledge of this crucial area of country-led development.

II. Participants

Moderator: Frannie Léautier, Executive Secretary, African Capacity Building Foundation.

Panellists

Talaat Abdel-Malek, Co-Chair, Working Party on Aid Effectiveness

H.E. Chhieng Yanara, Minister attached to the Prime Minister, Secretary-General of the Cambodian Rehabilitation and Development Board of the Council for the Development of Cambodia

Stella Mugabo, Executive Secretary, Public Sector Capacity Building Secretariat, Rwanda

Don Marut, Executive Director, International NGO Forum of Indonesian Development

Ibrahim Assane Mayaki, Chief Executive Officer, New Partnership for Africa's Development

Irina Bokova, Director General, United Nations Educational, Scientific and Cultural Organisation

Christoph Beier, Director, GIZ (Deutsche Gesellschaft für Internationale Zusammenarbeit) GmbH, Germany

Emmanuel Akwetey, Executive Director, Institute for Democratic Governance, Ghana

Wonhuyk Lim, Korean Development Institute, Korea

H.E. Dalmas Anyango Otieno, Minister of State for Public Service, Kenya

Planned floor interventions were made by:

Gerard Van Bilzen, Ambassador for Train4Dev

Nils Boesen, Director, United Nations Development Programme, Learning Network on Capacity Development (LenCD)

Akihiko Nishio, Director, World Bank Institute

III. Key issues discussed and main messages

It was emphasised that while there is widespread agreement that capacity development is necessary for sustainable development results, and there are sporadic cases of success, there are multiple cases of failure. CD is complex, long term and involves political challenges.

Ownership, political commitment, and sustained political engagement and leadership are critical for effective capacity development. It is a question of self-determination. This was underscored in the discussions of the successful cases presented by Cambodian, Rwandan, Korean and Kenyan speakers. However, a speedier rate of change in behaviour is needed of the development partners. Monitoring of practice compared to agreed actions is required post-Busan.

Speakers pointed to the importance of strong national vision and focusing CD on clear national priorities. In addition, a strong emphasis was given to the role of non-state actors as well as state actors in the development process and hence the need for CD and synergies across society. Southern think tanks can play a critical role in identifying and analysing home grown solutions.

Examples of good practice in CD mentioned include (i) focus on improving performance of institutions, (ii) strong results logic, (iii) systematic planning, implementation, monitoring and exit strategy, (iv) joint learning events at the country level, (v) transparent monitoring of performance, (vi) learning by doing, (vii) pragmatic solutions.

Knowledge exchange and peer learning are powerful mechanisms for capacity development when undertaken with engagement over a period of time and are mutual in nature, as highlighted by the KDI/WBI study of Korea's Knowledge Sharing Programme and new networks such as APDev.

Capacity development goes beyond training and education – it is about institutions and processes of change, and includes women's empowerment.

IV. Possible next steps

The capacity development thematic session highlighted the importance of results-focused capacity development in successful change processes and put forward concrete actions to carry forward:

- Result-focused capacity development should be a key, explicit focus of the country-led compacts - and the work on effective institutions that will follow Busan.
- There is a need for more organised and explicit approach to capturing and sharing knowledge on capacity development. This has to be a focus on the commitments made in Busan, using existing networks and strengthening the global knowledge architecture for capacity development.

Capacity development is not just an add-on, an afterthought, but requires an engaged political leadership to put capacity development at the centre of country-led development priorities.

THEMATIC SESSION ON RIGHTS-BASED APPROACHES TO DEVELOPMENT

I. Objectives

- i) To present the role of a rights-based approach in advancing development effectiveness and results for development co-operation overall
- ii) To formulate and encourage concrete political action to better integrate it - as well as inclusive and participative mechanisms - into development co-operation.

II. Participants

Moderator: Henri Valot, CIVICUS – World Alliance for Citizen Participation

Panellists

Heidi Hautala, Minister for International Development, Finland.

Maina Kiai, Special Rapporteur on the Rights to Freedom of Peaceful Assembly and of Association, Office of the United Nations High Commissioner for Human Rights

Wellington Chibebe, Deputy Secretary-General, International Trade Union Confederation

Azra Sayeed, Executive Director, Asia Pacific Forum on Women, Law and Development

Juan Carlos Alurralde Tejada, Vice Minister of Foreign Affairs, Bolivia

Elisabetta Belloni, Secretary General for Development Co-operation, Ministry of Foreign Affairs, Italy

Anthony Lake, Executive Director, United Nations Children's Fund

Christian Friis Bach, Minister for Development Co-operation, Denmark

III. Key issues discussed

The rights-based approach to development in practice.

The rights-based approach can be seen as a development objective in itself, in addition to a means of achieving other objectives. RBA strengthens the principles of ownership, transparency and accountability, which again are important elements for achieving results in many other areas. There are some good examples of how the rights-based approach to development has produced good results on the ground, but progress has been mostly on the normative side. In many countries, government and private sector actors often decide on national issues in people's absence.

Operational challenges and opportunities for greater development results

Despite some significant advances on recognising human rights principles, there are still difficulties in translating them into practice in development co-operation. Information is key in order to uphold human rights, and sufficient capacity of duty bearers and rights claimants is an essential condition: Without capacity to deliver, the principles are just rhetoric. The rights-based approach focuses on the demand side of development, and process is often as important as results. The rights-based approach must be seen as being

about compliance not about conditionality imposed from the outside. There is a need to recognise collective rights as well as individual rights. Translating human rights into development co-operation projects means that human rights should be a cross-sectoral issue and not a self-standing issue. A challenge is how to marry human rights principles with practice on development and public policy in general. Moreover, practice without principles is rudderless.

The change ahead: engaging post-Busan towards more inclusive development.

There is a strong commitment to move beyond aid effectiveness and focus instead of development effectiveness. This is a new approach, a new focus. Development effectiveness means a deeper focus on impact of aid and non-aid. We still face the challenge of shoring up the way that a rights-based approach has helped and how it produces results. This will be a challenge for practitioners. Civil society capacity and their ability to demand and defend rights is an essential and crucial element of the rights-based agenda, and the focus must be on widening civil society's space for action. We need to break down the separation between development effectiveness and rights, and show that a rights-based approach produces results. For example studies show that where there are safety nets in place, economies are better able to weather crises through stabilising demand.

IV. Main conclusions

- It is time to break the divide between human rights, aid, and economic policies. Human rights and the rights-based approach should be shared values and principles for all development stakeholders.
- The rights-based approach is not about conditionality but about shared commitments of both donors and partners countries.
- There have been concrete measures and initiatives to ensure non-discrimination and empowerment of marginalised groups. Social protection floor policies have proven it works. The rights-based approach allows a move from aid effectiveness to development effectiveness.
- There are issues about the shrinking space for civil society. All stakeholders should ensure an enabling environment and adequate participation mechanisms for people to claim their rights and enhance accountability.
- Development co-operation results must be assessed with indicators that reflect both on outcome and processes. There is a need to produce disaggregated data that allow the measurement of progress towards equity and breaks the invisibility of marginalised groups.

We need to work together in the follow up of Busan to further develop guidance and indicators that allow for a full integration of rights-based approaches in development co-operation.

THEMATIC SESSION ON CONFLICT AND FRAGILITY

I. Objective

More than 1.5 billion people live in fragile and conflict-affected countries. Caught in cycles of poverty and violence, few of these countries will achieve a single Millennium Development Goal by 2015. The New Deal for Engagement in Fragile States (the New Deal) sets out five goals - legitimate politics, justice, security, economic foundations and revenues and services - to give clarity on the priorities in fragile states.

The objective of this session was to discuss good and weak donor performance in fragile states and to identify areas for improvement as the evidence base for the New Deal. Results from the 2011 monitoring survey of the Principles for Good International Engagement in Fragile Situations were used to frame the discussion. This session considered unfinished business and remaining challenges in the results and accountability agenda and proposed a building block to implement Busan commitments.

II. Participants

Co-moderators:

Mr. Tobias Nussbaum, Co-Chair of the OECD-DAC International Network on Conflict and Fragility (INCAF)

Dr. James F. Kollie, Acting Deputy Minister for Regional & Sectoral Planning, Liberia

Panellists:

Ms. Helen Clark, Administrator, United Nations Development Programme

H.E. Samura Kamara, Minister of Finance, Sierra Leone

Mr. Peter Moors, Director General for Development Co-operation, Belgium

H.E. Gervais Rufyikiri, Second Vice-President, Burundi

Mr. Michael von der Schulenburg, Special Representative of the UN Secretary-General, Sierra Leone

Mr. Joachim von Amsberg, Vice President, Operations Policy and Country Services, World Bank

Ms. Nancy Lindborg, Assistant Administrator, United States Agency for International Development

Dr. Mustafa Mastoor, Deputy Minister of Finance, Afghanistan

Mr. Paul Okumu, Head of Secretariat, Africa CSO Platform of Principled Partnership

H.E. Emilia Pires, Minister of Finance, Timor-Leste

III. Key issues discussed

Key findings from the FSP Survey

Mr. Nussbaum (Canada) provided an overview of the mixed progress reported in results of the 2011 Survey on the implementation of the Fragile States Principles (FSP). The key finding of the Survey is that most aid actors are not set up to meet the specific

challenges posed by fragile situations and that they are not systematically able to translate commitments made by their headquarters into country-level changes.

Key points from the discussion

Mr. Moors (Belgium) made the case that lifting fragile states out of fragility will remain a major development challenge for the next decades and fragility will dominate the upcoming development agenda. Mr. Rufyikiri (Burundi) reminded participants about the importance of donors staying engaged long enough to give success a chance (FSP principle 9). He stated the example of Burundi, where donors are starting to withdraw support just at the time when Burundi can use aid with increasing effectiveness.

A pre-condition for overcoming fragility and conflict is to understand its causes and drivers. Ms. Pires (Timor-Leste) recalled the FSP Survey findings that demonstrate a lack of shared vision among all stakeholders in many settings because of a missing understanding for the local context.

A thorough understanding of context is a necessary starting point for a common strategy and a limited set of key priorities. Mr. von der Schulenburg (UNIPSIL) outlined the good example from Sierra Leone where from 32 different strategy documents (in 2008) the Government came up with a single country strategy (the Agenda for Change), a prerequisite for effective and coherent action. Moreover, partner government leadership is critical for effective planning and implementation of such strategies.

Approaches focused on the MDGs or PRSPs are not always suitable: fragile settings require a sharp focus on a limited number of peacebuilding and statebuilding priorities. The FSP survey found that support to strengthening of key institutions essential for statebuilding remain limited.

Key areas requiring attention are: i) state-society relations, an inclusive political process and empowerment/participation of women as key actors for peace. Paul Okumu (Africa CSO Platform) mentioned the important role of civil society actors in mobilising citizens and referred to positive examples from DRC; ii) Building effective and accountable institutions to deliver security, justice and jobs and raise revenues. This is reflected in the International Dialogue's Peacebuilding and Statebuilding Goals; iii) Developing local capacity for conflict prevention and conflict resolution at all levels (Kenya provides a good example). UNDP's Helen Clark pointed out the need to stay engaged and invest in local capacity for conflict prevention, particularly early warning and response systems.

The way aid is delivered in situations of conflict and fragility matters. Issues specific to fragile states are: i) greater risks that outside assistance can do harm, in particular by by-passing governments by setting up parallel mechanisms, not being conflict-sensitive or by concentrating aid on the capital and the periphery and/or in certain locations where donor interests are concentrated. Mr. Mastoor (Afghanistan), mentioned the Afghanistan case where too many donors and a reliance on parallel structures are not benefitting the country's development; ii) Donor programmes/projects are often 'pre-packaged' and are often complex and ambitious, and tend not to take partner countries' capacity constraints into account; iii) Donors must take greater risks in their involvement with fragile states; Mr. von Amsberg (World Bank) pointed out the need for quicker responses and more predictable and sustainable financing; iv) Donors should work towards a whole-of-government approach as pointed out by Nancy Lindborg (USAID) who referred to the US Policy Directive on Development. The securitisation and militarisation of the aid agenda was raised as a concern - the challenge is to harness security issues for development, including issues of human security.

Finally, the meeting concluded that the major challenge for donors is to put into practice commitments, principles and policies they sign up to, i.e. to give a big political push to translate headquarters policy into practice on the ground. It was recognised that quality international engagement needs to be matched by partner country leadership, as for example shown by the successes of Rwanda. There was a strong consensus that the International Dialogue's New Deal represents an important step forward and a much needed action plan to change the way national and international actors work in fragile states.

IV. Main conclusions and next steps

Lifting states out of fragility will remain a major development challenge for the next decades, dominating the development agenda. As the push intensifies to turn words into action through the New Deal for Engagement in Fragile States, understanding good and weak donor performance in fragile states is essential. Good engagement starts with understanding the causes and drivers of fragility, and the unique context of each fragile state. Donors should be willing to take greater risks, formulating a common strategy with a sharp focus on just a few peacebuilding and statebuilding priorities, and dispensing funds more predictably and reliably. In addition, national and international efforts should help build state-society relations and effective, accountable institutions, and develop local capacity.

THEMATIC SESSION ON SOUTH-SOUTH AND TRIANGULAR CO-OPERATION

I. Objectives

This session provided an opportunity for inclusive and in-depth discussions of lessons learned and recommendations arising from the experiences among countries and organisations involved in South-South and triangular co-operation. It aimed to distil key messages and identify specific, forward-looking actions and initiatives to be implemented after Busan. Interventions covered the country, regional and multilateral perspective of South-South and triangular co-operation.

II. Moderators and participants

Moderator: Mr. Sanjay Pradhan, Vice President, World Bank Institute

Panellists:

Ms. Paola Buendía García, Deputy Director General to the President's Office, Colombia

Mr. Diego Cánepa, Pro-Secretary of Uruguay Presidency, and President of Uruguayan Agency of International Co-operation, on behalf of Ibero-American countries

Mr. Mohamed Elzorkany, Egyptian Ambassador to Korea

Mr. Marco Farani, Director of the Brazilian Agency for Co-operation

Mr. Jonathan Glennie, Overseas Development Institute

Mr. Rogelio Granguillhome, Executive Director, Mexican Agency for International Development Co-operation

Dr. Akio Hosono, Director, Japan International Co-operation Agency Research Institute

Mr. Enos Oyaya, Director, Quality Assurance and Standards, Ministry for Education, Kenya

Mr. Manmohan Parkash, Advisor on Knowledge Management and Capacity Development, East Asia Department, Asian Development Bank

Mr. Yiping Zhou, Director, United Nations Special Unit on South-South Co-operation

III. Key issues discussed

South-South co-operation (SSC) brings innovative solutions for achieving common development goals, complementing other forms of development co-operation and finance. —Genuine” SSC is demand driven and focused on sharing lessons and experiences on how to address development problems and challenges that are common to different developing countries. It can be an efficient way of providing technical co-operation and expertise. SSC is not only about transfer of public funds, but also about trade, investment, technology transfer, cultural exchanges. SSC flows complement rather than substitute other forms of development co-operation and finance, bringing an opportunity to join forces and resources to promote development.

However, there challenges to achieving the full potential of SSC. The first challenge is to build institutional capacities at organisational and individual levels to engage in and manage SSC. Developing countries need to train their staff and develop systems for planning, implementing, evaluating and monitoring SSC. Different institutional settings and mechanisms can help addressing this challenge. For instance, establishing a

development co-operation agency can help to manage incoming and outgoing co-operation flows, channel resources more effectively, and ensure co-ordination and coherence among. Another solution is to involve centres of excellence in SSC activities: they have first-hand experience in building individual and organisational capacities to create innovative solutions to development challenges, many of which are relevant to other developing countries. Partnership programmes between Northern and Southern providers of development co-operation have proved to be effective in reducing transaction costs, improving aid predictability, and avoiding sporadic and fragmented types of co-operation. Finally, regional co-ordination mechanisms can help structuring SSC, enhancing the scope for scaling up successful co-operation activities and helping to match supply and demand for development resources.

The second challenge is the lack of financial resources for SSC. Bilateral and multilateral donors can help overcome this challenge by providing support to SSC through triangular co-operation. Triangular co-operation can be a good way of creating synergies between North-South and SSC. However, this form of development co-operation can only be successful if it is built on developing countries' ownership and if partners can minimise transaction costs. International organisations can play an important role in fostering South-South and triangular co-operation. Multilateral organisations can play the role of global connectors, by connecting supply and demand for knowledge sharing; funding SSC; supporting design, implementation and monitoring of knowledge exchange activities; and collecting data on SSC. Regional organisations can also perform these roles in their regions, facilitating intra-regional co-operation, promoting policy dialogue and knowledge sharing on specific issues affecting each region, and co-ordinating common regional positions.

IV. Main conclusions

Going forward, the post-Busan agenda for South-South and triangular co-operation should continue to be driven by developing countries. However, a wider constituency of actors can also help moving forward the SSC agenda. They include not only policy-makers, but also development practitioners, academia, civil society organisations, regional and multilateral organisations. In particular, regional and multilateral organisations can facilitate and intermediate contact among developing countries and help developing capacities for South-South knowledge exchange.

Current international debate on South-South and triangular co-operation is very focused on policy issues, but there should be more discussion on practical approaches to these types of development co-operation. Countries and organisations should share more practical experiences, which will contribute to advance mutual learning about the conditions required to promote effective South-South and triangular co-operation.

There is also a need for more substantive discussion on the how to promote knowledge and skills for development, identifying where South-South and triangular co-operation have a comparative advantage over North-South co-operation. There is a need to closely examine the role of knowledge in promoting development, including the process of knowledge sharing and knowledge co-creation for increased development effectiveness.

THEMATIC SESSION ON PUBLIC-PRIVATE CO-OPERATION FOR BROAD-BASED, INCLUSIVE, AND SUSTAINABLE GROWTH

I. Objectives

This thematic session served as background information session to the Building Block on Public-Private Co-operation for Broad-based, Inclusive and Sustainable Growth. The objectives were to recognise the private sector as a key partner to development, to share significant experiences in structured and results-oriented public-private dialogue and co-operation and to promote more progress towards effective partnerships in view of reaching to the Millennium Development Goals and other development goals.

II. Participants

Moderator: Rob Swartbol, Deputy Director-General for International Co-operation, Ministry of Foreign Affairs, the Netherlands.

Panellists:

Dirk Niebel, Minister, Germany

Johannes Merck, Otto Group, Cotton Made in Africa

Nena Stoiljkovic, International Finance Corporation

Douja Gharbi, Confederation of Citizen Enterprises, Tunisia

Kyung Wook Hur, Ambassador and Permanent Representative of Korea to the OECD

Joost Oorthuizen, CEO, Dutch Initiative for Sustainable Trade

Sylvia Wisniwski, Finance in Motion

Helen van Hoeven, Director, Market Transformation Initiative, WWF

Charlotte Petri Gornitzka, Director-General, SIDA

Onno Schellekens, Investment Fund for Health in Africa

Christian Merz, SAP

Bold Magvan, CEO of TenGer Financial Group

Rajiv Shah, US Agency for International Development

III. Key issues discussed

The thematic session addressed three main issues:

Promoting more effective public-private collaboration at the country level: In this first session, participants discussed how structured and transparent public-private dialogues can help improve the business environment through identifying and overcoming regulatory and policy barriers. To unlock the full potential of the private sector in developing countries, the donor community can play a role to support an attractive and predictable enabling business environment. This entails certain critical conditions such as peace and stability, rule of law, effective public governance, open markets for trade and investment, adequate infrastructure systems. Representatives from the public and the private sectors provided examples of effective country-level collaboration in support of sustainable increase in cotton producers' incomes, policy frameworks that are inclusive

and conducive to private sector development, improved access to finance and support to innovation for small entrepreneurs.

Session two focused on catalytic partnerships. Participants discussed how to amplify the impact of development assistance by strategically using public sector aid to attract and leverage private funds. Aid remains essential, but it is clear that aid alone cannot ensure strong, sustainable and balanced growth in developing countries. The donor community should put due emphasis on the mobilisation of the foreign and domestic private sector and leverage non public sources of development finance to boost investment infrastructure, agriculture, and many other economic sectors. Participants to this session provided examples of successful partnerships that build on respective comparative advantages in the areas of sustainable trade, value chain for cocoa production, financing of small, medium and large enterprises and supporting sustainable commodities transformation in developing countries.

What are the most effective tools for accelerating innovation for inclusive development and where are the greatest opportunities for impact? Participants of session three discussed how development stakeholders can promote and channel innovation for sustainable development. Representatives from the public and the private sectors shared experiences, including progress and challenges, in piloting new models for risk sharing, creating challenge funds to support early innovation and progress against poverty and using technologic innovation to develop cost effective services to the poor.

IV. Main conclusions

There is momentum to build on, and public and private actors should implement new ways of resolving development challenges through more effective co-operation. The donor community is looking for more strategic partnerships in order to scale up effective solutions and the private sector is also working increasingly with the donors. Yet, local private sector actors find it difficult to work with the donors; more information about their tools for supporting private sector development is needed.

Different types of collaboration between the public and the private sector are already being implemented in developing countries, using aid as a catalyst. Partners in development need to change the approach to aid and to public-private co-operation to overcome a series of myths:

- that low income countries cannot invest in their own development
- that Foreign Direct Investment will replace Official Development Assistance.
- that low-income countries and municipalities are unable to develop or keep local development markets and always need full support from finance institutions
- that donor policies cannot support innovation

The three themes discussed above offer opportunities for scaling up and replicating effective co-operation between the public and the private sector. The five principles embedded in the Joint Statement on expanding and enhancing public-private co-operation for broad-based, inclusive and sustainable growth provide a useful framework for willing public and private actors to move forward in this direction.

SUMMARIES FROM DAY TWO

30 November 2011

SPECIAL SESSION ON GENDER EQUALITY

I. Objectives and panellists

Achieving our internationally agreed development goals will require accelerated progress on gender equality and women's empowerment, as well as integrating gender equality dimensions into all aspects of development co-operation. This necessitates strong political support from partner countries, donors and other stakeholders, including civil society and the private sector. The special session on gender equality served as a platform to build political commitment to gender equality and women's empowerment – essential to aid and development effectiveness.

II. Moderator and panellists

Moderator: Michelle Bachelet, Executive Director of UN Women

Panellists:

Hillary Clinton, Secretary of State, United States of America (opening remarks)

Hans Wijayasuriya, CEO, Dialog Axiata, Sri Lanka

Sri Mulyani Indrawati, Managing Director, World Bank

Esther Mwaure-Muiru, Founder and Co-ordinator, Groots, Kenya

Kim Kum-lae, Minister of Gender Equality and Family, Korea (closing remarks)

III. Key issues discussed

Implementing policies and commitments: For development to be effective, gender equality needs to be addressed effectively. Helpful tools such as the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW) and the Beijing Platform for Action already exist. It is time to take action and ensure implementation of commitments and policies on gender equality. This implies taking a critical look at the allocation of resources – existing gender equality commitments and policies need to be matched with the appropriate resources.

Accountability and evidence-based decision making: Transparency and accountability can be strengthened by using data disaggregated by sex and gender equality outcome indicators. The lack of adequate data, on the other hand, impedes informed and effective policy-making.

The World Bank, through the Sixteenth Replenishment of the International Development Association (IDA 16), will prioritise and mainstream gender equality – and track the results of these operations.

Inclusiveness: Both women and men need to have the opportunity to engage in designing, implementing and evaluating development policies and plans. Women, including local women's groups, are key contributors to effective development. Innovation and technology from the private sector can help advance women's participation and gender equality. For example, helping women to use mobile technology can have a catalytic effect on their access to banking, insurance and trade.

IV. Main conclusions and next steps

Participants expressed their support for the Busan Joint Action Plan on Gender Equality and Development. The Plan captures commitments to gender equality, women's rights and women's empowerment made at HLF4. Its intent is to build momentum for implementing these commitments throughout post-Busan activities, as appropriate, and in a co-ordinated way.

The —Evidence and Data for Gender Equality” (EDGE) initiative is addressed as one part of the Busan Joint Action Plan on Gender Equality and Development. This initiative builds on the decision in the OECD Ministerial Council Meeting in May 2011 that the OECD, the World Bank and the UN would work to define a harmonised list of gender equality outcome indicators in the sectors of Education, Employment, and Entrepreneurship. EDGE is intended to create a flexible mechanism to respond to a growing demand by countries for financial and technical support to improve the availability and use of gender equality indicators.

BUILDING BLOCK ON MANAGING DIVERSITY AND REDUCING FRAGMENTATION

I. Objective

In recent years, there has been an increasing demand for greater results information in order to more clearly assess the impact of development co-operation and its impact on inclusive growth and poverty reduction. Anecdotal evidence highlights how this can create excessive demands for data which cannot be satisfied by national statistical systems. Because of this, there are numerous examples around the world of ad-hoc data collection that bypass national systems and undermines national capacities, which in turn raises questions about data quality and integrity.

This session considered unfinished business and remaining challenges in the results and accountability agenda and proposed a building block to implement Busan commitments.

II. Participants

Moderator: Andrew Mitchell, Secretary of State for International Development, United Kingdom

Panellists

Haruhiko Kuroda, President, Asian Development Bank

John Rwangombwa, Minister of Finance and Economic Planning, Rwanda

Henrique Banze, Deputy Minister of Foreign Affairs and Co-operation, Mozambique

Mustafa Haidi Mkulo, Minister of Finance, Tanzania

Janice O'Sullivan, Minister of State for Trade and Development, Ireland

Beverley Oda, Minister of International Co-operation, Canada

Maina Kiai, United Nations Special Rapporteur on the Rights to Freedom of Peaceful Assembly and of Association

III. Key issues discussed

The Asian Development Bank reported on the conclusions of the sessions on results from the previous which confirmed the relevance of managing for development results, with sustained results aimed at reducing poverty being at the heart of aid and development effectiveness. This agenda requires an effective public sector and leadership at the political and technical levels to deliver results. Communities of Practice have a strong role to play in nurturing change agents. Results at the country level should be defined by results frameworks. Involving the private sector and civil society organisations is essential. Partners must respect Paris Declaration principles. Country results and accountability agreements should be defined and led by countries. The Asian Development Bank itself has developed a corporate-wide development results framework.

Rwanda emphasised the importance of channelling domestic and external resources through country systems to ensure results: aid cannot be channelled through parallel systems. Resources must be aligned with results. This would require the following from recipients and donors:

- recipients: build public financial management systems, ensure implementation of plans and value for money, fight corruption, ensure accountability.
- donors: channel resources through country systems, respect common performance assessment frameworks.

Mozambique commented on its framework for accountability which is based on the country's Poverty Reduction Strategy Paper and Paris Declaration principles. Consultations are held with stakeholders in parliament, civil society organisations, and development partners - the mechanisms for this consultation are through annual reporting, a poverty observatory, annual joint reviews with partners, and a joint assessment of the performance of both partners and the country. However, it would be important to find the incentives for partners to be accountable - currently, if partners do not comply with principles, there is no disincentive.

According to Tanzania, countries and partners must continue to reform aid management. Transparency is a powerful ingredient of mutual accountability. Statistical capacity should be developed to enhance mutual accountability for results, which should be ensured by independent monitoring groups.

Ireland: Political leadership and country systems must be in place. We are accountable to citizens, so we must communicate clearly. We must engage parliamentarians in their oversight role and strengthen civil society organisations and the media. Men and women must have an equal voice in determining the path of development. We should commit to a framework in each country to ensure better use of our resources.

Canada: To achieve long-term sustainability, all parties must put results at the forefront, targeting results/outcomes, all parties must be willing to be held accountable on achieving results. Donors are under pressure to do more and to produce concrete results. To do so, they must help countries build capacities to develop plans. Accountability should be seen as a means of making interventions more effective and to provide better value per dollar. A limited number of indicators should be established while ensuring that the necessary statistical capacity and data are in place.

The UN Special Rapporteur on the Right of Peaceful Assembly drew on the conclusions of the rights-based approach session from the day before and commented that there has been progress in the recognition of rights. The rights-based approach is not just morally right — it also works. It should not be solely the responsibility of civil society organisations but of all. It involves widening the consultation process to solicit the voice of all development actors and enables the move from aid effectiveness to development effectiveness. Disaggregated data on marginalised groups are crucial to facilitate this consultation.

The Millennium Challenge Corporation called for an inclusive, country-led, results-focused approach to development which includes the voice of women. The Global Fund also called for a more inclusive model for development and better measurement and management of results, with results frameworks helping re-energise country partnerships and hold together partners.

IV. Main conclusions and next steps

The moderator (United Kingdom) closed the panel by commenting that the building block enjoys an impressive list of supporters, bringing together over 20 developing countries, development co-operation providers or multilaterals, with more expected. The UK, which has played a lead role in this building block, indicated how it will work with partner countries who wish to pursue a Country Results and Accountability Agreement, and the underlying initiatives, as it has done on for example on Results Based Aid, and

strengthening capacity in country. This building block will deliver better and more results. The UK mentioned how its own results framework translated into commitments to stop 250 000 babies dying needlessly, educating 11 million children and moving 50 million people out of poverty.

BUILDING BLOCK ON TRANSPARENCY

I. Objective

The objectives of the session on Transparency were:

- Presentation of the key aspects of the Building Block (BB) on ‘Pushing the Boundaries on Transparency for better Predictability, Engagement and Accountability.’
- Provide political support for the BB and share experiences that demonstrate how various governments and organisations have made their information more available and promoted accountability.
- Present specific actions to mobilise the global community to further strengthen aid and fiscal transparency for better predictability, engagement and accountability post-Busan.

II. Participants

Moderator: Neil Cole, Chief Director, African Economic Integration, South Africa, and Executive Secretary, CABRI

Panellists

François Zoundi, Deputy Minister in charge of Budget, Burkina Faso

Gunilla Carlsson, Minister for Development Co-operation, Sweden

Sri Mulyani Indrawati, Managing Director, World Bank

Nhlanhla Nene, Deputy Minister of Finance, South Africa

Adriano Nuvunga, Co-Executive Director, Center for Public Integrity, Mozambique (CSO)

III. Key issues discussed

Transparency and accountability have emerged over the last decade as key areas for improving development outcomes and addressing development challenges, such as corruption and mismanagement. These concepts are also seen as being critical for improving the predictability of aid flows. Unpredictable aid flows undermine development impact as they make it difficult for aid recipients to plan and implement development priorities.

Accelerating progress in the area of transparency requires joint action from partner countries and development partners both at the global and country level. The BB builds on key initiatives of i) the International Aid Transparency Initiative (IATI), ii) the Open Government Partnership (OGP) and iii) the Global Initiative for Fiscal Transparency (GIFT and consists of efforts and joint actions in the following areas:

- Public availability of all information on aid and other development resources from development partners that fund the provision of public goods and services in a standardised, comparable and timely manner. The information must have an appropriate level of detail on sectors, programmes and projects so that partner countries can adequately reflect them in their budget documents and processes, and allocate their own domestic resources optimally.

- Provision of comparable, accessible and easy-to-understand information on all development resources, including aid, and results, to stakeholders in the respective countries (including parliaments, audit institutions and civil society) in order to: (i) strengthen oversight and accountability; (ii) promote greater access and use of information by citizens; and (iii) ensure better and locally-owned development outcomes.

Aid transparency contributes to fiscal transparency. The “Make Aid Transparent” campaign and the Dar es Salaam Declaration on Budget Transparency highlighted the need for transparency, also asking governments that receive aid to be transparent about their budget decisions. Many countries face challenges in promoting fiscal transparency due to:

- Lack of technical capacity
- Uncertainty around how much information should be made available
- Lack of political will to disclose fiscal information/civil society is often weak.

Good practices discussed

Recognising the importance of transparency as key to development effectiveness and accountability, a number of actors are making progress with making their aid information available to stakeholders.

Partner countries:

- In Burkina Faso, a series of financial management reforms are being undertaken. The Gateway Foundation's Aid Management Platform (AMP) allows for data collection and the integration of budget flows into the budget.
- South Africa is at the forefront when it comes to fiscal transparency. The country's Public Financial Management (PFM) act makes it mandatory to report on all funds.

Donors:

- The World Bank is making efforts to become more open making all its data available for all through the “OpenData Initiative”. Broader access to the data which is easily accessible and searchable allows policymakers and advocacy groups to make better-informed decisions and measure improvements more accurately. They are also valuable tools to support research by journalists, academia and others, broadening understanding of global issues.
- Sweden has recently launched its OPENAID initiative, which makes public information on aid finances, projects and their results available to the public. The information is published in accordance with the International Aid Transparency Initiative (IATI).

IV. Main conclusions and possible next steps

Partner country perspectives on transparency: Partner countries across different regions have called for progress at Busan and beyond on increased transparency for better planning and stronger accountability for delivering development results. Similarly, civil society groups across the world are demanding more and better information on government finances (including aid).

A set of key issues for partner countries for consideration beyond Busan:

- commit to being open about the decision-making cycle in financial planning

- move towards outcome-based PFM
- improve annual budget documentation and make public what will be funded
- empower CSOs to demand accountability and information
- make available and audit budget information

The Global Response to Demand for Better Aid Information: In response to partner country needs and global commitments, a number of partner countries and donors have been working towards making aid information more transparent. This includes their own open data initiatives as well as initiatives at the global level such as International Aid Transparency Initiative (IATI). IATI has achieved important progress, setting out some basic standards that donors should follow to improve the quantity and quality of information that needs to be disclosed on aid flows.

Transparency of Development Resources Necessitates Fiscal Transparency: Partner country governments are making efforts to publish timely and comprehensive information on all aspects of public finance, and therefore create conditions for better engagement of all stakeholders and accountability. A number of global initiatives have been launched, such as Open Government Partnership and Global Initiative for Fiscal Transparency.

Transparency is a Prerequisite for Accountability: The ultimate goal of opening up and making information available is to enable citizens (in both donor and recipient countries) to hold their governments to account. Equally important is to ensure active engagement and participation of the various groups in society, including civil society and media on decisions about resource allocation, spending and results monitoring.

BUILDING BLOCK ON SOUTH-SOUTH AND TRIANGULAR CO-OPERATION

I. Objective

This plenary session featured the Building Block on South-South and Triangular Co-operation presented by Colombia on behalf of the building block champions. Panellists were invited to provide their views on actions being taken or that should be considered to implement a post-Busan agenda on South-South and Triangular Co-operation.

II. Participants

Moderator: Ms. Julie T. Katzman, Executive Vice-President and Chief Operating Officer, Inter-American Development Bank.

Panellists (in order of intervention)

Ms. Paola Buendía García, Deputy Director General to the President Office, Colombia.

Mr. Joe Nakano, Parliamentary Vice-Minister for Foreign Affairs, Japan.

H.E. Armida S. Alisyahbana, Minister of National Development Planning, Indonesia.

Dr. Maxwell Mkwezalamba, Commissioner for Economic Affairs, African Union.

Mr. Marco Farani, Director, Brazil Co-operation Agency, Brazil.

Mr. Zhu Hong, Deputy Director General, Ministry of Commerce, China.

III. Key issues discussed

Ms. Julie T. Katzman introduced the plenary discussion on South-South and triangular co-operation by recalling the importance of South-South co-operation (SSC) in an economic context where the financial crisis has affected the developed countries more than the developing countries and the emerging economies have become the engine of global growth and innovation. This shift had an impact in the international development co-operation arena, with SSC gaining in importance. Developing countries that share similar challenges are increasingly exchanging knowledge and solutions on how to address systemic or institutional challenges to development. Ms. Katzman reported that the thematic session on South-South and triangular co-operation on Day 1 concluded that, the effectiveness of SSC and triangular co-operation depends on addressing challenges in a number of areas: i) developing institutional capacity to effectively engage in South-South and triangular co-operation, including the capacity to monitor outputs and evaluate results achieved; ii) matching demand and supply for information and knowledge; iii) involving different stakeholders – governments, private sector, civil society – in this agenda, all of which need to converge around national development priorities; iv) increasing funding for SSC, an area where both bilateral donors and multilateral development organisations can help.

Ms. Paola Buendía García provided an overview of the Building Block on South-South and Triangular Co-operation, which has the support of 25 countries and organisations. The building block will have four areas of work: i) develop capacities for engaging in South-South and triangular co-operation by mapping current activities and developing a menu of good practices and guidelines for effective South-South and triangular co-operation; ii) boost complementarities among development partners from the North and South through triangular co-operation; iii) establish knowledge-sharing

mechanisms to better understand, learn and adapt successful development experiences from developing countries; iv) design an evaluation framework around the contribution of South-South and triangular co-operation to global development goals.

H.E. Armida S. Alisyahbana highlighted that Indonesia has a strong and long-standing commitment to South-South and triangular co-operation. Indonesia believes that SSC is a powerful tool for mutual learning; it is a very flexible modality of development co-operation that enables replication of successful development experiences adapting it to different contexts. However, Ms. Alisyahbana emphasised that SSC should be looked at as a complement rather than a substitute North-South co-operation. Indonesia endorses the Building Block on South-South and triangular co-operation, which should be action-oriented and focused on strengthening capacity development, improving knowledge-sharing mechanisms and developing a monitoring and evaluation framework.

Mr. Joe Nakano explained that Japan has a long history of triangular co-operation. It has partnership programmes with 12 middle-income countries which serve as a platform for sharing successful development experiences among countries from the South. Two good examples of triangular co-operation supported by Japan are a project on agriculture with Brazil and Mozambique, and a programme of teacher training with Kenya and over 30 African countries. Japan will remain committed with the South-South co-operation agenda and strongly encourages emerging economies to engage in this global partnership.

Dr. Maxwell Mkwezalamba believes that SSC is an important support to Africa's development efforts and can complement development assistance provided by donors. Africa has had very good economic performance in the years preceding the global financial crisis and is already rebounding after the crisis. At the same time, the continent still faces many development challenges and has to make a lot of progress towards the Millennium Development Goals. However, funding African development is challenging as Africa responds for just a small amount of world trade and attracts little foreign direct investments (FDI). While there has been progress in mobilising domestic resources, domestic flows are still not enough to fund Africa's development and therefore development assistance is still necessary. In this context, SSC provides an opportunity for Africa: it can contribute to Africa's transformation, economic growth and sustainable development and help to address challenges such as low levels of trade and FDI. SSC in Africa tends to focus on critical areas for the continent's development, such as trade and investment, infrastructure (including transport, energy, and information and communication technologies), technology transfer and knowledge sharing. The Africa-China partnership, for instance, has helped to address some of the above-mentioned challenges, boosting African exports and expanding the continent's infrastructure. Going forward, the SSC agenda should pay more attention to development of local skills and must be based on partnership rather than traditional development assistance.

Mr. Marco Farani expressed that Brazil endorses the outcome document of Busan and believes it is a very balanced document, reflecting the characteristics of SSC and building a good basis for future collaboration. Brazil's SSC is focused on technical co-operation, sharing good practices, technology and know-how in several areas where Brazil achieved progress such as agriculture and social development policies. Brazil respects genuine SSC, one that is detached of conditions, demand driven, and focused on sharing good practices. While the Brazilian Co-operation Agency (ABC) co-ordinates technical co-operation, 75 Brazilian public institutions are involved in implementing technical co-operation. Brazil has projects with all countries in Latin America as well as 38 countries in Africa. Now the challenge is to continue expanding Brazil's SSC in a sustained way.

Mr. Zhu Hong underlined that SSC is about mutual help among developing countries. It has three main features. First, it is based on mutual respect among partners, respect for

national sovereignty, no conditionalities, non-intervention, equality, and mutual benefit. Second, SSC promotes sharing of experience and expertise among Southern countries with similar development level. Third, it is a flexible and low-cost development co-operation modality, which contributes to achieve more effective development results. Mr. Zhu also emphasised that SSC complements North-South co-operation and should not be an excuse for donors to step back their commitments. China has been always supportive of SSC, having started to engage in this type of co-operation more than 60 years ago. Going forward, China believes that the SSC agenda should pay more attention on promoting trade development – as Dr. Mkwezalamba noted, on supporting self-development capacity, on improving the well-being of people in least developed countries, and on capacity building and technology progress. Triangular co-operation can be a good way of combining the comparative advantages of different development partners, but it should always respect recipient countries' will and aspirations, without attaching any political strings.

IV. Main conclusions and next steps

There is no one size fits all in the development arena. However, SSC and triangular co-operation share fundamental elements with development assistance, namely that development outcomes from both South-South and North-South co-operation depends on rigorously evaluating impact, holding ourselves to the highest standards of transparency and accountability to our citizens, and ensuring that our work is consistent with developing countries' development goals.

These goals will guide the work of the Building Block on South-South and Triangular Co-operation launched at the Fourth High Level Forum on Aid Effectiveness. Members of the building block will meet again in the beginning of 2012 to discuss how to implement its commitments and move the SSC agenda forward.

BUILDING BLOCK ON CONFLICT AND FRAGILITY

I. Objective

More than 1.5 billion people live in fragile and conflict-affected countries. Caught in cycles of poverty and violence, few of these countries will achieve a single Millennium Development Goal by 2015. The New Deal for Engagement in Fragile States sets out five goals - legitimate politics, justice, security, economic foundations and revenues and services - to give clarity on the priorities in fragile states. This plenary session was used to present and endorse the New Deal, and allowed delegates the opportunity to propose specific commitments to implement it.

II. Participants

Moderator: H.E. Ben Knapen, Secretary of State for Development Co-operation, the Netherlands

Panellists (in order of intervention)

Dr. Mustafa Mastoor, Deputy Minister of Finance, Afghanistan

H.E. Emilia Pires, Minister of Finance, Timor-Leste

Hon. Kevin Rudd, Minister of Foreign Affairs, Australia

H.E. Sylvain Maliko, Senior Minister of Planning and Economy, Central African Republic

H.E. Kosti Manibe Ngai, Minister of Finance and Economic Planning, South Sudan

Interventions from the floor

Hon Andrew Mitchell, Secretary of State for Development, United Kingdom

Ms. Josette Sheeran, Executive Director, World Food Programme, United Nations

Amb. Martin Dahinden, Director-General, Swiss Agency for Development and Co-operation, Switzerland

III. Key issues discussed

H.E. Ben Knapen, Secretary of State for Development Co-operation, the Netherlands. The Netherlands endorsed the New Deal on Engagement in Fragile States and, among others, will support efforts to ensure the new Deal, and the Peacebuilding and Statebuilding Goals inform the post-MDG development context. Three key areas that should receive more attention, in line with the priorities in the New Deal are: i) Prioritise underfunded areas like security, access to justice, (youth) employment, agriculture and livelihoods; ii) Support conflict prevention and dialogue by firstly building local capacity to manage conflicts peacefully and secondly set up inclusive development programmes; iii) Strengthen the role of women in peace building. The Netherlands will work with the Government of Afghanistan, and with other partner countries, to implement the New Deal.

H.E. Emilia Pires, Minister of Finance, Timor-Leste. The New Deal is a product of all member countries and organisations who came together under the banner of the International Dialogue, and a key response to the recognition that fragile states have different requirements than other developing countries, as highlighted by the Fragile States Principles (2007). The International Dialogue and the g7+ group of fragile countries came together to have a hard look at what is working and what is not working in the way national and international partners work in fragile states. The New Deal which builds on the Dili Declaration and the Monrovia Roadmap, through its three pillars – the Peacebuilding and Statebuilding Goals, the FOCUS principles for engagement, and the TRUST commitments - provides a new framework for working more effectively and achieving better results in fragile states. Many countries have already endorsed the New Deal, the key challenge will be to make it real.

Hon Kevin Rudd, Minister of Foreign Affairs, Australia. Seven of the top ten countries recipient of Australian aid are considered fragile or conflict-affected and over half of Australia bilateral aid goes to fragile states. Fragility and conflict are therefore key issues for Australia's development assistance programme. Australia supports the International Dialogue, endorses the New Deal and has already started implementing it, by agreeing to a new development agreement with Timor-Leste, through which Australia will align its assistance with Timor-Leste's own Strategic Development Plan and will work closer together to improve aid effectiveness, increase transparency and find better strategies for developing capacity. Australia will continue to work with the Government of Afghanistan and the Fiji interim government, among others.

H.E. Sylvain Maliko, Senior Minister of Planning and Economy, Central African Republic. In a country like Central African Republic, undergoing a fragile transition, effective collaboration with international partners is critical. The International Dialogue and the g7+ provide important channels for strengthening such collaboration. The New Deal responds to key interests of the Central African Republic including clear responsibilities of all partners to provide sustained support in the risky and long post-conflict phase, to focus on enhancing economic growth, and to provide adequate support to key areas like security. The New Deal is also important because it gives the right importance to the State and the exercise of its core functions. The Central African Republic welcomes the support from Belgium in their position as Chair of the Peacebuilding Commission country configuration for the Central African Republic and expects the New Deal to help channel more support to countries that, like the Central African Republic, are aid orphans and at high risk.

H.E. Kosti Manibe Ngai, South Sudan, Minister of Finance and Economic Planning. In supporting the New Deal, South Sudan focuses on implementation, the critical first step of which should be for countries to establish a single vision and plan. South Sudan has aligned the Development Plan with the goals, the principles, and the commitments of the New Deal. It has started implementing commitments on transparency and accountability in the use of funds (i.e. legislation for managing oil revenues), ensuring that funds are spent on priorities, and ensuring transparent financial management including by publishing budget data monthly, and measures to combat corruption. Development partners must improve predictability of aid and transparency by implementing the IATI standards and reporting on their disbursement on a quarterly basis, and that they must use country systems, as articulated in the New Deal. A good initiative being implemented in South Sudan is an agreement on a set of benchmarks that can be used to trigger the release of aid through country systems.

H.E. Andrew Mitchell, Secretary of State for Development, United Kingdom. In expressing support for the New Deal, the United Kingdom underlines the importance to work with governments even when fragile. The United Kingdom will do so, including by

supporting special programmes and providing effective technical assistance in South Sudan (i.e. support to the national development Plan and the 5 goals in the New Deal) and Afghanistan based on the concept of the New Deal.

Ms. Josette Sheeran, Executive Director, World Food Programme, United Nations. The United Nations support the International Dialogue, the New Deal and its implementation. The five Peacebuilding and Statebuilding Goals provide an important framework for close co-operation between development, security and political actors and to strengthen coherence in these efforts. The UN will support the establishment of compacts that foster mutual accountability.

Amb. Martin Dahinden, Director-General, Swiss Agency for Development and Co-operation, Switzerland. Switzerland supports the New Deal and will increase by 15-20% its support to development and humanitarian co-operation in fragile and conflict affected situations.

IV. Main conclusions and next steps

The New Deal was welcome as a necessary and innovative agreement to improve collaboration and achieve better results in conflict affected and fragile states. The innovative elements of the New Deal, in particular the Peacebuilding and Statebuilding Goals, and the FOCUS part on enhancing country owned-led transitions out of fragility received great support. Clear commitments were also made on stepping up the implementation of key aid effectiveness principles in fragile states. The overarching message from this Building Block was that focus must be at the country level, and that country ownership and leadership, through such groups as the g7+, are the critical elements for success.

BUILDING BLOCK ON CLIMATE FINANCE

I. Objective

The objective of the session on climate finance was to identify lessons from decades of official development assistance (ODA) and growing experience in the provision of climate finance in order to facilitate access to - and optimise the effectiveness of - climate finance for developing countries drawing on donor and partner country experience and good practice in aid effectiveness. High-level speakers from both partner countries and development partners spoke in support of the building block. Importantly, the session included speakers from finance ministries and agencies, so that climate change was not only discussed as an environmental concern, but also as a development and finance issue.

II. Participants

Moderator: Administrator, UNDP, Helen Clark

Panellists

Erik Solheim, Minister of Development and Environment, Norway

Faumuina Tiatia Faaolatane Liuga, Minister of Finance, Samoa

Dr. Yong Hwan Kim, President of the Korean Exim Bank, Korea

Mr. Hugo Martinez, Minister of Foreign Affairs, El Salvador

Mr. Hugh Bredenkamp, Head of IMF delegation

III. Key issues discussed

The moderator pointed out that there is already a wealth of knowledge about how to make the best use of international public finance. The question for the panel was whether we are capable of building on what we already know about delivering and using international public finance for development to ensure that the growing volumes of climate finance deliver effectively for developing countries.

Some key messages emerged from interventions by building block participants:

Climate finance should be channelled through country-led strategies and country systems. Speakers spoke strongly on the need to learn from development co-operation experience when designing climate change finance mechanisms – including the Green Climate Fund, to avoid creating a new global bureaucracy and to keep transaction costs low. The new mechanisms should fund country developed and led strategies and plans and deliver finance through countries own budgetary and financial management systems. Creation of parallel procedures to country systems should be avoided.

Climate finance should be delivered equitably. Many poor countries which are among the most vulnerable to climate change are also those which have received least finance. Climate change finance flows tend to be biased towards countries with the capacity to meet the administrative requirements of the various funding mechanisms. The new funding mechanisms must have allocation mechanisms which ensure that funds flow to those in greatest need.

Climate finance flows need to be predictable. It was stressed that developed countries need to fulfil their commitments under the UNFCCC and to provide climate finance that

is both additional and predictable. The amounts of funding that developed countries could raise from new, climate related sources of funding, such as cutting subsidies on fossil fuels, introducing carbon taxes and emissions trading, and taxing aviation and shipping fuels would provide all the resources necessary to meet the commitments of USD100bn by 2020 – and still leave substantial resources for incentivising green investments in their own economies.

Public climate finance needs to catalyse private finance. As a major part of the climate finance would come from private sources, it will be critical for public climate finance to catalyse private flows.

Good practices discussed

Speakers referred to ongoing country and regional level initiatives that can provide good practice to be built on to support both the efficient delivery of and effective use of climate finance.

- Korea is participating in East Asia Climate Partnership, and committed to allocate 20% of its ODA as “Green ODA”.
- Norway provides significant funding to Brazil and Indonesia for REDD – reducing emission from deforestation and forest degradation. Norway is also supporting introduced successful country –led initiatives for climate change adaptation in Ethiopia, El Salvador and Bangladesh.
- El Salvador informed participants about a Regional Dialogue on Climate Finance and Development Effectiveness in Latin American and Caribbean, hosted by Honduras, to take place in early 2012. This Dialogue is designed to share lessons on managing climate finance in the region.
- Korea and Samoa stressed the value of regional dialogues on Climate Finance and Development Effectiveness that took place in Asia-Pacific and Africa, and “Call for Actions” developed through these Dialogues.

IV. Main conclusions and possible next steps

The main conclusion of the session was that recognised principles of development effectiveness are valid in the context of climate finance as well. Notably, climate finance needs to be country-owned, make use of country systems, and avoid fragmentation. In achieving this, the development and climate communities need to communicate better to share lessons and good practice.

The building block attracted support from 28 countries and organisations. The supporters of this building block committed themselves to:

- strengthen linkages between climate change finance and countries’ planning, budgeting and public financial management systems.
- support regional platforms that promote lesson-learning across countries and policy areas. Policy areas include ministries of finance, planning- and climate/environment-related institutions, and platforms established in Asia, the Pacific and in Africa.
- share lessons across the relevant international policy processes such as the High Level Forum on Aid Effectiveness (HLF), UNFCCC COP and Rio +20, and pursue coherent approaches to the effective delivery of international finance based on common principles.

An implementation plan for the building block will be developed, based on good practices already implemented by its supporters. The commitments they have made will be implemented at national levels and the lessons and experiences will be shared among countries in the different regions and across the regional platforms through south-south co-operation. In addition, the supporters will seek to develop mutually supportive policy positions on climate finance in international processes such as UNFCCC and Rio+20.

SUMMARIES FROM DAY THREE

1 December 2011

BUILDING BLOCK ON EFFECTIVE INSTITUTIONS

I. Objectives

The current debate on development co-operation is shifting from a primary focus on how aid is delivered (the core aid effectiveness agenda) to an understanding that there need to be better linkages with how institutions and capacities in developing countries can be strengthened in order to deliver sustainable development outcomes. The initiatives under the New Consensus on Effective Institutions and Policies for Development recognise this shift and outline a new way of promoting and measuring support for effective institutions, policies and ultimately states, based on solutions specifically tailored to the country context and local processes.

The principles upon which these recommendations are based draw on a number of multi-stakeholder key political agreements and technical consensus documents. Recent political agreements on this issue recognise that stronger institutions and policies are critical to creating conditions for development. As noted by the African Union, there is demand for a fundamental transformation, reorientation, realignment and strengthening of countries' institutional frameworks. This has implications on the ways in which capacities are utilised and strengthened to translate development policies into practice at the state and institutional levels.

The objectives of the High Level Building Block Session in Busan were to: *i)* Introduce the New Approach to Effective Institutions; *ii)* Show case how partner countries and agencies are delivering on this agenda and *iii)* outline modalities to implement the New Consensus.

II. Participants

Moderator: Ms. Sri Mulyani, Managing Director, World Bank

Panellists

Mr. Dalmas Anyango Otieno, Minister of State for Public Service, Kenya

Mr. Cayetano Paderanga, Secretary, National Economic Development Authority, Philippines

Mr. Abdala Kiroda, Member of Parliament, Tanzania

Mr. Rajiv Shah, Administrator, USAID

Mr. Angel Gurría, Secretary General, OECD

Mr. Cho Tae-yul, Ambassador for Development Co-operation, Korea

III. Main discussion points

The session began with a series of reports from related thematic sessions organised the first day of the HLF4. **Mr. Dalmas Otieno** summarised the main conclusions from the **thematic session on capacity development**. Recognising that capacity development should be at the centre of efforts to create sustainable effective institutions, three proposals emerged. First, results-oriented capacity development is necessary and should

be at the centre of country led plans and actions for development effectiveness. Secondly, considering that the strengthening of country systems and institutions links to overall development plans, there is a need to mainstream capacity in all sectors and programmes. Finally, there is a need for a more systematic approach to capture and share knowledge on capacity development, based on country priorities.

Mr. **Paderanga** highlighted the main messages coming from the **thematic session on Country Systems** which are fully consistent with the new consensus for effective institutions. The session focused on the importance of country leadership in the strengthening and development of institutions. In that regard, the necessity of building local capacity for procurement and oversight and for producing evidence (e.g. statistics) is crucial. As a result, the use of country systems is a strategic priority, and goes beyond increasing the effectiveness of aid delivered. The use of country systems can play a catalytic role in reinforcing local institutions and capacities. Finally, regional and global knowledge sharing would help to ensure the implementation of these principles at country level.

Mr. **Kigoda** reported back from the **ownership and accountability thematic session and highlighted the fact that** since Accra, it has been recognised that country ownership and mutual accountability are not only the concern of donors but also parliament, CSOs, and others actors.,. The report from **the session** outlined also that in order to have practical and effective political institutions, indicators are needed to keep track on how institutions are performing. However, all these technical tools are not enough, as political will is paramount. Based on his experience, Mr. Kigoda explained that oversight of parliament ensures that governments are accountable not only to donors but also to their own citizens, and called for more parliament involvement in different policy cycles- from policy making to evaluation/review. Parliaments have limited capacities, however, to perform this oversight function and need support and capacity development to undertake their roles effectively.

Mr. **Shah** reaffirmed the United States commitment to the New Consensus on Effective Institutions. In 2006, the United States peer review at the OECD Development Assistance Committee has pointed to some of the weaknesses of US development co-operation. Since then, important reforms have been set up, making it more accountable and transparent. However, all these efforts are not enough. The United States is focusing now on country ownership and building local institutions, following a simple tenant that sometimes is ignored by the development community: capacity follows capital and not the other way around. Mr. Shah announced that they will triple in four year their investments in local institutions. For that purpose, they are reshaping the way they are delivering co-operation: they are creating a rapid assessment tool to identify where institutions could receive funds, creating specific targets and put in place new regulations. They are also working on new global alliances with private sectors and local banks, and fix obligations grants.

The OECD welcomes the opportunity to join the New Consensus on Effective Institutions, as announced by its Secretary General **Mr. Gurria**. The OECD has been working for years with a wide variety of experts and practitioners from OECD and non-OECD countries. Knowledge sharing and promotion of good practices has been at the core of OECD. Initiatives such as the OECD-DAC Governance Network, the Working Party on Aid Effectiveness and the —**Making Reform Happen**” studies, show significant collaboration between OECD and partner countries. The OECD adhesion to the new consensus on effective institutions will enhance and has been enhanced by the new OECD development strategy, which will better connect different communities involved in development. Mr. Gurria finalised his presentation suggesting that the new OECD motto after Busan should be —**better institutions, for better policies, for better lives**”.

The Korean experience shows the importance of having effective institutions. Mr. **Cho** explained that from the fifties to the mid-eighties, Korea was ruled by authoritarian governments. Despite that, the state was supported by dedicated bureaucrats who put in place development plans that were essential for Korea's transformation. This period shows that long term commitment to development, and capacity of the officials, can be far more important than any of the more technical reform programmes. Aid has also played a relevant role in this process. Foreign aid was almost 50% of the Korean budget in this early period, but progressively reduced over time. Korea used resources wisely, focusing on strategic areas (*e.g.* infrastructure, education...) utilising effective aid for leveraging other resources. The promotion of human resources was essential for this success. In the mid eighties, when reforms were introduced, Korea became a more open and democratic society, with deregulation and open markets. Finally, Mr. Cho highlighted the importance of knowledge sharing for development, an area in which South-South co-operation has a major role to play.

There were also relevant interventions from the floor. The representative from **Denmark** insisted on the links between risk and building effective institutions. Development partners need to become smart risk-takers in order to be effective to achieve development objectives. The representative from **AFRODAD**, taking the floor in behalf of **BetterAid**, highlighted that institutional capacity needs to be driven by the people and not imposed. The representative from **CABRI** explained that, based on a study jointly done with other organisations, they will promote a declaration on Public Financial Management in Africa based on principles such as fiscal transparency and the strengthening of oversight institutions among others. CABRI, also announced that they are joining the new consensus on effective institutions. In the final intervention, **Marc Brown**, Minister from the **Cook Islands**, insisted on the importance of knowledge sharing at the regional and global level. He explained the achievements undertaken in his country and the relevance of the Pacific Island Compact as a powerful tool to collaborate with other countries in strengthening institutions for better public service delivery.

BUILDING BLOCK ON PUBLIC-PRIVATE CO-OPERATION FOR BROAD-BASED, INCLUSIVE, AND SUSTAINABLE GROWTH

I. Objectives

The plenary session consisted of reporting the Building Block on Public-Private Co-operation for Broad-based, Inclusive and Sustainable Growth. The objectives were to endorse the joint public-private statement to the HLF-4 which proposes a set of high-level shared principles for increasing development effectiveness, identify the potential of public-private co-operation and discuss the way forward on how to strengthen results-oriented public-private dialogue and co-operation and to promote more progress towards effective global partnerships in the light of achieving the MDGs and other development objectives.

II. Participants

***Moderator:** Gunilla Carlsson, Minister for International Development Co-operation, Sweden.*

Panellists

Ben Knapen, Minister for Development Co-operation, Netherlands

Cesar Purisima, Secretary of Finance, Philippines

Esther Mkwizu, Chairperson of Tanzania

Lars Thunell, CEO, IFC

Clare Merlford, CEO, IBLF

Tadahiro Asami, Secretary General, BIAC

Wolfgang Waldner, State Secretary for European and International Affairs, Austria

Anthony Bouthelier, Président délégué du Conseil français des investisseurs en Afrique (CIAN)

Luis Neves Brites Pereira, Secretary of State, Foreign and Co-operation Affairs, Vice Minister, Portugal

Thomas Dub, Deputy Foreign Minister, Czech Republic

Daniel Gad, CEO and Founder of Omega Farms, Ethiopia

III. Main discussion points

Minister Knapen discussed the Dutch sustainable initiative and underlined the complexity and fragmentation among different donors. In the era of the development effectiveness, aid is not less relevant and needs to adapt to the new landscape with an emphasis on the leveraging role of aid.

From the partner country perspective it was also recognised that the role of the private sector is pivotal in accelerating economic development. The Philippines stated that the involvement of private sector is a key pillar to the President's agenda. They explained that

aid is a vital tool to accelerate inclusive development and private capital allows minimising corruption. The importance of enhancing the role of SMEs in global value chains was also raised. On the same note, the Tanzanian private foundation stressed that engaging the private sector in national planning is crucial for sustainable development and achieving MDGs by 2015 and publicly endorsed the five principles of the joint statement.

While the joint statement on “Expanding and enhancing public private partnership for broad-based, inclusive and sustainable growth” was endorsed by 40 entities from both the public and the private sector and multilateral organisations, the IFC emphasised that this statement is a footstep towards a systematic inclusion of private sector in development co-operation. Mr. Thunell reiterated the Importance of momentum building and agreed to focus on a proposal by June 2012 to enhance dialogue and extend partnerships at both country and global levels.

As a representative of the private sector, Ms. Melford from IBLF made the point that that the inter-donor discussions and process around aid effectiveness is bewildering for business and asserted that to get the most out of the business community, action at the country level is needed. She also stressed that donors must be much more co-ordinated and create a “one-stop shop” in which business can engage more easily.

Lively interventions continued from the floor. Mr. Asami from BIAC emphasised the importance of an enabling business environment, rule of law, effective public government, tax systems, open markets and fair competition. He underlined that when right conditions are put in place, private investments contribute as innovative engine for development, creating jobs and growth.

Particular attention was given to promoting business practices and compliance with human rights standards. The State Secretary of Austria also mentioned three challenges that remain to be confronted. More efforts should be made to provide service know-how, promote sustainable business which goes beyond CSR, and better co-ordinate donor programmes with a more strategic and common approach.

CIAN recognised that without the private sector, there is no development and the business partners need to engage in development strategies. Both Portugal and the Czech Republic shared their respective experiences of public-private dialogues and platforms and are ready to provide support to the building block.

While identifying areas where public-private co-operation would have the biggest impact is not so obvious, Mr. Gad from the Ethiopian Omega Farms sees the private sector as already being in motion and potential sectors for collaborative action can be easily identified to implement the existing specific development goals and targets.

In sum, the private sector is an equal, complementary partner in development was the clear message from the development community at the plenary session. So far, efforts to create synergies between public and private sectors for more effective and sustainable development have proved insufficient. While it is clear that the joint statement provided a footstep in expanding public-private co-operation, another clear message from the session was that the post-Busan work would need to focus in action and make easy for companies to engage in the broader development effectiveness agenda.

HLF4 FINAL PLENARY: A NEW CONSENSUS ON AID AND DEVELOPMENT

The final plenary addressed how implementing the principles for future development co-operation outlined in the Busan Outcome Document is expected to enhance development results at the country level. The session framed the way forward on how agreed Busan principles will be implemented by various actors and how the post-Busan institutional set-up will serve to support these efforts both at country and at global level. The session was moderated by Homi Kharas, Senior Fellow and Deputy Director, Brookings Institution.

Opening

The plenary session opened with brief presentations from the Minister of Foreign Affairs and Trade of Korea, Sung-hwan Kim, Marco Farani, Director of the Brazilian Agency for Co-operation, UNDP Administrator Helen Clark and OECD DAC Chair Brian Atwood, setting out the Global Governance Framework Post-Busan and its key institutional pillars.

Mr. Kim announced that the day before, an agreement had been reached and the final version of the Busan Partnership Document had been approved. He expressed that the effective institutional arrangements to implement the new consensus after Busan, should include strong political leadership, a focus on country-level implementation with limited bureaucracy (global light and country heavy) and a joint secretariat with the DAC monitoring and the UNDP supporting country-led implementation.

Mr. Farani welcomed the broad inclusion of actors in this new agreement. He highlighted that the Global Partnership would offer good opportunities for Brazil to continue sharing its knowledge and experience, mainly on capacity development.

Ms Clark expressed the strong commitment from the UNDP to this new Global Partnership, a more responsive framework to achieve the MDGs. The UNDP have also endorsed the —NewDeal” and will support countries in situations of conflict and fragility. At the same time Ms. Clark asked for an important role for the UN Development Co-operation Forum in the implementation process of the Busan Partnership Document.

Mr. Atwood declared that the DAC is no longer a narrow club that drives the development agenda on its own. Today, the DAC looks out beyond Paris to the rest of the world and develops close relationships with development partners. He also stressed that the Busan outcome document engages whole-of-governments, which will allow for implementation. The lack of a whole-of-government approach has been the reason why some donors have found it challenging to implement their Paris and Accra commitments.

Part one: Direction and principles of future development

The opening presentations were followed by two panels on the Direction and Principles of Future Development Co-operation. The objective was to highlight how key actors will implement the core principles agreed to in Busan and how this will change their way of doing business.

Panellists from panel one:

Gervais Rufyikiri, 2nd Vice-President, Burundi

Donald Kaberuka, President of the African Development Bank

Abdelaziz Khelef, Director General of the BADEA, on behalf of the Arab Co-ordination Group

Geoffrey Lamb, Managing Director - Public Policy, Bill and Melinda Gates Foundation

Mukesh Kapila, Under Secretary General, Red Cross Red Crescent International Federation

Christian Friis Bach, Minister of Development, Denmark

Panellists highlighted that development co-operation in entering a truly global area; not forgetting the importance of making additional efforts to implement Paris and Accra principles, in order to let developing countries graduating from aid. Specific efforts need to be made in fragile states and in post-conflict situations.

Mr. Rufyikiri also encouraged donors to support countries to evolve from subsistence to productivity, considering some strategic sectors like agriculture. Mr. Kaberuka stressed the importance of leveraging domestic resources for development and using aid as a catalyst to this end. This idea was also signaled by Mr. Lamb, who expects to see a common framework on results. Mr. Khelef expressed the Arab Co-ordination Group commitment with the Paris Declaration principles, south-south and triangular co-operation and the promotion of growth and economic development. Mr. Bach announced that Denmark is aiming to increase its aid and reach the goal of 1% of GNI to be given as ODA. Denmark will make more use of country systems and budget support, work harder to increase transparency and access to information, and will continue supporting national and local policy reforms, while at the same time strengthen watch-dog and accountability institutions. However, they would have welcome stronger language on human-rights-based approaches in the Busan Partnership document, including the need to strengthen rights for both women and men. Insisting also in keeping the focus on people, more than institutions, Mr. Kapila called for more recognition for volunteers, who provide big added value that is not always seen.

Panellists from panel two:

Somsavat Lengsavad, Vice Prime Minister and Minister of Foreign Affairs, Lao

Harley Rodriguez, Vice- Minister of Public Investment and External Financing, Bolivia

Haruhiko Kuroda, President of the Asian Development Bank

Mayra Moro-Coco, AWID

Rogelio Granguillhome, Executive Director, Agency for International Development Co-operation, Mexico

Michel Démarre, President, European International Contractors

Panellists recognised the importance of the agreement reached in Busan, and the new scope with more actors and issues beyond traditional aid.

Mr. Lengsavad highlighted the importance of respecting country needs, goals and context on development based on Lao's experience. There are very concrete and specific commitments which could make a difference, like reducing the reliance on foreign experts and increasing the hiring of local staff. In doing so, local capacity is built up and the share of aid that goes to the recipient country is increased. Mr. Kuroda insisted on the need to not forget low-income countries from the Asian region. In addition, he emphasised the switch from aid to development effectiveness: Even though aid delivery must continue to improve, domestic resource mobilisation is critical. In that sense, involvement of the private sector in development is decisive. Regarding mobilisation of local resources, Mr. Rodriguez shared the Bolivian experience as they quintuplicate public investments with more than 70% financing coming from country resources. He also called for movement to action, looking for the implementation of Busan commitments. Regarding the private sector, Mr. Démarre praised their inclusion as an important partner of development co-operation. In that sense, private sector funds could be attracted to make Public Private Partnerships, not only in infrastructure, but also in other areas, like health and education or even in triangular co-operation. He stressed that the private sector also welcome references to increase transparency and accountability, particularly in the procurement area. In that sense, Ms. Moro-Coco outstand big efforts made by civil society organisations to be more accountable by abiding by the Istanbul principles on CSO development effectiveness. The implementation on accountability in the post-Busan framework will also require effective mechanisms to track outcomes and progress on indicators. She emphasised the need for an inclusive, legitimate and democratic forum that puts people and gender equality at the centre of development. From a middle-income perspective, Mr. Granguillhome highlighted the recognition of their role and their responsibility made in the Busan Partnership document. There is a need to move towards a new development paradigm which is based on new modalities and ways of working, to address major challenges such as climate change and sustainable growth.

Part two: Post-Busan support for country-led efforts

The second part of the plenary was a panel on post-Busan support for country-led efforts. The objective of this part was to discuss what arrangements will be needed and put in place to support the implementation of the Busan principles by various actors

Panellists for panel three:

Abul Maal A Muhith, Minister of Finance, Bangladesh

Fifi Kwetey, Deputy Minister of Finance, Ghana

Tuiloma Neroni SLADE, Secretary General, Pacific Island Forum Secretariat

Sung-hwan Kim, Minister of Foreign Affairs and Trade, Korea

Brian Atwood, DAC Chair, OECD-DAC

Sigrid Kaag, Assistant Secretary General and Director, UNDP Bureau for External Relations and Advocacy

Henri de Raincourt, Minister for Co-operation, France

From a country perspective, Mr. Kwetey emphasised that Ghana has been advocating for implementation at the country level. They are establishing an implementation framework, which will also include the building blocks and the Paris and Accra unfinished commitments. Ghana has already put in place some initiatives to improve the effectiveness of development co-operation, such as the Performance Assessment Frameworks but they expect more engagement from donors, particularly in the use of country systems. He also called on development partners to close the financial gap to achieve the MDGs. From Bangladesh, Mr. A Muhith talked about the importance of strengthening country strategies and priorities for harmonisation, by an improved collective dialogue. Leveraging local resources is important, but external financing is still a crucial element. He also highlighted gender equality, fiscal- and aid programme-transparency and promotion of employment as key issues from the Busan Partnership document.

The Cairn's Compact is a demonstration of a regional platform for the implementation of development effectiveness. Mr. Slade explained that it is designed to implement the Paris Declaration principles, and to achieve the MDGs and the goals of the Pacific Plan. The compact is regionally led and country driven. It has gone beyond aid effectiveness to focus on development effectiveness. The compact will be the primary vehicle to follow-up Busan commitments through annuals peer review of partner country systems, monitoring donor efforts to meet their aid effectiveness commitments and continuing tracking of progress towards MDGs.

At the global level, the Busan Partnership document gave a mandate to the Working Party on Aid Effectiveness to select indicators and targets for global monitoring and to define how the Global Partnership will work. In that sense, Mr. Atwood expressed that a political forum at the ministerial level, which include non-state actors as CSOs, is needed to discuss political issues such as the follow-up to MDGs and better co-ordination among development partners. This global arrangement will be supported by OECD and UNDP, as Ms. Kaag recalled, and it could be linked with other fora as the UN Development Co-operation Forum or DAC high-level meetings. Mr. Raincourt emphasised also the linkages with the G-20 processes on food security, infrastructure, social protection and innovative financing. The implementation of the Busan commitments will need political decisions and new financing to complement aid, to be able to respond to all this new challenges.

Summaries of the side events



Mini-Debates and Knowledge

Tuesday 29 November
Day 1

Time	Speaker No.	Mini-Debate and Knowledge Workshop titles	Mini-Debate / Knowledge Workshop	Room
11:00-11:45	35	Tools for Effectiveness: How to manage and measure change?	MD	20
	4	CGAP (Consultative Group to Assist the Poor)	MD	20
	71	Joint Learning Programmes (JLPs) TrainDev	KW	20
12:30-13:15	58	g7+ a historic voice with solutions for fragile states	MD	20
	17	g7+	MD	20
	8	Delivering as One UNDG (United Nations Development Group)	KW	20
14:00-14:45	59	Transforming vulnerabilities into capacities for better development outcomes	MD	20
	22	Korean Red Cross, and International Federation of Red Cross and Red Crescent Societies	MD	20
	9	Real Aid: reducing aid dependency	KW	20
15:30-16:15	59	Development Results and Scaling Up in the Agricultural Sector: The roles of Multi-Stakeholders	MD	20
	12	IFAD (International Fund for Agricultural Development), GDFRD (Global Donor Platform for Rural Development), Brookings Institute	MD	20
	57	The Africa Platform for Development Effectiveness (APDev): generating evidence-based knowledge and innovation in Africa	MD	20
17:00-17:45	40	African Platform (NEPAD, African Union, AfDB, UNDP, others)	MD	20
	52	Closing the Loop: Data Visualization to Improve Service Delivery	KW	20
	7	Development Gateway, AidData, World Bank Institute	KW	20
17:00-17:45	7	How to spend it: Smart procurement for more effective aid	MD	20
	12	EURODAD (European Network on Debt and Development)	MD	20
	57	Ownership and Accountability: Critical Partners for Development	MD	20
17:00-17:45	40	Open Development at the World Bank: Data, Mapping and Government	MD	20
	52	World Bank Group	KW	20
	40	Organisational Innovations in Managing for Results	MD	20
17:00-17:45	52	The Global Fund to Fight AIDS, Tuberculosis and Malaria	MD	20
	7	Checks and Balances: The Role of a	MD	20
	12	Development Effectiveness	MD	20

SETTING EXAMPLES FOR ACCOUNTABILITY

In the run-up to the Fourth High Level Forum on Aid Effectiveness in Busan, the Open Forum for CSO Development Effectiveness set up an ICSO Advisory Group to ensure that the ICSO perspective is fed into the global consultation process of the Open Forum. Through this group, International Civil Society Organisations were also aiming to ensure effective communication among themselves and with other stakeholders thus helping to strengthen the collective voice of the sector and to develop joint messages and inputs into the new framework for development co-operation. Over the last months before the High Level Forum, representatives from CARE International, CIVICUS, Oxfam International, Plan International, Transparency International and World Vision International thus worked together to develop a joint statement to voice ICSOs' expectations for the HLF4 and, in June 2011, published a Position Paper around the three key priorities Accountability, Transparency and Verification.

On the basis of this Position Paper and in order to show that CSOs are striving to improve their own accountability while calling on other actors to being increasingly and mutually accountable, these organisations together with other partners, organised a side event during the HLF4. The aim of the side event was to jointly present examples of quality accountability in drawing from a broad range of the organisations' activities and to show how collaboration between ICSOs can support improved accountability thus leading to enhanced development effectiveness. Based on their own endeavors the organisers aimed to challenge all actors in development to increase their efforts towards stronger accountability, more transparency and independent verification.

In his welcoming remarks, Robert Glasser, Secretary General of CARE International, stressed that ICSOs see accountability as a corner stone of Aid Effectiveness. The next speaker, Nigel Chapman, CEO of Plan International, presented the main messages of the ICSOs' joint Position Paper: unrestricted and mutual accountability is a necessary condition for better aid effectiveness and is only possible on the basis of transparency and only valid if upheld by credible verification mechanisms. As a representative from a country in the global south, Lola Dare, CEO of Chestrad Nigeria, also emphasised the importance of these key principles for development effectiveness.

Subsequently, concrete examples of accountability from the work of the ICSOs were presented. Mesfin Teklu Tessema, World Vision's Director for Maternal and Child Health and Nutrition, and Ben Phillips, Save the Children's Campaign Mobilisation Director presented an example from the health sector. Secondly, Glenn Bond, Programme Effectiveness Manager, Plan Australia, and Rueben Lifuka, Board Member, Transparency International gave two examples of how social accountability is applied in their organisations. As a final example, Robert Fox, Executive Director of Oxfam Canada, presented the INGO Accountability Charter, in which some of the leading international

NGOs' have outlined their common commitment to accountability, transparency and excellence.

Tony Tujan, BetterAid Co-Chair and CSO representative to the Working Party on Aid Effectiveness (WP-EFF), provided the closing comments, reiterating CSOs' key demands and emphasising their role in the Busan process.

A NEW STRATEGIC DIRECTION TO STRENGTHEN PUBLIC FINANCIAL MANAGEMENT AND PROCUREMENT FOR BETTER PUBLIC SERVICES AND RESULTS

Description

This event addressed new strategic directions in PFM and Procurement with a focus on:

- Performance of PFM and Procurement systems and their contribution to development outcomes
- Innovative approaches to strengthen PFM and Procurement
- Building professional skills in accounting, auditing and procurement
- Enhancing the use of country systems
- The role of international platforms for action-oriented knowledge sharing

Moderator: Mr. Stephen Groff, Vice-President, ADB

Panel members

Warren Allen, President, International Federation of Accountants (IFAC)

Alta Folscher, Collaborative Africa Budget Reform Initiative (CABRI)

Dr. James Kang, Public Procurement Service of Korea (KONEPS)

Heidi Mendoza, Commissioner, Commission on Audit, Philippines

Dr. Gustavo Piga, University of Rome Tor Vergata

Elizabeth Yáñez, Federal Secretariat of Public Administration, Mexico

Summary

Mr. Groff from ADB referred to the new strategic directions on strengthening the core government functions of PFM and Procurement, as captured in the 2011 Cusco Declaration on Procurement and Manila Consensus on PFM. These multi-stakeholder agreements recognise that state institutions can only be effective when underpinned by PFM and Procurement systems that effectively support public expenditure management and delivery of services to citizens, with due attention to transparency and accountability.

Enzo de Laurentiis and Anthony Hegarty, co-Chairs of the Task Forces on Procurement and PFM respectively, presented the main messages that came out of the Day 1 Thematic Session on Country Systems.

Dr. Kang from Korea explained how innovations in e-Procurement resulted in significant public expenditure savings, including both price and transaction cost savings.

Ms. Mendoza from Philippines presented innovations in Government Audit, such as eliminating pre-audit functions to strengthen auditor independence, conducting vulnerability assessments, timely audits of disaster-related aid, 100% publication of audit reports, and partnering with CSOs for participatory audits.

Dr. Piga from University of Rome addressed new strategic thinking on the use of public procurement as a public policy instrument to promote economic growth, which requires embracing the principle of “control for performance”, better data to measure performance and impact, and professionalisation of procurement officers.

Ms. Folscher from CABRI touched on new strategic thinking in PFM from the perspective of putting good financial governance principles in practice throughout the public resource management cycle, the results-based and fiscal transparency orientation of PFM systems, external accountability (SAIs and Legislatures) and internal accountability (budget execution), and the need to match PFM reform with existing capacity to implement.

Ms. Yáñez from Mexico explained how a results-oriented approach to public procurement led to the elimination of many legal requirements that were solely procedural in nature and to the introduction of new procurement methods (e.g., framework contracts) and information systems, leading to a more efficient system that generated savings of more than 10% of the public budget.

Mr. Allen from IFAC addressed the issue of making PFM reforms sustainable through building professional and technical skills in accounting and auditing, combining local capacity with internationally recognised standards –for which professional organisations can play a critical role, influencing not only PFM but also the quality of financial reporting country-wide.

A common theme included the continued need to connect PFM and procurement practitioners to exchange knowledge not only about technical matters, but also for peer learning on how to deal with change management and political economy constraints.

COMMENT RENDRE L'ALLOCATION ET LES CONDITIONNALITÉS DE L'AIDE COHÉRENTES AVEC LES PRINCIPES D'ALIGNEMENT ET D'APPROPRIATION ?

An English version is available overleaf

Evènement organisé par la Ferdi, la France, le Burkina Faso, le Sénégal

L'objectif de l'évènement était d'examiner quelles réformes, notamment en termes de répartition entre pays et de conditionnalités de l'aide, pourraient être apportées aux modalités de l'aide pour promouvoir effectivement l'alignement et l'appropriation. Le panel accueillait une majorité de représentants de pays du sud, Gnounka Diouf, Ministre conseillère du Président de la République du Sénégal, Emilia Pires, Ministre des Finances de Timor Leste et Présidente du G7+ et Tertius Zongo, ancien Premier Ministre du Burkina Faso, Navid Hanif, Director, Office for ECOSOC Support and Co-ordination et Désiré Vencatachellum, Directeur de la Recherche, Banque africaine de développement, ainsi que Bernard Petit, ancien Directeur général adjoint pour le Développement à la Commission européenne et Serge Tomasi, Directeur de l'Economie Globale et des Stratégies de Développement, Ministère français des Affaires étrangères et européennes. Le Professeur Patrick Guillaumont, Président de la Ferdi, modérait les débats. Les panelistes se sont interrogés sur la façon de rendre les formules d'allocation géographique de l'aide et les conditions mises au déboursement de l'aide mieux adaptées aux caractéristiques des pays et plus conformes aux principes d'appropriation et d'alignement. Les experts, afin de donner des éléments de réponse quant aux directions à suivre, ont illustré leurs propos des leçons tirées des expériences tentées en la matière. Enfin, les particularités des États fragiles ou des économies vulnérables aux chocs ont été particulièrement considérées.

Sur la question de l'allocation, les experts ont souligné l'inadéquation d'une allocation fondée sur un jugement externe de la politique économique avec le principe d'alignement et souhaité que l'allocation tienne mieux compte des besoins des pays, notamment de leur vulnérabilité par rapport aux chocs extérieurs.

Sur le passage d'une conditionnalité portant sur les mesures de politique à une conditionnalité de résultat, la plupart des intervenants ont souligné une certaine inertie dans les méthodes de gestion de l'aide des bailleurs dont les conditionnalités créent un fossé entre la rhétorique et la réalité de terrain. Cette inertie peut être due à des questions de responsabilité vis-à-vis des contribuables mais également à une perception propre à chaque acteur des faiblesses des politiques mises en oeuvre par les pays receveurs. La conditionnalité va alors souvent à l'encontre des principes d'alignement et d'appropriation dans la mesure où les conditions posées par les bailleurs ne sont pas voulues par les pays eux-mêmes.

Il faudrait donc substituer à la notion de conditionnalité la notion de contrat basé sur les résultats à partir d'indicateurs définis en commun et favorisant la prévisibilité. C'est ce que propose la Commission Européenne au travers des « MDG contracts ». Par ailleurs, les panelistes ont mis l'accent sur la nécessité de ne pas s'attacher uniquement à

la performance mais de prendre également en compte les besoins des pays. A cet égard, il fut indiqué que le système français alloue ses ressources en fonction des besoins, la prise en compte de la performance n'intervenant que sur les modalités de l'aide. La population de certains pays, notamment les plus vulnérables, n'est pas alors victime de la « double peine » résultant d'une mauvaise gouvernance et d'un faible niveau d'aide extérieure.

Les représentants des pays du Sud ont souligné le besoin de partenariat, de confiance mutuelle et d'appropriation encourageant les pays receveurs à définir leurs propres priorités. Le rôle des bailleurs est d'accompagner la volonté de réforme des pays et soutenir le renforcement de leurs capacités. Harmoniser les conditionnalités des bailleurs contribue par ailleurs à en réduire le nombre, améliorant ainsi l'absorption de l'aide. Enfin, la conditionnalité traditionnelle est apparue comme difficilement applicable dans les États fragiles où une plus grande flexibilité d'intervention est nécessaire. Un résumé détaillé des interventions est disponible sur le site de la Ferdi www.ferdi.fr

HOW TO MAKE AID ALLOCATION AND CONDITIONALITIES CONSISTENT WITH THE ALIGNMENT AND OWNERSHIP PRINCIPLES?

Event organised by Ferdi, France, Burkina Faso and Senegal

The aim of the event was to examine how to reform aid modalities, notably aid allocation between countries and aid conditionalities, in order to efficiently promote alignment and ownership. The panel hosted representatives from the South - Gnouka Diouf, Ministre conseillère du Président de la République du Sénégal, Emilia Pires, Finance Minister of Timor Leste, Tertius Zongo, ancien Premier Ministre du Burkina Faso, Navid Hanif, Director, Office for ECOSOC Support and Co-ordination, and Désiré Vencatachellum, Directeur de la Recherche, Banque africaine de développement – as well as Bernard Petit, Former Deputy Director General for Development, European Commission and Serge Tomasi, Directeur de l'Economie Globale et des Stratégies de Développement, Ministère français des Affaires étrangères et européennes. Patrick Guillaumont, President of Ferdi, moderated the debates. The panel examined how to make aid allocation formulas and aid disbursement conditions better tailored to the country features and more consistent with ownership and alignment principles. Then, in order to shed light on potential options to implement, the speakers have illustrated their lectures from the related experiments. The specific cases of fragile states or vulnerable countries were considered.

On the issue of allocation, the experts underlined the inadequacy of an allocation based on an external judgment of economic policy with the alignment principle. They also wished that the allocation could better take into account the country needs, particularly their vulnerability towards external shocks.

On the issue of the move from a conditionality based on policy measures to an outcome-based conditionality, most of the panelists underlined a relative inertia in the way development assistance is managed. Particularly, current conditions are widening a

gap existing between rhetoric and the reality on the field. This inertia may be due to accountability *vis a vis* the tax payers but the donors own perceptions on the weaknesses of recipient countries policies also contribute to this inertia. Aid allocation tools, among which conditionality, may then go against alignment and ownership principles as they are implemented by donors and not by recipient countries themselves.

The notion of contract based on results and indicators defined in collaboration with recipient countries could thus be substituted to the notion of conditionality. This is what the European Commission is proposing through its MDG contracts. Furthermore, panelists stressed the need to focus less on performance and more on country needs. On that regard, the French system allocates its resources as a function of needs, performance being taken into consideration only when considering the aid modalities. The population of most countries, notably those particularly vulnerable, is then not victim of the “double sentence” resulting from a poor governance and a low level of external aid.

Representatives from the South highlighted the need for partnership, trust and ownership, encouraging recipient countries to design their own priorities. The donors should accompany them in their will to reform their countries and should support their capacity building. Harmonising conditionalities also contributes to lower the number of conditions and thus improve aid absorption. Finally, traditional conditionality appeared not to be applicable in the case of fragile states where a higher flexibility in interventions is required.

FACING RISKS TO GET RESULTS - MANAGING RISKS JOINTLY FOR BETTER DEVELOPMENT RESULTS

Context

Pursuing international development results is inherently risky. The Evaluation of the Paris Declaration, Phase 2 points to risk aversion as an obstacle to progress. It recommends adding shared risk management as a principle of future aid reform, expressing a mutual commitment to confront and manage risks jointly, in the spirit of a mature relationship.

Facing risks more explicitly should improve the achievement of development results, as well as better engage all concerned stakeholders. And doing it jointly should make risk assessment and response more comprehensive, therefore more effective in optimising results, while reducing the administrative burden on both partner countries and donor organisations. Partners in development increasingly recognise the importance of acknowledging risks. The time is also ripe to do something about it because new international standards have been developed, which can provide tools to handle risks from a common platform.

The first conclusion of the November 2010 Copenhagen conference on Risks and Results Management in Development Co-operation emphasises a willingness to accept certain risks, most notably in fragile countries. We must demonstrate that we collectively understand the risks we are prepared to take, and how to address them. Similar messages have come from the International Network on Conflict and Fragility (INCAF), the International Dialogue on Peacebuilding and Statebuilding, and the Manila Consensus on Public Financial Management.

Key concepts

Speaking a common risk language sets a solid base to move toward joint efforts, and it can avoid disagreements based on miscomprehension. Sharing a set of key concepts is a bridge between principles and implementation.

The development community understands that risk affects development outcomes. Similarly, it recognises that risks present both hazard and opportunity aspects. For instance, engagement in fragile states obviously presents particularly high risks. Yet, there is strong evidence that early intervention presents a series of long-term opportunities. Furthermore, there are even higher risks involved in not engaging.

Most donors have adopted standards in risk management. These approaches are broadly consistent. They can lead towards harmonisation, accountability and transparency. There is now rapidly growing consensus around what is meant by key risk categories, risk definitions, risk identification, risk assessment, risk tolerance and risk response.

It is not necessary to standardise the suite of tools so that all participants use the same exact ones. In fact, there is a general openness to share information even if the analytical tools are not identical. Countries have their own risk appetites and must respect

their governments' frameworks, but the key thing is to have a common framework and set of principles for risk management.

Basic risk analytical framework

Choosing a good set of core risk categories allows the risk management approach to be adaptable to a variety of contexts. The structure of core risk categories must be broad enough to include consideration of important risks that may be out of our range of vision, but specific enough that it can be practically useful in a given context. For example, risk of corruption and fraud is a universal category but the manner in which it manifests itself – and is addressed – is significantly different in a fragile state versus a stable low-income country.

In 2009, the Organisation for Economic Co-operation and Development's International Network on Conflict and Fragility commissioned a study, *Managing Risks in Fragile and Transitional Contexts*. The core risk categories from this risk study are well suited to the job. Virtually all the key risks of the participating organisations can be subsumed in the structure. For the sake of consistency, it is proposed to work from this model.

Conclusion

The development community is at an important juncture. On the one hand, it can be justifiably proud of progress in the human condition in the past two generations. On the other hand, it has now learned significant lessons to further improve the impact of its collective efforts. The reality of resource constraints, given the current state of the world economy, only reinforces the imperative of optimal efficiency.

Better risk-informed management of development by all stakeholders is an opportunity that must be seized. More transparent joint risk management is important because, above all, it can increase development effectiveness. It is simply good development. Furthermore, it contributes to greater transparency and accountability in communicating real challenges in the pursuit of sustainable development results.

Facing risks more systematically and together in order to maximise development results will require sustained political commitment as well as a resolute pragmatic response founded on the best analysis available. Together we can signal a concrete step in that direction by adopting the principles and framework set out in this statement.

Principles

Development actors need to better understand risks and treat them pro-actively. Focus on this issue, notably at the November 2010 Copenhagen conference on risks and results management in development co-operation, has led to emerging consensus on principles such as:

- 1) Be smart risk takers, weighing risks against desired outcomes, and against the risk of not engaging. This includes awareness that the human consequences of those decisions are disproportionately borne by the poor in developing countries.
- 2) Recognise that development objectives are what should determine how to approach risks. Approaches should be adapted to a specific context, pursuing the simplest most effective risk responses and seeking to minimise administrative burdens. Result expectations must also be adjusted, in the light of risk analysis, to ambitious yet realistic desired outcomes, most notably in fragile states and conflict situations.

- 3) Confront and manage risks jointly among all partners, recognising that developing countries have the least risk bearing capacity. In that spirit, donors need to work with developing country governments to enhance their capacity.
- 4) Be more transparent in our communications about the risks and benefits of our engagement.
- 5) Recognise that fiduciary risk – including corruption - is important but that there is a range of other risk areas that have significant impact on the attainment of results.
- 6) Acknowledge that corruption can affect all governments and offer practical assistance to partners to implement relevant international conventions and agreements.
- 7) Strengthen our collective ability to address risks by applying appropriate risk management practices through shared and harmonised risk assessment, monitoring and treatment.

SPECIAL HIGH-LEVEL EVENT OF THE DCF ADVISORY GROUP ON RETHINKING DEVELOPMENT - TOWARDS A NEW SUSTAINABLE DEVELOPMENT ARCHITECTURE

Panellists for the special event included Ministers from Finland and Liberia and a research fellow from the UK Overseas Development Institute (ODI). The meeting was chaired by Mr. Thomas Stelzer, Assistant Secretary-General for Policy Co-ordination and Inter-Agency Affairs, UNDESA and moderated by Mr. Tony Tujan, International Director and Chairperson, IBON and Reality of Aid Network.

Three main points emerged from the discussions: First, H.E. Mrs. Heidi Hautala, Minister for Development, Finland lent her full support to converting the Commission on Sustainable Development into a Sustainable Development Council and upgrading of UNEP. She also expressed concern that efforts to create Sustainable Development Goals (SDGs) could undermine the MDGs. It would be better to update MDGs by adding goals for energy, food security etc. She also said that while important aid was a relatively modest source of development co-operation and therefore needed to be employed strategically.

Second, the finance minister from Liberia, H.E. Mr. Augustine Ngafuan, stressed that to put development on a sustainable development footing, additional resources for developing countries are needed so that developing countries can strike a balance between conservation and commercialisation of natural resources.

Third, Mr. Glennie, from the ODI, suggested that in the next six months leading up to Rio+20, efforts should be made to "de-aid" the sustainable development discourse. He emphasised that aid may not form major part of the outcome of Rio+20. He was of the view that Rio+20 should adopt goals that apply also to the North so that development is no more seen as a North-South issue.

The question-answer session with participants was reflective of the difficulties that all stakeholders are confronting in finding a common ground on these issues. A concern raised particularly forcefully by civil society participants was the lack of attention given to the social dimension of sustainable development with the focus of Rio+20 on the green economy.

PILOTING INNOVATIVE APPROACHES FOR DEVELOPMENT RESULTS- RESULTS BASED APPROACHES IN ACTION

Organised by: the Center for Global Development, UK Department for International Development, Norwegian Ministry of Foreign Affairs, Swedish Ministry of Foreign Affairs, German Federal Ministry for Economic Co-operation and Development, and European Commission

This side event provided an opportunity for HLF4 participants to learn about practical applications of innovative results-based approaches to aid programmes. The event featured panelists Andrew Mitchell, Secretary of State for International Development, UK; Erik Solheim, Minister for Environment and Development Co-operation, Norway; Charlotte Petri Gornitzka, Director General of the Swedish International Development Agency; and Andris Piebalgs, European Commissioner for Development, with additional contributions by Mamadou Biteye of Oxfam Great Britain, Joachim von Amsberg of the World Bank, and Owen Barder of CGD.

Moderator Nancy Birdsall, president of CGD, opened the event with a brief presentation of results-based aid (RBA) and results-based financing (RBF); both entail ex-post funding for a pre-agreed result, but RBA denotes a funding relationship between a funder and partner country government, whereas with RBF, funds go to a service provider. Panelists spoke about their organisations' experiences in piloting RBA and RBF programmes, highlighting that they are committed to trying more „hands-off“ approaches which allow partner countries to take ownership of development strategies. When asked about risks of development „disappearing“ after a programme has finished, Andrew Mitchell noted that the intention of RBA is that development „enters the bloodstream“ of the developing country, as it sees the benefits that results. Panelists also noted that results-based approaches offer advantages for donor country taxpayers, such as more clarity on what development co-operation programmes have achieved, which donor agencies should communicate better.

Participants raised important concerns about these new approaches. One relates to a need to ensure that, as results-based approaches are implemented, the poorest and most marginalised people are protected; Andrew Mitchell said that this is in fact what results-based approaches are designed to do as these areas often represent greater opportunity for gains by the country. Charlotte Gornitzka further addressed a concern that results-based approaches were designed to go after “easy wins” by pointing out that Sida and others are not only interested in results that are easiest to measure. The panel demonstrated a commitment to improving the more-difficult measurement of development outcomes.

Another common concern is that results-based approaches shift an unfair degree of risk to partner governments; Erik Solheim pointed out that with increased power comes increased risk, and Joachim von Amsberg added that risks are mitigated when results are defined by governments themselves. Speakers agreed that results-based approaches should include basic social, environmental and anti-corruption safeguards but otherwise the partner country should retain control of how outcomes are achieved and how funds are spent.

The discussion focused on the value of testing new approaches and learning from them. Commissioner Piebalgs announced a web-based learning platform for results-based approaches, to be launched soon so that lessons can be documented, and RBA can be compared to other approaches

CSO DEVELOPMENT EFFECTIVENESS AND AN ENABLING ENVIRONMENT: MULTI-STAKEHOLDER APPROACHES TO POST-BUSAN INITIATIVES

The multi-stakeholder Task Team on CSO Development Effectiveness and Enabling Environment co-ordinated this Side Event at HLF4, in co-operation with Action of Churches Together - Alliance, CIVICUS, UNDP Centre of Governance, CIDSE, Alliance 2015, the Open Forum on CSO Development Effectiveness and the International Centre for Not-for-Profit Law. The purpose of the event was to create forward political momentum, with shared responsibility, to address civil society development effectiveness and the conditions that enable civil society to maximise its contribution to development

Charlotte Petri Gornitzka, Director General of SIDA, welcomed participants and gave introductory remarks as a Co-Chair of the Task Team on CSO Development Effectiveness and Enabling Environment. The side event featured a keynote address by Maina Kiai, UN Special Rapporteur on the Rights to Freedom of Peaceful Assembly and of Association, with panel presentations by Emele Duituturaga (PIANGO and Co-chair of Open Forum Global Facilitating Group), Heidi Hautala (Minister of International Development Co-operation, Finland), and Netsanet Belay (CIVICUS). Julio Raudales (Minister of Planning and External Co-operation, Honduras) and Modibo Makalou (Task Team Co-Chair and Office of the President, Mali) sent their apologies, due to overlapping commitments consequent to their roles as Sherpas in the negotiations for the Busan Outcome Document.

The 2008 Accra Agenda for Action (AAA) represented significant gains in the recognition of CSOs as independent development actors in their own right. The AAA implied more shared responsibility for CSOs in development as well as increased attention to an enabling environment for CSOs. CSOs have made progress in meeting these expectations through the Open Forum, which undertook more than 100 consultations in the past two years. This CSO-led process resulted in the Istanbul principles for CSO Development Effectiveness and the Siem Reap Consensus on the International Framework for CSO Development Effectiveness to guide the implementation of these Principles along with proposals for enabling conditions for civil society.

According to Emele Duituturaga (Open Forum GFG Co-chair), the Istanbul Principles and the International Framework are not just a transformation for civil society. The process and outcome are unprecedented for all development actors, who now all have a responsibility to take action. But at the same time, all speakers spoke to growing evidence of an increasingly restrictive environment for CSOs in many countries. The Task Team, in monitoring progress in relation to AAA commitments and CSOs, along with other sponsors of this side-event, have documented this evidence. In April 2011, the Task Team also set out Key Messages for HLF4 identifying standards for enabling conditions for CSOs.

The UN Special Rapporteur on the Rights of Peaceful Assembly and of Association reflects many of the concerns apparent in this multi-stakeholder dialogue on CSO development effectiveness and enabling environment. Maina Kiai drew attention to country-specific trends in restrictive CSO environments in both the global North and the

global South. The ability to associate freely is critical not only for democracy but also for social, economic and political development outcomes. Yet across the world he is documenting increasing barriers to the space that CSOs can and have been using in fulfilling their various roles as development actors.

Minister of International Development Co-operation (Finland), Heidi Hautala, suggested that human rights and development should be part of a holistic approach pursued by donors and proposed several avenues for donors to engage partner countries in dialogue on enabling conditions. She suggested indicators for monitoring actual practice should include the respect for basic freedoms, but also could reflect levels of corruption, transparency, application of anti-terrorism/extremism legislation, the number of invitations to the UN Special Rapporteur to do country follow-ups, and sustainable donor funding models.

Netsanet Belay (CIVICUS) drew together conclusions and proposals for the future. He proposed that stakeholders follow up calls for a Building Block on CSO Development Effectiveness and Enabling Environment. The Co-Chairs of the Task Team intend to invite interested partners to consider several possible areas of work for such a Building Block: 1) The development of appropriate indicators for progress, particular drawing from norms and standards embedded in international human rights; 2) Support for context-specific implementation of CSO's own efforts to enhance their development effectiveness, including their transparency and accountability; and 3) Drawing together best practices and norms in relation to enabling environment commitments.

Charlotte Petri Gornitzka (SIDA) reminded participants that it was not so long ago that CSOs were not present at all at "official" events such as HLF4. CSOs have moved quickly and strategically in their participation in these high-level events. The next steps are important and will have to involve more actors in the process. She committed that Sweden will continue to support this work and will try to persuade others to do the same.

Co-Chairs of the Task Team on CSO Development Effectiveness and Enabling Environment

Brian Tomlinson, Open Forum & Canadian Council for International Co-operation (volunteer)

Charlotta Norrby, SIDA

Modibo Makalou, Office of the President, Mali

STATISTICS FOR TRANSPARENCY, ACCOUNTABILITY AND RESULTS

At the Fourth High Level Forum on Aid Effectiveness (HLF-4), the Partnership in Statistics for Development in the 21st Century (PARIS21) and the World Bank held an official side event on 1 December 2011 entitled “Statistics for Transparency, Accountability, and Results.” The event was attended by some 60 participants - users and producers of data hailing from developing and developed countries, universities, and international agencies.

Participants considered the content of and implementation arrangements for a Busan Action Plan for Statistics, a renewed global plan for developing statistical capacity that builds on the successes and lessons of the 2004 Marrakech Action Plan for Statistics. The Busan Action Plan addresses outstanding and emerging issues to propose five main actions: (i) implement statistical strategies according to national priorities, (ii) facilitate public access to data through standards and new technologies, (iii) increase knowledge and skills needed to use statistics effectively, (iv) track outcomes of global summits to encourage recognition of the need for developing national statistical capacity, and (v) ensure financing for statistics is robust and funding mechanisms responsive.

In delivering the keynote address, the UK Secretary of State for International Development, Mr. Andrew Mitchell, outlined the commitment of his country - the largest bilateral provider of aid to statistics - in supporting statistical capacity development globally and expressed his country's firm support for the Busan Action Plan for Statistics, which the UK were proud to help develop with PARIS21 and others. He encouraged all stakeholders to participate in the Plan's implementation.

Panelists from the World Bank and Afghanistan highlighted the important issues of gender equality / women's empowerment and data collection in fragile situations, respectively. They were followed by prepared statements on behalf of the UNFPA Executive Director and Secretary of Finance from the Philippines who both expressed firm support for the Action Plan and committed to participate in its implementation. Interventions from the floor were universally supportive of the Action Plan and applauded the explicit reference to it in paragraph 18c of the HLF-4 outcome document: “We will partner to implement a global Action Plan to enhance capacity for statistics to monitor progress, evaluate impact, ensure sound, results-focused public sector management, and highlight strategic issues for policy decisions.”

The chair of the OECD's Development Assistance Committee, Mr. Brian Atwood, closed the proceedings by calling on developing countries to allocate more resources to their national statistical systems. A country cannot be an effective state without a functional statistical system. In this regard, the Busan Action Plan for Statistics is a clarion call. The Action Plan reinforces the HLF-4 outcome document, and the outcome document reinforces the Action Plan.

The meeting formally kicked off the launch of the implementation phase of the Plan. Post-Busan, the Plan will be presented in various other fora (e.g., 2012 UN Statistical Commission and Annual PARIS21 Meetings) for review of more robust and concrete implementation arrangements.

PARTNERSHIPS FOR INCLUSIVE BUSINESS

Over the last decade, many multilateral and bilateral donors have begun to support the development of inclusive business models: profitable core business activity that also tangibly expands opportunities for the poor and disadvantaged. Inclusive business models integrate people in poverty into value chains as suppliers, employees/distributors, or consumers (through pro-poor products) resulting in significant development benefits in addition to business benefits. Research related to business models for inclusive business shows that most firms have however only recently started to search for inclusiveness at the strategic (core business) level. In this context, partnerships with non-market parties are a vital prerequisite for promoting inclusive business models.

At the side event „Partnerships for Inclusive Business’ a distinguished panel of representatives from the private sector, donor agencies and research institutions discussed together with 60 participants how governments and donors can most effectively inspire, promote and support inclusive business models so that they have a genuine, systemic impact on poverty reduction. The discussion was informed by the study “Partners in Development – How can Donors Better Engage the Private Sector for Development in LDCs” undertaken by Bertelsmann Foundation, UNDP and UNGC.

The following key points emerged from the discussion at the side event:

From donor perspective

- Improve the investment climate to enhance social and financial sustainability of investments.
- Continue awareness raising to attract companies to invest in inclusive business models and provide support for identifying potential business partners.
- Prioritise innovative partnerships with the private sector. Be clear about the value proposition.
- Aggregate information and co-ordinate. Reduce the information overload for businesses and co-ordinate activities with other donors and with the private sector better.
- Improve result measurement by using more sophisticated quantitative measures.
- Support investments in difficult contexts, such as in fragile states.
- From private sector perspective
- Be open, clear and inclusive. It remains a challenge for the business community to navigate and access donor programmes. Make it easier for businesses to understand programme requirements. This will lower transaction costs of partnerships, in particular in the start-up phase.
- Facilitate an enabling environment for inclusive business, including good governance and institutions at the local level.

- Increase confidence in public-private partnerships and build up trust by highlighting best practices on both sides.
- Transformational partnerships are required for maximal impact.
- Access to capital is needed for lower and middle segments of the sector.

Comments from the audience:

- The role of Civil Society Organisations (CSOs) should not be forgotten in the discussion on inclusive business models. CSOs are often recognised for their networks and their „watchdog role’. From a CSO perspective, donors should promote an environment for working together with firms and CSOs.
- Importance of dialogue and active participation of the private sector. To advance the inclusive business agenda the public and the private sector but also donors among themselves need to intensify their exchange already at early stages of policy design to co-ordinate their actions better.

SOUTH-SOUTH CO-OPERATION AND TRIANGULAR CO-OPERATION: A VEHICLE FOR ENHANCED KNOWLEDGE SHARING/CREATION

Major points of discussion:

Mr. Joe Nakano, Parliamentary Vice-Minister for Foreign Affairs of Japan, welcomed the rapid expansion of South-South Co-operation (SSC) under the circumstances where international society faces a number of challenges, such as persistent conflicts, threatened food security, environmental degradation, infectious diseases and natural disasters. He argued that global challenges have no boundaries and need global solutions.

Mr. Masato Watanabe, Vice-president of JICA, explained that the objectives of this event was to share empirical experiences and lessons learned from various SSC/Triangular Co-operation (TrC) practices for further improving effectiveness of SSC/TrC.

Mr. Loti Yates, Director of the National Disaster Management Office of Solomon Islands, introduced the inter-regional co-operation between Pacific and Caribbean SIDS, through which practical knowledge on climate change adaptation and disaster risk management was effectively exchanged thanks to the similarity of geographical and natural conditions.

Mr. Marco Farani, Director of the Brazilian Agency for Co-operation, Ministry of External Relation, referred to North-South co-operation which had contributed to build up capacity of Brazilian research institute which later turned to be key implementer of SSC programmes of Brazil, taking Japan's decade-long co-operation to EMBRAPA as an example.

Mr. Wismana Adi Suryabrata, Deputy Minister for Development Financing Affairs of the Ministry of Development Planning of Indonesia, briefed Indonesia's engagement in SSC; its history, case projects etc.. He also pointed out four challenges of SSC/TrC; 1) Matching of Supply & Demand, 2) Changing condition around development environment, 3) Limited financial resources, 4) Reviewing issues of mutual accountability and transaction cost.

Mr. Enos Oyaya, Director of the Quality Assurance and Standards Directorate, Ministry of Education of Kenya, explained how Kenya accumulated CD in science and mathematics education referring to the TrC case of SMASE-WECSA project. He stressed that joint needs assessment/programme formulation and dissemination of lessons learnt are key challenges for further promoting SSC/TrC.

Mr. Wang Daohao, Division Director, Department of Foreign Aid, Ministry of Commerce of China, explained that China's foreign assistance started in 1950s and it currently conducts approximately 4,400 training courses and receives over 10 000 participants in various seminars/workshops per annum.

During Q&A sessions, importance of deepening regional co-operation was raised. Also transaction cost of SSC/TrC could be reduced through improved efficiency of project implementation by focusing the area of co-operation where SSC provider has the comparative strength.

Mr. Ronald Meyer, Head of Division, Federal Ministry of Economic Co-operation and Development of Germany noted that the presented cases and discussions confirmed that

SSC and TrC are very practical and effective to share knowledge to tackle development challenges and should be further promoted as one of the important approaches of development co-operation.

Mr. Yiping Zhou, Director of the Special Unit for South-South Co-operation, UNDP, also stressed that every developing country has a lot to share with others and SSC/TrC which facilitates mutual learning among developing countries should be well encouraged.

INNOVATIVE WAYS OF LEVERAGING PRIVATE FINANCE FOR DEVELOPMENT

This side event focused on innovative mechanisms of leveraging private financing to achieve development goals. Attracting private funding not only increases the pool of resources available for development, but also sets the corner-stone for sustainable development beyond aid. Public funding can act as a catalyst in encouraging entrepreneurs and innovators by sharing risks, helping build markets and crowding-in private funding where it is not yet available.

Moderator, speakers and discussants:

Charlotte Petri Gornitzka, Director General, Sida

Mayada El-Zoghbi, Senior Microfinance Specialist, CGAP

Hiroshi Amemiya, Japan Representative, Developing World Markets

Katarina M. Eriksson, Senior Analyst, Tetra Laval Food for Development Office

Bold Magvan, CEO TenGer Financial Group, former President and CEO of XacBank

Gustaf Sundell, Country Manager Iraq, Scania

Gudrun Timm, First Vice President Development Policy/Economics, DEG

Onno Schellekens, Managing Director, Investment Fund for Health in Africa and Pharm Access

Innovative mechanisms to leverage private finance discussed at the side event included:

- Investment intermediaries and funds to channel private investments
- Seed funding and risk sharing mechanisms
- Partnerships between public donors and private companies

Speakers and discussants raised the following success factors for effectively leveraging private finance:

- The private sector has more to offer than “just” finance. Development actors and projects benefit from the private sector’s expertise and the knowledge transfer that happens through partnerships.
- Experience shows that partnerships are often driven by individuals. For sustainable results beyond individuals’ commitments, partnerships need to be built into systems and organisational structures.
- The sequencing and timely intervention of different partners (government, private sector, donors) is key to achieve sustainable development outcomes.
- Relationships between public and private sector actors benefit from close dialogue and structured partnerships so that expectations are clear and partners agree on how risks are shared.

What is the role of public funders in leveraging private finance for development?

- Public funders can accelerate the uptake of a new product or business model by proving that the concept works and helping to create a market for private actors to come in.
- Public funders can create incentives for private companies to expand to unserved markets by lowering the risk thresholds for private companies by sharing initial risks and putting in place risk management systems.
- Public funders can provide additional resources to help scale up models that work.

DOMESTIC RESOURCE MOBILISATION, TAXATION AND DEVELOPMENT: IMPLICATIONS FOR THE AID EFFECTIVENESS AGENDA ORGANISED BY THE AFRICAN TAX ADMINISTRATION FORUM

The African Tax Administration Forum hosted this event to draw attention to the importance of domestic resource mobilisation as the most important financing component for development. The OECD's Secretary General, Angel Gurría, noted 'the correct spelling of the word aid is T.A.X'. He highlighted the problems of granting tax holidays and pointed to property and sales taxes as priority areas where progress could be made in developing countries. African Development Bank President Kaberuka suggested that an exit and graduation from aid required a strategy to raise domestic resources but also to deliver more effective public services. He and South Africa's Deputy Finance Minister Nhlanhla Nene, noted that tax had been neglected as a development concern and aid should be redirected to support tax systems development. Mr Amadou Ba, Director General of Tax, Senegal, suggested clearer contracts between donors and developing countries were needed to help with the development of local tax systems. USAID's Eric Postel and GIZ's Christophe Beier cited evidence of capacity building leading to a direct financial return in terms of improved tax collection in several countries.

The discussion complemented the outcome partnership statement which makes clear that aid is only part of the solution to development and highlights that government's own revenues play a greater role in financing for development. The role of the private sector was recognised for mobilising domestic resources. The outcome document includes an agreement to take action to facilitate and lever taxation and domestic resource mobilisation through development co-operation. It also sets out an agreement to refrain from requesting the introduction of performance indicators that are inconsistent with developing countries' national development strategies and that all activities related to aid will be made public and transparent. Participants agreed a 'New Deal' on fragile states with the objective of improving and focusing external support including on revenue related goals. Finally, participants agreed to increase efforts to accelerate combating of illicit flows and tax evasion.

AID AND DEVELOPMENT EFFECTIVENESS IN THE LEAST DEVELOPED COUNTRIES FOR THE IMPLEMENTATION OF THE ISTANBUL PROGRAMME OF ACTION

The government of Nepal, the United Nations Office of the High Representative for LDCs, LLDCs and SIDS and LDC Watch jointly organised this side event, which was chaired by H.E. Barshaman Pun, Minister of Finance, Nepal, and moderated by H.E. Gyan Chandra Acharya, Permanent Representative of Nepal to the United Nations. Approximately 50 participants, including high-level government officials and representatives of international organisations, the civil society and the academia, attended the event. Mr. Pun delivered a keynote speech, while Andris Piebalgs, EU Commissioner for Development and Peter Moors, Director-General, Directorate-General Development Co-operation, Belgium, made statements in which they highlighted the perspectives of European Union and Belgium, respectively, on the issue of aid and development effectiveness. Remarks were made by Emmanuel Nnadozie, Director, Economic Development and NEPAD Division, ECA, Martin Chungong, Director, Division for the Promotion of Democracy, IPU, and Arjun Karki, International Co-ordinator of LDC Watch. Further, interventions from participants enriched the discussions throughout the event and it was capped by a wrap-up done by Susanna Wolf, Senior Programme Officer, UN-OHRLLS.

Three main points stood out clearly during the discussions: definition of the concept of aid and development effectiveness, particularly in the context of LDCs, experiences of both LDCs and their development partners in moving towards aid and development effectiveness, and recommendations as to how to improve aid and development effectiveness across LDCs. The concept of aid and development effectiveness was discussed in the context of the start of the implementation of the Istanbul Programme of Action, which sets out very ambitious targets and goals in eight priority areas of action.

With respect to recommendations as to how to improve aid and development effectiveness several participants highlighted the need for LDCs to improve ownership in particular through exercising more effective leadership in their relations with their development partners. This requires changes in attitude and greater confidence, which are preconditions to negotiate as equal partners. Mainstreaming the IPoA into development strategies of LDCs and aid policies of donors is expected to support the alignment of aid with national priorities.

Participants also underlined the importance of inclusiveness in moving the aid and development effectiveness agenda forward. They called for a broader involvement of all stakeholders in the dialogue on aid and development effectiveness including non-traditional donors, parliaments, civil society and the private sector, deeper reflection of the gender dimension at all stages of policymaking processes and more attention to the peace and security agenda. The critical role of information about aid and budgets for all stakeholders to fulfill their functions was also stressed.

Participants underlined that progress in the aid and development effectiveness agenda requires establishing bold monitoring and evaluation frameworks both at the domestic and international levels to strengthen mutual accountability. Verifiable indicators should support these frameworks.

EMERGING ASIAN APPROACHES TO DEVELOPMENT CO-OPERATION

Korea Development Institute, the Asia Foundation, Ministry of Planning and Investment of the Socialist Republic of Vietnam

A key objective of the HLF4 was to establish a more inclusive framework for development co-operation which includes non-OECD DAC donors. Experts from China, India, Vietnam, Korea and Australia discussed the key elements of an Asian approach to development co-operation which include: Asian countries' experience of being both aid recipients and aid donors, often simultaneously, and hence their aversion to using the donor-recipient dichotomy; their desire to share their own success as an alternative path for developing countries; their emphasis on shared and sustained growth, country ownership and capacity development encompassing infrastructure, trade, industry, and human resource development, as well as responsive and responsible governance; and the linking of development co-operation with foreign and economic policy objectives, but with fewer policy conditionalities for co-operation partners.

Key Ingredients for Growth: Prof. Xiaoyun Li, Dean, College of Humanities and Development Studies China Agriculture University; Chair, China DAC Study Group drew on the lessons of China's own development path and strategic investment in infrastructure to provide insights for developing countries. He highlighted the importance of well managed foreign assistance, a developmental state and cross fertilisation between infrastructure projects, human resource development and national industries.

Reflections on the Compatibility of Aid Architecture and Principles with Asian Approaches: Dr. Sachin Chaturvedi, Senior Fellow, Research and Information System for Developing Countries, India, explained how South-South Co-operation is compatible with Asian approaches because it emphasises the principles of mutual respect, equality and a „win-win' situation. Unlike traditional „aid" it focuses on the „complementarities' between production, consumption, trade, investment and technological and development co-operation. Drawing on two examples of Indian SSC with Cambodia and Laos, he stressed the importance of long term partnership and institution-based national ownership.

Partnership-Based Development: H.E. Dang Huy Dong, Deputy Minister of Planning and Investment, Vietnam explained that strategic ownership, leadership and partnership enabled Vietnam to manage its aid as a gateway to bilateral and multilateral policy dialogues, to foreign direct investment and trade, and especially to the opening of Vietnam's economy. To avoid the middle income trap Vietnam is assertively focussing on overcoming major challenges such as inadequate institutional and legal frameworks in relation to the market economy, low economic competitiveness, weak economic infrastructure and constraints in human resources.

Comparative Perspectives on Asian Approaches to Development Co-operation: Dr. Wonhyuk Lim, Director of Development Research, Center for International Development, Korea Development Institute, described how Asia's development is unique because it managed to narrow the development gap with the West, particularly in terms of

economic growth. Based on Korea's experience he provided three lessons for development effectiveness: export oriented industrialisation contributed to less aid dependency; the choice of inbound foreign capital affects a country's degree of ownership; and regardless of regime type, governance characterised by responsiveness, competence, and accountability is critical.

Commentary: Mr. Peter Baxter, Director-General, Australian Agency for International Development in response to presenters remarked that traditional donor countries should consider constructing new development co-operation relationships in recognition of the changed and evolving aid environment. Current challenges including humanitarian disasters have demonstrated the irrelevance of the donor and recipient dichotomy.

THE BUSAN INITIATIVE FOR THE ENHANCED AID ARCHITECTURE

This event took place for two hours between 11:30 and 13:30 on 1 December 2011 at room M 302(1-3) of the Busan Exhibition & Convention Center (Bexco). The main objectives of the event were to inform the international community of development co-operation the Busan Initiative for the Enhanced Aid Architecture (hereinafter referred to as the “Initiative”) and to clarify issues to be reflected in the implementation of the Initiative to achieve its goals more efficiently. The outcome of the event was satisfactory as both objectives were met successfully. A number of participants from a wide range of organisations attended and actively delivered their views on the Initiative and the outcome of the event attracted much attention from the media. At the same time, high level government officials of the Pacific island countries (PICs) suggested ways through which this Initiative can be carried out more effectively.

The Initiative aims to produce a success story in achieving several Millennium Development Goals (MDGs) through more harmonised practices of Korean government agencies engaged in the agriculture, fisheries and the food sectors. It is directly linked to Target 8C (i.e., *the special needs of landlocked developing countries and small island developing States*.) as well as other Goals such as Goals 4 and 5. Initial programmes will focus on addressing health-related issues (e.g. diet imbalances, non-communicable diseases) in PICs. Based on the success of initial programmes, the Initiative will cover other priorities of PICs in accordance with the recommendations delivered from PIC panelists and attendees at the meeting, including climate change, water shortages, youth unemployment and food security including aquaculture development. In addition, the Initiative could be applied to other regions such as sub-Saharan Africa.

Two speakers, Mr. Hyun-min Jung, the Director General of the Maritime Affairs, Agriculture and Fisheries Bureau of Busan Metropolitan City and Dr. Iljeong Jeong, the Director General of the Distant Water Fisheries Bureau of the Ministry for Food, Agriculture, Forestry and Fisheries (MFAFF) of Korea, provided the first set of presentations under the title of 'A Busan Initiative for the Enhanced Aid Architecture.' The presentation was followed by a commentary provided by Dr. Eun-Pyo Hong from the OECD Secretariat. In order to facilitate the panel discussion that would follow the presentations at the side event, Dr. Jung-Kyu Oh, the Vice Minister of MFAFF, hosted a preparatory session on 31 November and DG Jeong and DG Jung hosted a breakfast meeting on 1 December to solicit views and opinion from PIC partners.

The subsequent discussion was moderated by DG Jeong, and the panelists included dignitaries from six countries (Samoa, the Solomon Islands, Tonga, Tuvalu, Papua New Guinea and New Zealand) and Korean academics and experts. The panelists noted Korea's unique advantage in providing development assistance and expressed their expectations that the Busan Initiative would not be stuck in the „business as usual’ trap and bring about real differences. The panelists pointed out that the implementation of the Initiative should be accompanied with the following: a macro model approach driven by partners; more predictable and binding programmes with high level political commitments; clear goals and effective means of implementation; objective tools of evaluation; greater opportunity for entrepreneurship; and aid for trade as well as for domestic resource mobilisation with longer term prospects. They appreciated the

Initiative pointing out that there were many common challenges amongst Small Island Developing States in the Pacific region and their smallness could be of both challenges and opportunities. Duly noting all these aspects, the participants generally agreed to build co-operation on the following: Fisheries development in the Pacific region harnessing its abundant fisheries resources; tackling climate change; addressing water shortages and improving water quality; nurturing entrepreneurship in the agriculture and fisheries sectors; and building human capacity for sustainable development.

After the discussion, the speakers and the panelists had a press conference, where many questions were posed and the answers in turn provoked various discussions on the concept and the future of the Initiative. After the event, many of Korea's national and local media broadly covered the issue, enhancing the publicity of the initiative. Relevant MIFAFF officials also had a couple of rounds of policy talks with interested partners including Papua New Guinea and another round of talks regarding the present and the future of the initiative with the New Zealand Ambassador to Korea is scheduled to take place in January 2012

The first stage of the Initiative will be undertaken for the next ten years within PICs. The first programme will involve setting up vegetable farms in the Federated States of Micronesia to contribute to meeting the country's needs for a more balanced diet. As a follow-up measure, the Korean government will be conducting a joint feasibility study with Pacific island partners and relevant regional development organisations in early 2012. Progress reports will be presented at various international meetings on development co-operation including the next High Level Forum on Aid Effectiveness.

**LOCALISING THE GLOBAL AGENDA ON DEVELOPMENT
CO-OPERATION: REGIONAL DIMENSIONS IN STRENGTHENING MUTUAL
ACCOUNTABILITY: A JOINT EVENT OF THE AFRICAN UNION
COMMISSION/NEPAD AGENCY**

Pacific Islands Forum Secretariat and United Nations Development Programme

Mutual Accountability plays a significant role in strengthening partnerships between developing and developed countries towards improving results and outcomes. It also sets a strong framework for monitoring the effective utilisation of development resources. This joint event provided an opportunity to contribute and share regional experiences and good practice of mutual accountability efforts in Africa and the Pacific Islands, and identify practical proposals and recommendations for concrete national and regional led mutual accountability mechanisms.

High level participation in the event included Ministers of Finance and Economic Planning from Rwanda, Samoa, Togo, Mozambique, Cook Islands, Tanzania and Uganda, as well as the Solomon Islands Minister of Foreign Affairs and Trade, El Salvador Vice-Minister for Development Co-operation and COMESA Secretary General. The event was co-chaired by African Union Commissioner for Economic Affairs and the Secretary General of the Pacific Islands Forum Secretariat.

The engagement underscored the need for the inclusion of regional organisations within the new Global Partnership for Effective Development Co-operation. This is the key message of the Joint Statement of the PIFS and NEPAD Agency which was signed at the end of the event. Regional platforms backed by political leadership are indeed agents of consensus building between sovereign states and create the space for advocating common yet differentiated country level perspectives for effective development co-operation. Regional organisations further act as conduits for policy coherence and accountability in aligning global expectations with country level realities, across the diverse range of development co-operation actors.

Within the post-Busan framework, priority should be given to domestic accountability over accountability to donors. The use of country and regional systems and procedures is a critical practice and serves to enhance overall capacities for accountability and transparency in the implementation of defined plans and policies. Effective systems therefore implies the existence of capable institutions for accountability at all levels, which is critical for increased alignment in delivering results-oriented aid in the pursuit of sustainable development finance.

DEVELOPMENT EFFECTIVENESS - AN AFRICAN REALITY

An event of the Africa Platform for Development Effectiveness In partnership with UNDP and UNECA

Africa's development effectiveness agenda entails developing the capacity to stimulate and drive inclusive and sustainable growth, while leveraging South-South co-operation and Aid Effectiveness as key mechanisms to achieve Africa's objectives. In line with HLF 4 focus on effective development, the main focus of this event was on the effective optimisation, management and utilisation of domestic and external policies, resources and processes for results.

Ministers from Rwanda, Kenya, Somalia, Togo and South Sudan were among the panellists to this event, as well as the African Union Commission, COMESA, ACBF, UNDP, UNECA and UN-AIDS.

The event underscored that Capacity Development is pivotal for future prospects of the Continent. Key in this respect will be the capacity to mobilise domestic resources and deliver results on Africa's inclusive growth and development agenda, at local, national and regional levels. In this context, while it will be important to be economically inclusive, equal attention must be given to being socially inclusive and involve groups that are often marginalised.

It is indeed Africa's own resources and its people that will enable its countries to move from fragility to agility. In addition, Africa's transformation is dependent on resilient, capable and effective institutions, for sustainable development results. Sharing knowledge to mutually learn from each other's experiences, successes and failures will further assist in strengthening local capacities for policy design, from the planning process to the actual implementation stage. Regional learning platforms like the Africa Platform for Development Effectiveness (APDev) have a key role to play in supporting this exchange and are a practical tool to further the broader African integration agenda. Africa's development should therefore be based on building developmental and capable states.

In turn, this calls for a social contract with development partners to promote development on the Continent: this is where the value of a post-Busan framework lies for Africa. The post-Busan compact should therefore entail a clear road map, with mutually agreed indicators to assess actions and evaluate progress towards achieving effective development in Africa. Therefore, a mutual accountability mechanism that is inclusive and holds all development actors to account is a crucial element to further Africa's agenda.

IDA 16 RESULTS: DISCUSSION OF IDA'S DEVELOPMENT RESULTS FRAMEWORK

Paul Wojciechowski, from the Government of Australia, welcomed participants and outlined the background of the IDA 16 Working Group on Results and Effectiveness. This had been set up by IDA 16 Deputies to consider the new IDA 16 results framework, and propose ideas about how IDA's results measurement and effectiveness could be further improved. The purpose of the discussion at this side event was to gather views from results specialists.

Mr Grant, the facilitator for the Group, gave a presentation summarising feedback from previous outreach meetings held by the Group in Lisbon and Washington. He then outlined the results of an internet questionnaire with the Communities of Development Practice, which had provided a strong affirmation of the IDA 16 framework.

The chair then opened the meeting to presentations from Working Group members for comments. The UK said that its priorities were to ensure that the IDA 16 framework is working for borrowing countries. The UK had recently published its own results framework which is very similar to that developed under IDA 16. The US said that it was pleased with the progress of the Working Group to date. In addition to the needs of borrowing countries, it is also important to recognise the accountability of donors to their taxpayers. The World Bank noted that IDA is committed to impact analysis, transparency and value for money and to gathering as many ideas as possible for IDA 17, which is why such outreach meetings are of value.

The Chair then opened the discussion to the floor. Comments came from a range of multilateral organisations that welcomed the inclusive nature of the process, and offered to provide help in developing indicators in areas such as climate change and gender. It will be important for IDA to have indicators for process-oriented parameters, including capacity building, and to use indicators to strengthen results-based management (RBM). One participant emphasised the importance of fragile states. The Chair noted that he had held a meeting with the g7+ group of fragile and conflict-affected states at Busan about appropriate indicators for these countries.

Other contributions highlighted the importance of the policy context. IDA will not be successful in the absence of a clear country-led strategy. IDA can have a key role in capacity development and promoting ownership and leadership. It is important to emphasise managing for results and not just measuring results. Representatives from the Caribbean Development Bank highlighted the importance of inclusive growth for sustainability and poverty reduction. They suggested that an additional indicator is required on inequality. It is vital to link bilateral and multilateral results frameworks under the overall umbrella of the Millennium Development Goals.

Other participants noted that communication of results is important, and it may be useful to have an indicator that covers this area. The World Bank highlighted their recent publication on results as a readily accessible source of information. Participants can also

gather data from independent evaluations of World Bank projects and programmes which date back to 1978.

The facilitator, Peter Grant, invited attendees to follow up with him (*peter@agulhas.co.uk*) if they wanted to make further contributions, or to stay in touch with the Working Group.

RECOMMENDATIONS FROM THE SIDE EVENT PROGRESS ON GENDER EQUALITY AND WOMEN'S EMPOWERMENT SINCE THE PARIS DECLARATION

Today we have nearly six years of experience in using the Paris Declaration principles – ownership, alignment, results, harmonisation and accountability – to advance gender equality and women's empowerment. We now have the evidence of what works. Significant efforts have been made to ensure that gender equality elements have been integrated into the implementation of the Paris Declaration.

The Outcome Document of the Fourth High Level Forum on Aid effectiveness, the *Busan Partnership for Effective Development Co-operation*, includes strong commitments on gender equality and women's empowerment: (Busan Partnership for Effective Development Co-Operation, Paragraph 20).

We must accelerate our efforts to achieve gender equality and the empowerment of women through development programmes grounded in country priorities, recognising that gender equality and women's empowerment are critical to achieving development results. Reducing gender inequality is both an end in its own right and a prerequisite for sustainable and inclusive growth. As we redouble our efforts to implement existing commitments we will:

- a) Accelerate and deepen efforts to collect, disseminate, harmonise and make full use of data disaggregated by sex to inform policy decisions and guide investments, ensuring in turn that public expenditures are targeted appropriately to benefit both women and men.
- b) Integrate targets for gender equality and women's empowerment in accountability mechanisms, grounded in international and regional commitments.
- c) Address gender equality and women's empowerment in all aspects of our development efforts, including peacebuilding and statebuilding

AID FOR TRADE - SHOWING RESULTS

The OECD and the WTO jointly hosted a special dialogue on “**Aid for Trade: Showing Results**” as part of the Fourth High Level Forum on Aid Effectiveness (HLF-4) on 29 November 2011. The objective of the side event was to showcase how the Aid-for-Trade Initiative was contributing to measurable development results especially with respect to the key effectiveness principles of the Paris Declaration. In particular, it addressed three questions: *Why does Aid for Trade still matter? How is Aid for Trade being delivered on the ground? And what are remaining challenges especially with regard to ‘showing results’?*

The event was organised as a facilitated discussion moderated by **Valentine Rugwabiza**, Deputy Director-General of the WTO and **J. Brian Atwood**, Chairman of the OECD Development Assistance Committee (DAC) and featured highly distinguished panellists from both recipients and providers of Aid for Trade. They were (in alphabetical order) **Armida S. Alisjahbana**, Minister for National Development Planning of Indonesia, **Stephen Groff**, Vice President of the Asian Development Bank, **Heidi Hautala**, Minister for International Development of Finland, **O.Y. Hwang**, Vice Chairman of the Sae-A Trading Co. Ltd. (Korea), and **Fifi Kwetey**, Deputy Minister of Finance and Economic Planning of Ghana. The Panellists shared their respective country’s or agency’s experience in leveraging aid to build trade competitiveness with the aim of ensuring that trade would contribute effectively to growth and sustainable development in partner countries.

The event also provided an opportunity to discuss and explore ways in taking forward the joint OECD-WTO work on monitoring and evaluation, particularly in the context of the work on strengthening accountability in Aid for Trade at the country level. After a rich and lively discussion, the following outcomes emerged to move the work forward.

- There was general agreement that showing impact and results was central to the Aid-for-Trade Initiative. In a less favourable environment for continued growth of development assistance, participants acknowledged that steps would need to be taken to better measure results so as to show that progress was being made towards the short- and long-term goals of the Initiative. More importantly, aid should be managed to achieve trade and development results in a manner that would strengthen aid effectiveness (*i.e.* better use of country system) and contribute to the ongoing process of prioritising trade within the evolving aid dialogue.
- Some panellists highlighted the need to link Aid for Trade with other broader development issues such as gender empowerment, youth employment and environmental sustainability (climate change) which are increasingly entering into the equation, particularly for development partners.
- All agreed that there was much to gain from increased collaboration on Aid for Trade, including developing aligned approaches to measure progress towards partner countries’ trade and development targets based on trade-related indicators. Active knowledge-sharing should also be encouraged through strengthened in-country dialogue among stakeholders, so as to strengthen accountability in Aid for Trade

EFFECTIVE AID FOR EDUCATION

Summary

Australia, Indonesia, UNICEF and the Global Partnership for Education hosted a side event on „Effective Aid for Education’ on Wednesday, 30 November 2011.

The event brought together representatives from some of the world’s leading agencies in education to discuss:

- lessons learned on how development assistance can be effectively delivered in the education sector
- partnership approaches that will be necessary to accelerate progress on the Millennium Development Goals and the Education for All Goals
- future opportunities and challenges for effective aid to the education sector.

Australia’s Minister for Foreign Affairs, the Hon Kevin Rudd MP and Indonesia’s Minister for National Development Planning, H.E. Armida Alisjahbana, co-hosted the event and shared their country’s experience of promoting aid effectiveness in the education sector. Mr Anthony Lake, Executive Director of UNICEF and Ms Carol Bellamy, Chair of the Global Partnership for Education, brought a wealth of knowledge and experience to the discussion as part of the panel. Ms Lucia Fry (ActionAid UK) and Mr Ian Wishart (Plan Australia) provided a civil society perspective at the event.

The event showcased the successful elements of development co-operation in the education sector, and offered an opportunity to learn from experience. It refocused international efforts on ensuring that children everywhere have the opportunity to transform their lives through education.

Participants at the event endorsed the *Statement of Principles on Effective Aid for Education*, which re-affirms a commitment to the aid effectiveness principles and their application to the education sector. The Statement of Principles was developed by a broad coalition of partners and is based on shared beliefs and common goals for effective development in the education sector. It commits all partners – donors, developing countries, emerging economies, civil society, parliamentarians and the private sector – to work more effectively together for all current and future beneficiaries of education.

Support for the *Statement of Principles on Effective Aid for Education* can be expressed at: www.educationforallblog.org/issues/aid-effectiveness/i-am-an-education-optimist-are-you-too.

BUILDING RESILIENCE FOR AID EFFECTIVENESS

Moderator Margareta Wahlström, Special Representative of the UN Secretary-General for Disaster Risk Reduction opened the session with a reminder that the costs of disasters are born by countries themselves, not the international community.

Panellists heard how countries often expend their entire development budget in responding to disasters, with serious macro-economic and stability impacts. Panellists discussed how international aid can better support the disaster risk reduction (DRR) and resilience agenda; how donors could take a pro-active and co-ordinated approach to support DRR and resilience in the countries that are most at risk; how country ownership and leadership in risk reduction can be promoted and supported by co-operative donor action; and how best to promote integrated approaches to DRR to ensure global risks are reduced at the local level.

Axel van Trotsenburg, World Bank Vice President for Concessional Finance and Partnerships; Margaret Biggs, President of the Canadian International Development Agency (CIDA); Nancy Lindborg, Assistant Administrator, USAID, and Yoo Chong-Ha, former President of the Korean Red Cross, shared specific examples of what is being done already. Several distinct themes recurred throughout the discussion:

- a) DRR is integral to a successful shift from aid effectiveness to development effectiveness.
- b) Integrated planning is fundamental to resilience.
- c) Resilient societies require a focus on people.
- d) Financing disaster risk reduction is a good investment.
- e) Promote country and community ownership and engage the private sector.
- f) Information sharing facilitates resilience.
- g) Disasters have globalised impact.
- h) Appropriate risk governance mechanisms are a key to building resilience.

Conclusion and recommendations.

- Lowering vulnerability to current and future shocks, and enhancing development effectiveness requires a focus on managing changing risk and reinforcing resilience to the devastating effects of natural hazards.

- UNISDR, WB, IFRC and partners will leverage the commitment in the *Busan Partnership for Development Effectiveness* to increase financing and resourcing of DRR from development budgets (both national and international, and public and private).
- Declarations and recommendations of the Side-Event will be factored into ongoing collaboration with the OECD, including in the formulation of the Global Partnership for Development.

WATER AND DEVELOPMENT

The impact of too much, too little, or too polluted water extends far beyond the localities and is capable of disrupting the security of the national food and energy supply, in turn affecting the global economy.

Securing clean water and adapting to climate change are of vital importance for ensuring water security: coping with floods, drought, and sanitation under persistent and extreme weather conditions. Unfortunately, those who are directly affected by and are the most vulnerable to climate change are the poor, living in developing countries. This is due to the fact that the water industry in poor countries are not equipped with sufficient infrastructure and lack capacities to deal with the uncertainties caused by changing weather patterns.

Globally, approximately 1 billion people lack access to clean drinking water; 2.6 billion lack access to improved sanitation services; and 1.4 million children under the age of five die every year as a result of inadequate access to clean water and sanitation services (WHO/UNICEF 2010). The primary goal of the Millennium Development Goals (MDGs), which world leaders committed to in 2000, is to eradicate extreme poverty and hunger

In this side event, all the participants agreed that water management sector was crucial for the national development and the economic growth of developing countries. In addition, sharing of water management and development knowledge can greatly contribute to sustainable development efforts around the globe. When in the face of multiple crises, such as food, energy, climate, etc., it will be essential to recognise the pivotal role of water as a solution toward effective poverty reduction and green growth for developing countries.

For this end, all speakers and panelists stated that Korea's experience for developing water resources can be one of role models to adapt climate change, restore and preserve nature, and achieve regionally balanced development.

PART TWO

Preparing the Event

The Fourth High Level Forum on Aid Effectiveness (HLF-4) was the product of intensive work from a large number of people from different countries and organisations. Beyond the logistical and financial efforts needed to organise such a large international event, it also involved political and diplomatic processes were needed to ensure the participation of the more relevant countries and organisations, and analytical work to gather evidence of the advances in the implementation of the aid effectiveness principles and to prepare the substance of the main issues to be discussed in Busan. The second part of this compilation includes articles and documents that could help to understand how this process was conducted. The articles are organised around three blocks:

- **Visions for Busan:** Preceded by an article from OECD-DAC Chair who analyses lessons learned from the process to Busan, representatives from different stakeholders (CSO, parliamentarians, regions...) detailed efforts made to engage their constituencies in Busan.
- **Evidence presented at Busan:** Summaries of the main evidence presented in Busan (2011 Paris Declaration Survey, Paris Declaration Evaluation and Fragile States Survey) are included in this section.
- **The Working Party on Aid Effectiveness:** The Working Party on Aid Effectiveness has been facilitating the international discussion on development effectiveness from 2003 to 2012. This section contents an article which analyses its activities and a selection of some of the products generated by this large coalition of the willing.

Visions for Busan



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CREATING A NEW GLOBAL PARTNERSHIP FOR DEVELOPMENT CO-OPERATION

On December 1, 2011 at the Fourth High Level Forum on Aid Effectiveness (HLF-4, Busan, Korea, 29 November to 30 December 2011), 160 nations, civil society and the private sector endorsed an 11-page statement creating a new “Partnership for Effective Development Co-operation”. This statement, quite remarkably, was endorsed by emerging economies such as China, India and Brazil – nations that, while continuing to suffer the effects of poverty, have become important “providers” of development assistance.

The HLF-4, attended by the UN Secretary General, the US Secretary of State, the Administrator of the UN Development Programme and several heads of state, foreign and development ministers, was sponsored by the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD). How did the OECD-DAC overcome the polarised and highly ideological debates so characteristic of global politics to produce an agreement of immense public value? How did the OECD-DAC engage thousands of civil society organisations and the world’s most important private sector organisations? Finally, how did a series of international meetings to promote aid effectiveness among development professionals result in an agreement that addresses “the interdependence and coherence of all public policies?”

Lesson 1: Ensure adequate preparation

The Busan Partnership for Effective Development Co-operation is the product of an eight-year effort to promote principles built on evidence of “best- practice.” The process included a series of forums, the first of which was held in Rome in 2003. The International Conference on Financing for Development, in Monterrey, Mexico in 2002, mandated a focus on the quality of aid programmes and reinforced a movement toward increased effectiveness. A few years later, at the Second High Level Forum (2005), the Paris Declaration established a set of effectiveness principles centred on local ownership, alignment of donor resources with country strategies, harmonisation of activities among donors, and mutual accountability for results.

Lesson 2: Build public value on evidence and inclusiveness

While these principles rang true in the developing world, it wasn’t until just before the Busan meeting that an independent study provided empirical evidence that demonstrated that, when applied, the principles produced tangible results. More disconcerting, another study – a survey of 78 developing countries – showed that of the thirteen targets related to the Paris principles, only one had been met by donor nations. The survey also revealed that while developing countries had made important progress – tripling the number of sound country systems and thereby enabling ownership - these systems remained largely ignored by the donors.

This evidence accelerated a dynamic that was already underway. Developing world partners were anxious to pressure donors to comply with their commitments. Their enthusiastic participation in the survey signalled a major attitudinal shift. Civil society had begun to organise around the Paris principles as well; these non-governmental and largely independent purveyors of development, also embraced the effectiveness agenda. Human rights organisations, unions, women's equality organisations, youth groups, environmental advocates and other NGOs had formed a single umbrella group. The more amorphous private sector also made moves to participate, seeing that this could lead to innovative financing investment tools as well as new methods for reducing risk in developing countries.

The most innovative device employed was a “working party,” a subsidiary body of the DAC that evolved into a highly representative group of some 80 members, with one co-chair from the developing countries and another from the donor countries. While DAC members were represented in the group, their position was not dominant, but rather one of shared ownership: half of the working party members came from the developing world, most of them from finance or planning ministries with responsibility for development in their government. This balance minimised the influence of those countries that participated most actively in the UN political forums where often polarised debates predominated.

Lesson 3: Make the most of diplomacy

The biggest challenge to reaching consensus at the Busan summit was to overcome prevailing questions among some of the emerging economies. Countries like China, India and Brazil were not party to agreements reached at the previous High Level Forums, and they questioned the legitimacy of agreements forged by the restricted group of members of the OECD-DAC, often referred to as the “donors’ club”. Yet as the group of developing countries who belonged to the “Group of 77” used UN meetings to present their grievances over trade, security and international finance rules, a growing number of these countries began to join the aid effectiveness process and to align with its principles. Even so, it was clear that the DAC would have to employ creative diplomacy if was to overcome traditional and highly ideological opposition.

Conducting diplomacy by committee is no easy feat. Consensus was needed to pass resolutions welcoming dialogue and creating programmes for engaging the new providers of assistance. This also meant putting a human face on the DAC and reaching out through personal diplomacy. The challenge was to find a coalescing means to create a new partnership. Mutual respect was an important ingredient. The DAC, for example, had devoted over two years to a China-DAC Study Group that examined China's domestic poverty reduction efforts and their applicability in Africa. South Africa, Indonesia and Vietnam were active members of the working party, and special programmes were conducted in Brazil and India.

Lesson 4: Secure high-level, inclusive and whole of government buy-in

Engagement in previous forums in the aid effectiveness series had been limited to ministries and agencies directly involved with development. This meant that commitments to implement the Paris Declaration and the subsequent Accra Agenda for Action lacked whole-of-government buy-in. The slow progress in fulfilling these

commitments was at least partially a result of constraints imposed by other parts of donor governments. Thus, it was necessary to elevate participation in Busan by directly engaging representative governmental bodies in the negotiations on the outcome document. This goal was made more achievable when it became clear that the Busan Forum would attract very high-level participation.

Conclusions

Many aspects of this global effort are replicable, subject to the normal constraints of time and resources. Progress on major international issues in a world of dispersed power requires ongoing efforts by diverse bodies that have a stake in the achievement of common goals. In this case, while the participants employed different modalities, they shared the Millennium Development Goals and a common desire to reduce poverty. The Busan outcome document was based on “common principles and differential commitments.” The key was to make North-South and South-South co-operation complementary in reality, not just in the rhetoric of diplomacy.

It is encouraging to see that the international community has continued its efforts. Only half a year after Busan, the mandate and functions of the Global Partnership for Effective Development Co-operation have been approved and the steering committee formed, with high-level profile co-chairs designated. Whatever the result, this process is worthy of in-depth study. It is a model not to be followed without the expenditure of great effort; all or part of it, however, may represent the way forward in a multi-stakeholder world of highly dispersed power where leadership materialises at interesting and unexpected moments.

J. Brian Atwood, Chair of the OECD Development Assistance Committee

CSOS ON THE ROAD TO BUSAN: BRINGING TOGETHER KEY MESSAGES AND PROPOSALS FOR HLF4

More than 300 CSOs from all regions of the world, from different sectors and types of CSOs, made their strong presence felt throughout the Busan HLF4, showcasing their diverse areas of expertise. CSOs participated in the negotiations of the Busan Outcome Document, co-organised official thematic sessions, prepared side-events, held mini-debates in the Knowledge and Innovation Space, and lobbied in the corridors of the Bexco Convention Center. They did so representing the civil society sector through the BetterAid platform, with a unified set of key messages and proposals for the outcomes of the Forum.

This unity of purpose within the civil society sector, with shared strategies and proposals for Busan, was not incidental. It was the deliberate outcome of CSO global co-ordination since HLF3, with hundreds of country-level and sector consultations, discussions of proposals, and exchanges with other stakeholders in the Working Party.

CSO political outreach, mobilisation and lobbying: the BetterAid process

A representative BetterAid Co-ordinating Committee (BACG) facilitated the engagement of CSOs in the aid and development effectiveness processes. The BACG has full membership on the Working Party and on the various WP-EFF Clusters and Task Teams. It drew its legitimacy from CSO expertise on issues, from extensive CSO engagements at the country level, which was co-ordinated by a global CSO Country Outreach Programme, and from the independent initiatives of various sector organisations in the BetterAid Platform (INGOs, ITUC for trade unions, AWID for women's rights organisations, ACT-Alliance for faith-based organisations, etc.).

CSO Country Outreach was co-ordinated by IBON International, working through the global Reality of Aid Network, reaching hundreds of CSOs in more than 90 countries. For two years prior to Busan, the programme sensitised country-level CSOs about the commitments made globally in Paris and Accra; it facilitated CSOs to organise themselves and seek national multi-stakeholder dialogue with their government and donors on these commitments; and it encouraged local CSOs to discuss and propose issues to be brought forward by CSOs in Busan.

In a few countries, these CSO platforms and networks were able to play a meaningful role in the national process associated with the DAC survey monitoring progress. In the fourth quarter of 2011 the Reality of Aid Network provided its own basis of evidence through a special global Reality of Aid report on "Democratic Ownership and Development Effectiveness: Civil society perspectives on progress since Paris". This report was derived in large measure from the contributions of CSOs involved at the country level.

During this period, CSO platforms in most donor countries were also monitoring donor performance at head-offices, and encouraging an ambitious and rigorous agenda for Busan. INGOs and sector-level organisations produced their own research and

analysis that was used by civil society actors to influence national, regional and global level policy discussions towards Busan.

These country-level and sector processes also provided the institutional foundations for selecting the 300 CSO delegates who ultimately attended HLF4 in Busan.

CSOs doing their homework on their own effectiveness: The Open Forum process

A key HLF3 commitment in 2008 was the recognition of CSOs as development actors in their own right, which is in part the result of the work of the pre-Accra multi-stakeholder Advisory Group on Civil Society and Aid Effectiveness (AG-CS). The AG-CS, along with CSO consultations at the time, brought increased attention to the need for CSOs to address the effectiveness of their own development activities, consistent with their diverse roles as independent development actors.

In July 2008 more than 70 CSO networks and organisations met in Paris to launch the Open Forum for CSO Development Effectiveness. The Open Forum focused three years of organising around four main goals; 1) to identify key development effectiveness principles arising from CSOs unique development roles, 2) to create and promote guidance for CSOs to improve their practices consistent with these principles; 3) to improve CSO accountability as development actors; and 4) to develop a set of recommendations on the minimum standards for an enabling environment for CSOs working in development.

For the first three of these goals, and based directly on consultations with thousands of CSOs in more than 70 countries and various sectors, the Open Forum brought 250 participants (including governments and donor representatives) to a first Global Assembly in Istanbul, Turkey to adopt the *Istanbul Principles for CSO Development Effectiveness* (September 2010). Less than one year later in Siem Reap, Cambodia (June 2011), a second Global Assembly adopted the *Siem Reap Consensus on the International Framework for CSO Development Effectiveness*. This *International Framework* is an expression of the global commitment by CSOs to adapt and apply the *Istanbul Principles* to their country and sectoral realities and thereby address key aspects of their effectiveness as development actors. It serves both as a political statement by the sector, which was brought to HLF4 for acknowledgement, but also as a long-term reference for CSOs who, with the support of advocacy and implementation toolkits, are working to improve their own effectiveness.

In regards to the fourth goal of civil society on enabling environment issues, in Accra in 2008, donors and governments acknowledged that they also have a responsibility to create an enabling environment in which CSOs can maximise their development impacts. Unfortunately, evidence collected since Accra suggests that this legal, regulatory and policy environment for CSOs has deteriorated, not just in developing countries, but also for many donors in their support for CSOs. The Open Forum process therefore also afforded CSOs the opportunity to generate political dialogue with donors and governments at all levels, and through this multi-stakeholder dialogue, to identify minimum standards for an enabling environment for CSO effectiveness, based on the recognition of the distinct roles and voice of CSOs in development.

The *International Framework* summarises CSO proposals for enabling conditions for their work as development actors. To consolidate the enabling environment messages at the global level, CSOs also worked closely with the Multi-stakeholder Task Team for

CSO Development Effectiveness and Enabling Environment within the WP-EFF. The Task Team achieved consensus on *Key Messages for Busan* which consolidates inputs from CSOs, donors and governments on enabling conditions for civil society. These key messages outline the minimum standards for an enabling environment for CSOs -- conditions based on international human rights standards, on inclusive policy dialogue, on effective donor models of support, and on a shared interest in transparency and mutual accountability.

While CSOs around the world will continue to deepen their efforts towards greater effectiveness of their development efforts in their own countries and sectors, in Busan, the civil society sector sought a reaffirmation of CSOs as development actors in their own right, a commitment to a fully enabling environment for CSOs that is clearly linked to international human rights standards, and an acknowledgement that the CSOs own efforts will be directed by the *Istanbul Principles* and the *International Framework*. In this, they were largely successful.

Creating consensus for key messages and proposals in Busan

The increased influence of civil society's interests in the final stages of the Busan process derived from BetterAid's capacity to speak with one voice around an agreed agenda. Given the diversity of CSOs involved in both BetterAid and Open Forum, creating the capacity and the discipline needed required very deliberate inclusive efforts, and sensitive internal negotiations. The key event that brought a CSO common voice together was a joint meeting of the BetterAid Co-ordinating Group (BACG) and the Open Forum's Global Facilitation Group (GFG), held in Härnösand in March 2011.

The outcome of three days of in-depth discussion in Härnösand was a draft document – *CSOs on the road to Busan: Key messages and proposals* – under the umbrella of BetterAid, in co-operation with Open Forum. Following feedback from broader CSO constituencies, this document defined a unified CSO position for Busan. It set out proposals in four main areas: 1) implement and deepen the Paris and Accra commitments based on democratic ownership; 2) strengthening development effectiveness through practices based on human rights standards; 3) affirm the full diversity of CSOs as independent development actors in their own right (defined by the *Istanbul Principles*); and 4) promote an equitable and just development co-operation architecture. In the final months of 2011, as CSOs addressed various drafts of the eventual Busan Outcome Document, or participated as a CSO Sherpa in the negotiating sessions, the specific CSO proposals were guided and shaped by this initial consensus on the main CSO priorities for Busan.

The Busan Global Civil Society Forum

The Busan Global Civil Society Forum (BCSF) held in the days immediately before HLF4 was the final stage in building consensus within the sector, preparing delegates and sharpening a few of the key priorities for the High Level Forum. With more than 500 CSOs from all corners of the world, participants met for three days of intense discussions, including daily updates on the negotiation process from the civil society's Sherpa, Tony Tujan, co-chair of the BACG. CSOs strategised along thematic and regional lines as to how best to push the CSO key priorities during the HLF4.

CSOs always bring a critical normative voice to multilateral initiatives; they seek to strengthen international co-operation for development based on the realisation of human rights for all. Busan was no exception, although in this case, CSOs were both challenged and privileged by their unique inclusion as full participants in the WP-EFF and at HLF4. While remaining critical of important limitations in the *Busan Partnership for Effective Development Co-operation* (BPd), CSOs have been pleased by the results of their efforts to put human rights and democratic ownership at the heart of global development in this Outcome Document. The BPd has substantially moved the agenda beyond the technical dimensions of aid effectiveness towards a focus on development effectiveness that is now more inclusive of all stakeholders, more political and more oriented to development outcomes.

Having a seat at the table has given practical expression to the formal recognition in Accra of CSOs as independent development actors. The BPd importantly acknowledges the *Istanbul Principles* and the *International Framework*, and links the commitment to a more enabling environment to respect for international human rights standards. CSOs will be continuing to mobilise to shape the mandate and governance framework for the Global Partnership. In doing so, BetterAid will also be re-organising itself as an inclusive platform and process to ensure that the commitments of Busan, taken up by all stakeholders, including civil society, are more fully realised in the lives of people living in poverty or otherwise marginalised from development.

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Open Forum for CSO Development Effectiveness, *Istanbul Principles for CSO Development Effectiveness* (October 2010). www.cso-effectiveness.org/-8-istanbul-development,067-.html

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Brian Tomlinson, AidWatch Canada

PARLIAMENTARY CONSULTATIONS TOWARDS BUSAN

The Association of European Parliamentarians with Africa (AWEPA) co-operates with its parliamentary partners on a broad spectrum of subjects in order to strengthen the institution's core functions at the sub-national, national, regional, and continental levels. Because of its extensive network and the experience its membership base affords, AWEPA is in a unique position to engage in true peer-to-peer partnerships amongst parliamentarians from the North and the South. The organisation has continued its commitment to this vision over the past 27 years because it believes that strong parliaments are essential prerequisites for Africa's sustained development and, ultimately, the stability required for poverty reduction.

Parliaments are charged with debating and approving national development plans and budgets and with monitoring and holding government to account for the delivery of development results. While constitutionally mandated to oversee the use and implementation of domestic revenues, there is also a need for parliaments to oversee development assistance - which is intended to benefit the poor - as well as revenues stemming from the extraction of natural resources. The legislature serves as the pre-eminent forum for inclusive political dialogue and national debate spanning across party lines and together with inputs from political parties and civil society, legislatures are able to provide a broad assessment of the needs of a country or region. At the community level, parliamentarians are often relied upon for a number of important functions, such as relaying inputs from citizens in their constituencies to the parliaments concerned, and assuring that new policies, laws, and procedures are being put to work on the ground.

Unfortunately, despite the important role parliaments play in the development context, the ability of any given legislature to perform is highly dependent on the environment in which it operates. For this reason, most legislatures in developing countries lack basic capacities to execute their mandates fully, or do not have sufficient legal authority to hold governments to account. Moreover, partner country governments and executive bodies may not always have an incentive to financially empower their parliaments adequately in casting a critical eye over their activities. Because of this, AWEPA's experience has shown that the intervention of a neutral third party is often beneficial in order to unlock the oversight potential within the parliamentary institutions concerned.

AWEPA's consultations with parliamentary institutions from Africa and Europe on the role of parliaments in the aid reform process began in 2008 before the *Third High Level Forum on Aid Effectiveness* (HLF-3) held in Accra. The programme stemmed from the realisation that no process of aid or development reform, could hope to achieve results without the involvement and co-operation of parliaments. It also emerged as a reaction to the global trend of de-localisation whereby ever more decisions and commitments are taken at the regional and international levels (UN, IMF, WB etc.) without the involvement, inputs, or oversight of the official representatives of the people. Thus, within this framework, AWEPA led a delegation of parliamentarians to participate in the discussions on the aid reform process in Accra, for the first time, with support from the *Network of African Parliamentarians*

(NAP), *Parliamentarians for Global Action (PGA)*, and the *Parliamentary Network on the World Bank (PNoWB)*.

Since then, AWEPA's Aid Effectiveness Programme has facilitated debates, North-South and South-South parliamentary exchanges of ideas, experiences and best practices in the context of participatory workshops and seminars with a broad range of parliaments at the national, regional and continental levels. Two regional seminars held amongst national parliaments in the SADC Region have involved SADC's fourteen member parliaments, while national parliamentary meetings were conducted in *Namibia, Uganda, the DRC, and Ghana*. The meetings were aimed at strengthening parliamentary oversight of ODA, and were also successful in supporting co-operation among parliaments, civil society, the executive and donors towards more effective use of development funds. These activities went a long way in closing the knowledge gap amongst MPs related to the international aid reform process underway and, for the first time, brought the idea of parliamentary oversight of ODA- a topic normally perceived as an executive prerogative- to the table. On the basis of these discussions, a preliminary parliamentary position on the aid reform process was emerging while participants began to take ownership of the Paris principles and recommendations of the AAA.

At the regional parliamentary level, workshops were held with members and parliamentary staff of the Pan-African Parliament (PAP), the SADC Parliamentary Forum (SADC-PF), the East African Legislative Assembly (EALA), and the Parliament of the Central African Economic and Monetary Community (CEMAC-P). These consultations assured the inclusion of the regional parliamentary perspective - one that is often overlooked. MPs' expectations and the ways in which parliamentarians and parliaments could strengthen their roles in this regard - including through stronger ties with the national parliaments concerned-were discussed and ideas were disseminated amongst participants and peers.

Using this foundation, MPs began to put this information to use in the context of a series of public hearings amongst Assembly Members and staff from the *Parliaments of Benin, Tanzania, and Ghana* alongside citizens of their respective local communities. There, MPs were able to assess the effectiveness of targeted donor-funded projects and their alignment with local needs, through in-depth consultations with citizens in their communities. Hearings amongst Members of the Provincial and Municipal Assemblies were held towards these same ends in five Provinces in *South Africa* and *Mozambique*. Depending on the local context and requests of AWEPA's parliamentary partners, other European and African MPs, citizens, representatives of government local authorities, academics, and interest groups have provided assistance to the parliamentarians engaged in these processes – through information exchange or the sharing of best practices. These additional perspectives have also been systematically incorporated in the relevant debates.

Having collected a wealth of data on the subject throughout this extensive engagement, AWEPA recognised the need to formulate a consolidated document outlining the constitutional mandate of parliament related to aid and development effectiveness, including recommendations for maximising the same. With this information, a first draft of the document, *Legislative Principles for Development Effectiveness*, was compiled in the run up to Busan. Thereafter, consultations ensued with the *Inter-Parliamentary Union (IPU)*, the *PNoWB*, and the *ACP-EU Joint Parliamentary Assembly (JPA)*, the *Pan-African Parliament (PAP)*, NGOs and interest groups associated with the *Better Aid Platform* over the course of 2011. Each of the respective parliamentary organisations tabled the subject amongst their leadership and constituents and its premise found currency within the parliamentary

community. New inputs were subsequently reported back to AWEPA for incorporation into the final document and key elements of the final Legislative Principles paper formed the basis of the Parliamentary Communiqué that emanated from the Parliamentary Forum held on day one of the HLF-4 in Busan.

While AWEPA programming and the joint engagement of AWEPA and IPU in the WP-EFF structures has opened the doors for a greater voice from the parliamentary camp within the decision making structures of the Global Partnership going forward, the outcomes of the HLF-4 fell short of expectations for strengthened parliamentary engagement in the development processes in the countries concerned. Based upon a recent survey amongst parliaments of ten of the fourteen SADC countries, it was generally noted that no formally recognised or official mechanism for parliamentary engagement with donors exists. Where consultations do take place, these are limited to issues which are of interest to donors, and not the parliaments themselves. Furthermore, parliamentarians noted that they are rarely involved or invited to meetings related to aid or development resources which are convened by civil society. The surveyed noted little or no support has been registered by parliaments toward the strengthening of their capacities to monitor and oversee ODA. If this preliminary survey is indicative of other regions, parliaments across Africa remain inadequately integrated into the formal processes affecting the development of their communities.

Despite this discrepancy on the ground, subscribers of the Global Partnership commit themselves to respecting the governance structures in partner countries and to using country systems as the “default approach” for the management of public sector activities. The drafters re-affirm their commitment to strengthen the role of parliaments in the oversight of the development process and point to the critical role they play in bridging the gap between citizens and governments. However, Busan did not go as far as to produce an analysis of the division of labour and value-added of each stakeholder in the development context. It remains unclear from the language of the Busan Partnership, where the responsibilities of parliament end, for example, and those of CSOs begin. The relationship between parliaments and the newest addition to the reform process - the private sector - remains equally unexplored. The complimentary roles of parliaments and CSOs must be articulated and stimulated across a broad spectrum of development sectors, at national and regional levels.

As the process moves forward, AWEPA is committed to continue engaging parliamentarians in the development reform process and strengthening their ability to fulfill their legislative mandates to the benefit of their constituents. It is our hope that through sustained programme co-operation, stronger contributions from parliaments can be realised, paving the way for better development results and stronger institutions to take the work forward once aid has become obsolete.

Kristen Heim and Jeff Balch, AWEPA

PREPARING FOR BUSAN: REGIONAL OUTCOMES AND CONTRIBUTIONS FROM LATIN AMERICA AND THE CARIBBEAN

Ahead of the Fourth High Level Forum on Aid Effectiveness, Latin American and Caribbean countries were faced with the enormous challenge of articulating their views on development co-operation effectiveness. The task was not about unifying our positions and concealing our differences, but rather, to showcase the diversity of ideas of the countries of the region and the resulting conceptual richness. A better understanding of these countries' interests- many of which are not common - has provided the evidence and knowledge to support the construction of a new architecture of international co-operation that gathers and values the diversity of all actors.

As the region's leading multilateral political forum, the Organisation of American States (OAS) was called upon by its member states to serve as a regional platform for the preparation process leading to Busan¹ to ensure more active and co-ordinated participation in international forums that discuss co-operation issues, the OAS through its Inter-American Co-operation Network (CooperaNet), took the lead and devoted particular attention to hosting three sub-regional workshops that took place in Barbados, Guatemala, and Ecuador between September 2010 and February 2011.

The three events were instrumental in helping countries prepare their positions for HLF-4. The main objectives of the workshops were to solicit sub-regional viewpoints and insights, in particular in relation to the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action, and contribute to the process of "strengthening Southern voices" led by the OAS, as a regional platform to the Task Team on South-South co-operation (TT-SSC). They were also designed to promote a more active and better co-ordinated regional role in international forums in which co-operation issues are discussed, particularly in light of HLF-4, and build the political will to move the co-operation agenda forward.

Development co-operation effectiveness in Latin America and the Caribbean

Latin America and the Caribbean have played an important role in the global agenda on development co-operation effectiveness. Countries in the region have accumulated a wealth of experience in implementing the principles and commitments on co-operation effectiveness of the Paris Declaration and the Accra Agenda for Action. Seventeen countries from the region have adhered to the Paris Declaration and the Accra Agenda for Action³. 11 out of the 78 countries and territories that volunteered to participate in the 2011 Survey on Monitoring the Paris Declaration were from Latin America and the Caribbean⁴. Some of them also participated in two previous surveys, which were carried out in 2006 and 2008. Those countries used the process to better understand the challenges and opportunities they face in making co-operation more effective. The Evaluation of the Implementation of the Paris Declaration, which was conducted by an independent reference group, included country evaluations of Bolivia and Colombia (OECD, 2011).

The following countries participate in international initiatives related to the co-operation effectiveness agenda: Bolivia, Honduras, Nicaragua, and the CARICOM Secretariat represent recipient countries at the Working Party on Aid Effectiveness (WP-EFF), while Colombia and Mexico represent countries that are both donors and recipients (OECD, 2011). Colombia is a co-chair of the Task Team on South-South co-operation (TT-SSC), a Southern-led platform hosted at the WP-EFF, and is a member of its Steering Committee with Mexico (Task Team on South-South Co-operation, 2011). Honduras is a member of the Task Team on Division of Labour and Complementarity (TT-DoL), and Colombia, Honduras, and the Dominican Republic are members of the International Aid Transparency Initiative (IATI) (OECD, Government of the Republic of Korea, & UNDP, 2011). In terms of regional organisations, the IDB and the OAS are members of the WP-EFF and TT-SSC respectively.

Comparative analysis

The agenda of the three regional workshops reflected the interests of the organising countries and the needs of each sub-region.

As the first workshop in the series, the workshop in Barbados spurred interest in the region about co-operation effectiveness.

One of the central themes during the first workshop was capacity development. Participants pointed out that the lack of human and institutional capacity is one of the biggest challenges facing the Caribbean. Not surprisingly, delegates emphasised that this should be the priority for policy discussions concerning an agenda for co-operation effectiveness in the Caribbean. Likewise, they stressed the need to strengthen country systems and national institutions, including universities (such as the University of the West Indies).

The implementation of the Paris Declaration and the Accra Agenda for Action was one of the main topics of the South American Chapter. The agenda of the workshop revolved around the five principles of the Paris Declaration. Representatives invited donors to adjust and/or adapt their legal frameworks to enable recipients to use their own systems and procedures. This is particularly important in areas like procurement and monitoring and evaluation frameworks. They also suggested the OECD-DAC come up with a new indicator of tied aid that is measured by recipients, not donors. South American countries also mentioned that better co-ordination is needed among donors regarding the countries and sectors where they are providing co-operation.

The workshops highlighted the importance of including other actors in the dialogue about co-operation effectiveness. In Barbados, participants called on the private sector and civil society organisations to play a greater role in development co-operation. In Guatemala, delegates recognised the need for working together with civil society organisations, national parliaments, and academia. In Ecuador, country representatives recognised that decentralised co-operation is a growing trend and stressed that national governments should promote dialogue and co-ordination with regional and local governments. Emerging donors and high-net-worth individuals engaged in philanthropy have also played a part in transforming the development co-operation landscape in the region.

Participants in Guatemala emphasised that creating opportunities for dialogue with other actors is essential, in order to harmonise strategies and avoid duplication of efforts. In terms of decentralised co-operation, they mentioned that the definition of priorities should start from the local actors to better contribute to development. In Ecuador,

delegates indicated that the principles of co-operation effectiveness also apply to decentralised co-operation. Aligning priorities and strengthening systems at the regional or local level are also applicable in this context.

Country representatives at the Caribbean and Central American Chapters urged multilateral organisations to expand the use of grant financing facilities as a means to assist the region. Central American countries have resorted to reimbursable co-operation to finance social spending and ease the effects of the global financial crisis and natural disasters. In many occasions loans are provided with market-based interest rates. As a result, in some countries foreign debt is reflecting an upward trend. To counter this tendency, delegates advocated for the use of concessional terms.

In Barbados, a request was made for countries to identify similarities between their national development plans. In recognition that aid is now being dispensed at the sub-regional level, a suggestion was made to hold discussions with donors regarding a development programme for the Caribbean, notwithstanding that any arrangements should not be viewed as a replacement of separate national co-operation programmes.

Similarly, in Guatemala delegates proposed the creation of a regional strategy on development co-operation based on the existing institutional plans and the identification of common priorities. They noted that the challenge with this proposal is aligning strategies between countries at a regional level according to each country's dynamics, respecting and strengthening individual differences. It also requires developing a common methodology to guarantee alignment, and joint mechanisms of monitoring and evaluation. Annual meetings between the co-operation authorities and the directors of the Central American Integration System (SICA) were also recommended.

South-South co-operation was one of the central topics of the sub-regional workshops. Each chapter contributed with fresh ideas about the subject. A common observation was that more needs to be done for countries to identify their capacities and needs and share that information with others to distinguish areas where partnerships would be beneficial. To overcome this problem, delegates in Barbados proposed a platform of knowledge exchange where countries could match demand with supply. That platform could serve as a one stop shop for information about South-South co-operation initiatives.

Participants at the Caribbean Chapter also commented that sustainability of South-South co-operation efforts is a concern. Once knowledge is transferred from one country to the other, sometimes there are no mechanisms in place to ensure continuity and knowledge exchange within the recipient country. This can be improved by targeting the right group of beneficiaries and increasing ownership of projects, particularly when they are handed over from multilateral organisations.

In Guatemala, representatives commented that South-South co-operation initiatives should go beyond traditional activities and sectors. They indicated that Triangular co-operation is the suitable modality to finance the regional programme of South-South co-operation. Moreover, they stated that the challenge for countries is to transition from being co-operation recipients to donors in areas that match their capacities and strengths.

In Ecuador, delegates stressed that the new development co-operation architecture should recognise South-South co-operation as a different approach to co-operation that addresses common development problems using the endogenous capacities of countries. In addition, they underscored the need for mechanisms to quantify and track South-South

co-operation initiatives. To move in this direction, delegates proposed developing a Knowledge Network on South-South co-operation, bringing together states, co-operation authorities, and academia.

As evidenced in the conclusions and recommendations of the workshops, consensus on key issues emerged at the sub-regional level. Nonetheless, given differences in approaches to development co-operation and taking into consideration the disparities of needs and interests between countries, no regional consensus on co-operation effectiveness was reached. As a result, no position paper for Latin America and the Caribbean was developed for HLF-4.

A position paper representing the vision and priorities of partner countries for HLF-4 was presented in June 2011. The document mentioned that one of the achievements to-date was that regional platforms (such as the sub-regional workshops organised by the OAS) were used to exchange experiences and views on co-operation effectiveness.

The contributions of CARICOM to the position paper were not coincidental. During the Caribbean Chapter, delegates entrusted the CARICOM Secretariat to follow-up on the discussions from the workshop and co-ordinate the debate in the sub-region, in order to achieve a substantive position for HLF-4. The delegate from the CARICOM Secretariat supported that proposal and stated that his organisation would take the lead in co-ordinating the preparatory work for the sub-region. Since then, CARICOM has articulated the perspectives from its members in various international forums, including the WP-EFF.

It is important to point out that the sub-regional workshops positioned CooperaNet as a mechanism that facilitates dialogue among the co-operation authorities in the region, contributes to the exchange of information, experiences, lessons learned, and best practices on co-operation issues, and fosters collaboration among OAS member states. The events also heightened the commitment of the OAS to serve as a forum for hemispheric dialogue in the area of co-operation.

Zakaria El Goumiri and Emily Tangarife, the Organisation of American States

Notes

1. Regional Dialogue on Co-operation Effectiveness in Latin America and the Caribbean held within the framework of the High-Level Event on South-South Co-operation and Capacity Development in Bogota, Colombia on March 24-26, 2010.

AFRICAN ENGAGEMENT FOR BUSAN

Recognising that the outcomes of the Busan High-Level Forum on Aid Effectiveness will significantly determine the aid agenda in the coming years, African countries considered that consolidated African voice and political engagement is crucial in reshaping the global development co-operation architecture. Organised under the auspices of the Africa Platform for Development Effectiveness (APDev), three consequent regional meetings (Pretoria in March 2010, Tunis in November 2010, Addis Ababa in September 2011) and on aid effectiveness were convened jointly by the African Union Commission and NEPAD Agency as well as the African Development Bank. Through this regional process, Rwanda and Mali were identified as country champions to advance and co-ordinate Africa's interests and positions on development effectiveness, drawing on Partner Country Position Paper as well as Africa Consensus Position Paper on Development Effectiveness.

African countries through regional consultations and peer-exchange process have identified the following set of key issues as fundamental for successful implementation of aid and development effectiveness agenda:

1. **Ownership.** There is the ultimate and indispensable need for developing countries to take full responsibility for their own development, through setting out national visions and development strategies for the effective use of both domestic and external resources. For development partners, they must respect this partner country responsibility and not undertake any steps that could interfere with the partner country's sovereignty. It also requires development partners to understand the full weight of the measures they committed to in order to improve predictability and transparency of funding as committed in the Paris and Accra.
2. **Using country system** –There should be reference to the principle of enhancing and not undermining national institutions and systems. The use of country systems should be a default approach for delivering development co-operation.
3. **Capacity development** in its totality has emerged as a fundamental way for Africa to attain the desired development results. At the centre of aid delivery should be a more systematic improvement of individual and institutional capacity, supported by enabling policy frameworks and effective knowledge-based capacities.
4. **Mutual accountability** is a bedrock mechanism for aid and development effectiveness. In this context, there is a need to emphasise on country's level national compact building on existing framework which will ensure the mutual and domestic accountability.

In leading up to the Busan HLF as well as after the Busan through their engagement in the Post-Busan Interim Group, two African countries consulted African partner countries and co-ordinated the positioning of African perspectives on priority issues,

particularly clarifying negotiable and non-negotiable issues as well as their positions on global monitoring indicators and targets. Rwandan Minister of Finance and Economic Planning has also played a critical role through several side-meetings at the margin of international fora in advancing and communicating partner country perspectives on a number of critical issues such as accountability, transparency, aid fragmentation, use of country systems and using aid as a catalyst to support Africa's priorities with a specific view to unblock domestic development resources base. Two African Sherpas have also worked closely with other partner country representatives, leading consultation and discussions of the partner country caucus group and facilitated the stronger voice of partner countries through the Partner Country Caucus Group.

Ronald Nkusi, Director External Finance Unit, Ministry of Finance and Economic Planning, Rwanda

PREPARING FOR HLF4: THE ASIA-PACIFIC EXPERIENCE

In preparation for HLF4, in 2010 the Capacity Development for Development Effectiveness (CDDE) Facility co-hosted the Paris Declaration Survey launch workshop for the Asia-Pacific national co-ordinators as well as for Asia-Pacific donor focal points. In 2011, CDDE facilitated three HLF4 Asia-Pacific consultation workshops to support and provide guidance to Asia-Pacific countries for their participation in the HLF-4.

The first consultation was held in Copenhagen on 29 April 2011 following the fourth meeting of the International Reference Group for the Paris Declaration Evaluation (PDE) meeting. This first consultation successfully built on the preceding PDE meeting by taking forward a discussion of the linkages between the policy priorities of the aid reform agenda and the political context in different countries of the region. The meeting also benefited from the OECD DAC's presentation on the preparations for HLF-4 and the Draft General Themes for the main sessions in Busan, as circulated by the Co-Chairs of the Working Party on Aid Effectiveness (WP-EFF). Participating countries provided feedback on the themes and identified potential areas where they might wish to share evidence and experience from their country contexts at the HLF-4.

The second consultation with Asia-Pacific partner countries was held in Paris on 5 July 2011 back-to-back with the WP-EFF plenary meeting, CSO and development partners also participated. It provided the participants opportunities to address their comments and expectation of HLF-4 as well as outline a clearer scope of the forum together with guidance on their participation at the HLF-4.

The final Asia-Pacific HLF4 consultation was held in Bangkok on 14 September 2011 back-to-back with the Regional Dialogue on Climate Change Finance and Development Effectiveness. Nineteen countries from Asia and the Pacific gathered in Bangkok on 14 September 2011. Co-ordinated by the CDDE Facility, 97 participants from governments, civil society and development partners discussed national and regional priorities on aid and development effectiveness. Partner countries requested more guidance to contribute to HLF4 to help them prepare their participation and stated that HLF4 should focus on development results and clarify paths to “finish the business” agreed in Paris and Accra.

CDDE also produced Asia-Pacific regional aid effectiveness policy brief and tailored country policy briefs which were introduced at the Asia-Pacific HLF4 consultation in Bangkok as a tool for Asia-Pacific countries to prepare for HLF4 participations. This helped Asia-Pacific countries develop common positions ahead of HLF-4. The regional aid effectiveness policy brief assisted senior technical-level officials in compiling their briefs for ministers and other stakeholders, and to identify issues that matter for achieving greater aid effectiveness at the country level – enabling them to extract maximum return on the investment in time and staff that they have already made in the Paris Declaration Survey and Evaluation. It did seek to identify, where possible, the contribution of aid quality to accelerating progress towards the MDGs. CDDE achieved its overall goal to ensure that evidence helps country prepare better for HLF-4, promotes changes in policy

and implementation at the country level, and leads to a more informed post-Busan framework.

In parallel, CDDE facilitated and monitored the official HLF4 website (www.busanhlf4.org) which includes all the relevant information and documents for the HLF4 and it is still actively in use.

Mr. Thomas Beloe, UNDP Asia-Pacific Regional Centre

Ms. Siriluck Chiengwong, UNDP Asia-Pacific Regional Centre

Evidence presented at Busan



AID EFFECTIVENESS 2005-10: PROGRESS IN IMPLEMENTING THE PARIS DECLARATION: EXECUTIVE SUMMARY

In 2005, over 100 donors and developing countries committed to make aid more effective in supporting the achievement of development results when they agreed to the Paris Declaration on Aid Effectiveness. One of the distinguishing features of the Paris Declaration was the commitment to hold each other to account for implementing its principles at the country level through a set of clear indicators, with targets to be achieved by 2010. To what extent have the commitments been realised? Is aid being delivered in a more effective way than five years ago? This report provides some answers to these questions.

Aid Effectiveness 2005-10: Progress in Implementing the Paris Declaration draws on the results of the 2011 Survey on Monitoring the Paris Declaration, building on similar surveys undertaken in 2006 and 2008. A total of 78 countries and territories volunteered to participate in the final round of surveys, which look at the state of play in 2010.

The results are sobering. At the global level, **only one out of the 13 targets established for 2010** – co-ordinated technical co-operation (a measure of the extent to which donors co-ordinate their efforts to support countries' capacity development objectives) – **has been met**, albeit by a narrow margin. Nonetheless, it is important to note that considerable progress has been made towards many of the remaining 12 targets.

Globally, the survey results show considerable variation in the direction and pace of progress across donors and partner countries since 2005. For the indicators where responsibility for change lies primarily with developing country governments, progress has been significant. For example, improvements have been made in the quality of tools and systems for planning and for financial and results management in a number of developing countries, often requiring deep reforms that go beyond aid management to broader aspects of government processes.

While progress against many indicators requires joint efforts by both developing countries and donors, in some areas it depends mainly on donors' efforts (*e.g.* untying aid; donor co-ordination). Stakeholders at the country level frequently cite constraints imposed by donor headquarters as bottlenecks to further progress, suggesting that many of the challenges are political in nature.

As well as examining progress in implementing the Paris Declaration commitments, this report also looks at many of the recommendations from the Accra Agenda for Action. Based on the progress evidenced by the 2008 Survey, the Accra Agenda for Action set out priorities for accelerating and deepening the implementation of the Paris Declaration principles. It also accorded greater recognition to the role played by a range of stakeholders, beyond donor and developing country governments.

The first chapter of the present report provides an overview of findings on the implementation of the Paris Declaration, drawing extensively on the 2011 Survey (Box).

Chapters 2 through 6 examine in more detail, respectively, the progress in implementing commitments related to: developing country ownership of policies and strategies; alignment of aid to developing countries' priorities and systems; efforts among donors to harmonise aid practices; predictability and transparency; and results and mutual accountability. Chapter 7 offers insights and lessons from five years of experience in monitoring the effectiveness of aid. The 78 country chapters – detailing the evidence of progress and challenges from each of the countries and territories participating in the 2011 Survey – are published in Volume 2 of this report.

Aid effectiveness 2005-10: An overview of progress

Substantial progress

- The proportion of developing countries with **sound national development strategies** in place has more than tripled since 2005.
- High-quality **results-oriented frameworks** to monitor progress against national development priorities are in place in one-quarter of the developing countries first surveyed in 2005, with statistics related to the Millennium Development Goals becoming increasingly available.

Moderate or mixed progress

- While non-state actors are more involved in the design of national development strategies in many developing countries, there are still challenges to providing an **enabling environment for civil society** activities in some others.
- Efforts to improve support for **capacity development** have been mixed. While donors met the target on co-ordinated technical co-operation, support for capacity development often remains supply-driven, rather than responding to developing countries' needs.
- Over one-third of all developing countries participating in the 2011 Survey showed an improvement in the **quality of their public financial management systems** over the period 2005-10. At the same time, one-quarter of them saw setbacks in the quality of these systems.
- Donors are using developing country systems more than in 2005, but not to the extent agreed in Paris. In particular, donors are not systematically making greater **use of country systems** where these systems have been made more reliable.
- Overall, donors did not make progress in further **untying aid** across the countries participating in the 2011 Survey.
- There are promising examples of efforts to improve **transparency** around aid, including more inclusive reporting on aid flows and greater accessibility to information on aid.

Little or no progress

- **Aid for the government sector** is not captured systematically in developing country budgets and public accounts.
- Little progress has been made among donors to implement **common arrangements or procedures** and conduct joint missions and analytic works.

- **Aid is becoming increasingly fragmented**, despite initiatives that aim to address this challenge by improving the division of labour among donors at both the country and global levels.
- The **medium-term predictability of aid** remains a challenge in developing countries because donor communication of information on future aid to individual developing country governments remains isolated rather than being the norm.
- Most developing countries have yet to implement thorough **mutual (government-donor) reviews of performance** that benefit from broad participation.

MAIN FINDINGS OF THE EVALUATION ON THE PARIS DECLARATION (PHASE II)¹

1. The Declaration in context

1. The Declaration has proved relevant to many different countries and donors/agencies. All were already engaged in aid reforms before 2005, but to differing degrees. The Evaluation highlights the main political, economic and bureaucratic influences that have shaped and limited implementation. One challenge to the relevance of the Declaration campaign² was that it was initially interpreted and applied as a technical, bureaucratic process, and risked losing the political and wider societal engagement needed to bring change. It has also had to grapple with how to define and measure 'aid' in a rapidly changing world.

2. As recent global events have highlighted, recession, financial, food, fuel or other crises and major disasters can have dramatic effects on international cooperation and reform processes. But even in 'normal' times, in every aid-receiving and donor country, aid programmes are subject to different influences, actors, forces and events that are more powerful than the direct objectives, interests and resources of aid programmes themselves. Adding to the range of differences, there is no single way of assessing a country's relative reliance or 'dependency' on aid. The effects of these diverse contexts emerge repeatedly in the individual reports within the Evaluation, together with larger questions about the changing views of the nature and the importance of aid itself.

3. *Contexts for partner countries.* Country evaluations have found that, with the exception of some 'early starters', the reforms for which partner countries are responsible have been slow to take hold since 2000–2005, but have now done so in most cases. The Evaluation finds that countries have employed and embedded the Declaration-style improvements, not just to manage aid better but because they serve the countries' national needs, for example to introduce better financial management, public procurement or accountability. The momentum of change has been sufficiently resilient to hold up through political changes and crises of various kinds.

4. *Contexts for donor countries.* In comparison with partner countries, the aid reform changes asked of donor countries under the Declaration are less demanding and the donors' capacities for implementing change are greater. But development aid and aid reform have to compete for political and public attention with an even wider range of domestic and international issues in donor countries, making it harder to muster the necessary political, bureaucratic and public attention and support. Some key constraints found in the donor and agency institutional studies were: a lack of coherent policies or structures; a focus on compliance and a risk-averse culture; the over-centralisation of many donors' and agencies' systems and decisions running counter to alignment with country systems; disconnects between corporate strategies and the aid effectiveness agenda and weak organisational incentives; changes in organisational status or

headquarters location; capacity constraints and staff reductions; and delayed organisational reforms and budgetary pressures arising from the financial crisis.

2. Contributions to aid effectiveness

5. To determine whether aid effectiveness has been improved, the Evaluation has assessed the progress made against the 11 intended outcomes that were specified in the opening paragraphs of the Declaration itself as solutions to the main problems with aid. The record of progress on each of these changes, how difficult they are and who is mainly responsible is provided in Chapter 3 and summarised in Figure 5. Overall, the Declaration campaign has made several significant³ differences to aid effectiveness by clarifying and strengthening norms of good practice, contributing to movement toward the 11 outcomes set in 2005, improving the quality of aid partnerships, and supporting rising aid volumes.

6. The Declaration has pulled together and focused global attention on ambitious, experience-based measures to improve development cooperation and aid. It addresses a range of problems that were 50 years in the making, and holds out a vision of much better conditions for aid and ultimately for development without aid. While recognizing that the challenges could not all be rapidly resolved, it has focused on a very short, five-year time frame for measurable or visible improvements. Not all of these targets were realistic, or even reliably measurable, but the Evaluation finds that its principles and commitments have been applied, if gradually and unevenly, among partner countries and more unevenly among donors and agencies.

7. In a changing world of development cooperation, the specific importance of 'aid' and better aid has been clarified. Even with an understanding of the other influences that shape development, the complexities involved in managing and improving aid relationships, and the availability of other forms and sources of development resources, an unprecedented number of partner countries and donors/agencies have been prepared to invest substantial efforts in improvement.

8. The Declaration campaign has made several specific differences, for example by:

- clarifying and strengthening good practice in aid relationships and thus legitimising and reinforcing higher mutual expectations;
- contributing to movement, although sometimes slow and modest, towards most of the 11 outcomes set out in 2005, and in the process making some contributions to better development results;
- playing a role, probably in combination with the awareness-raising effects of the Millennium Development Goals, in supporting rising aid volumes; and
- improving the quality of a number of aid partnerships, based on strengthening levels of transparency, trust and partner country ownership.

Aid Effectiveness – Three major yardsticks of change

The Declaration was aimed at improving effectiveness in three areas: the efficiency of aid delivery, the management and use of aid, and better partnerships.

Overall, the picture on **efficiency** gains is mixed, but so far disappointing in relation to the original hopes of rapidly reduced burdens in managing aid. There has been generally little reduction to date in those burdens where Declaration-style cooperation has been applied - and even increased loads are noted in a few cases. At the same time, many Declaration-style mechanisms and practices are allowing for a much better overview of aid by the partner country and donors. When matched by sufficiently robust country systems, they have increased the country ability to handle more strategic support, particularly at the sectoral level.

While progress is slow and uneven, the **management and use of aid** has improved in the countries studied, especially in relation to the pre-Declaration situation, and Declaration-style aid appears to have made significant contributions to that change. Global programmes are found to be still mainly insufficiently integrated with other processes, but in some cases considered to be delivering stronger development results.

In terms of **building more inclusive and effective partnerships for development**, aggregate standards are rising. The Declaration has placed an explicit focus on aid relationships, and opened up important dialogues about partnerships themselves - between countries and donors, among donors, and with other stakeholders, rather than just the technical or financing aspects of managing aid. A number of clear practical benefits are already being felt.

9. *For partner countries.* The changes expected have been more demanding than those expected of donors/agencies. Despite this, most partner countries evaluated have now embedded many of these change processes, not just to manage aid better but because they serve the countries' national needs. The complex, long-term challenges of capacity development are the most important constraints for most countries, and these do not allow for 'quick fixes' or bureaucratically engineered solutions. However, partner countries can do more to identify priorities for strengthening capacities in targeted areas. Donors and agencies in turn can do more to support those priorities in coordinated ways, to strengthen country systems by using them and to reduce donor practices that undermine the development of sustainable capacity.

10. *For donors and agencies.* With a number of striking exceptions, donors and agencies have so far demonstrated less commitment than partner countries to making the necessary changes in their own systems. Some have been too uncoordinated and risk averse to play their expected proactive part in the relationship. Most have set high levels of partner country compliance as preconditions for their own reforms rather than moving together reciprocally and managing and sharing risks realistically. Peer pressure and collective donor action are not yet embedded in many donor country systems, so that they are left vulnerable to uninformed policy changes, for example when governments or ministers change.

11. The country reports often point to the greater freedom of multilateral agencies to apply some good practices – for example in making multi-year aid commitments - and the relative insulation of these agencies from short-term political pressures. Overall, however,

the Evaluation had only limited multilateral participation.⁴ Consequently, it cannot assess systematically the relative performance of multilateral agencies in implementing the Declaration and improved aid practices.

3. Contributions to development results

12. The Evaluation concentrated on assessing the possible contributions of aid reforms to sustainable development in four areas: in specific sectors (particularly in health, the common study sector for the country evaluations); in giving priority to the needs of the poorest; in strengthening institutional capacities and social capital; and in improving the mix of aid modalities.

13. Significant positive contributions can be traced, particularly in the case studies in the health sector, to more focused aid efforts and better development results. The pathways for these contributions are indirect but clear. In other areas assessed – such as giving higher priority to the needs of the poorest – aid and aid reform have been able to make little difference to development gains in the face of powerful obstacles. A number of the gains made are likely to be sustainable, while others remain fragile

14. A strong cross section of the country evaluations found evidence that Declaration type measures, launched either before or since 2005, but reinforced since then, have contributed to more focused, efficient and collaborative aid efforts, particularly at the sectoral level. These evaluations then found plausible evidence that those efforts had already contributed to better development results, with good prospects of being sustainable. The strongest evidence of this effect is in the health sector, examined in most depth in the country evaluations. Beyond this ‘tracer’ sector, this Evaluation does not have sufficient evidence to track contributions of aid reforms to wider development results such as accelerating achievement of the other Millennium Development Goals.

15. Although insufficient capacity remains a formidable obstacle in many countries and aid could help more than it does, there is evidence that aid and aid reform have made at least some contributions to the long-term strengthening both of institutional capacities for development and of social capital.

16. On the whole, there has been little progress in most countries in giving greater priority to the needs of the poorest people, particularly women and girls. However, there is evidence of some positive contributions by aid and some value added by reforms and Declaration-style operations since 2000–2005. This disconnect drives home the essential precondition of a powerful and sustained national commitment to change. Without this in place, aid and aid reforms are limited in their capacity to address entrenched inequalities

17. A wider range of options and innovations with aid modalities, particularly more joint donor support at the sectoral level, has improved actual or potential contributions to development results in half the evaluation countries since 2000–2005. However, the Evaluation shows that no single modality (e.g. budget or sector support, programmes or projects) will automatically produce better development results, and a mix of aid modalities has continued to make sense for all partner countries and donors.

4. Conclusions

18. The five principles and 56 commitments in the Declaration, based as they are on the experience of partner countries and donors, have almost all proved relevant to

improving the quality of aid and of the partnerships needed to make it work. The ways in which the Declaration has been implemented have sometimes strained its relevance, but it remains unbroken, and has shown the resilience to withstand considerable change and turbulence. A number of shortcomings and unintended effects of the Declaration approach have been identified⁵ and reflected in recommendations for future action.

19. Compared with the aid situation 20 to 25 years ago current practice presents a global picture of far greater transparency and far less donor-driven aid today. The „free-for-all’ of competitive, uncoordinated and donor-driven activities that were commonplace at that time are now unusual enough to attract rapid attention and criticism. Comparing with the immediate pre-2005 situation, the Declaration campaign has disseminated commitments and instruments for reform which were previously being developed and tested in a fragmentary way. The Declaration has raised expectations for rapid change, perhaps unrealistically, but also strengthened agreed norms and standards of better practice and partnership. There is ample evidence here that these standards have been used to reinforce or legitimise demands – especially from partner countries – that good practice be observed. There is no going back – expectations are more likely to keep rising than to diminish – so that the standard expected has permanently been raised for all engaged in development co-operation.

20. Overall the Evaluation finds that of the five principles, country ownership has advanced farthest, with alignment and harmonisation progressing more unevenly, and managing for development results and mutual accountability advancing least. The implications of this pattern are reflected in the key recommendations.

21. The Evaluation concludes that the changes made by the Declaration have not yet reduced the overall burdens of aid management as hoped. However, they have contributed to a better quality of aid, to more transparent and effective partnerships, and to supporting rising volumes of aid. Those cases identified where management burdens have been increased by introducing Declaration-style aid, such as multi-donor funds do not outweigh these wider benefits.

22. In contrast with improvements in aid covered by the Declaration, the Evaluation finds a critical lack of transparency and of reliable data on many of the other forms and flows of co-operation beyond the current scope of the Declaration. With these actors disbursing about one-quarter⁶ as much aid as OECD-DAC donors, currently, the major advances in the Declaration and Accra Agenda which address transparency, aid effectiveness criteria and mutual accountability need to be applied and advanced to include them or the benefits of reform to partner countries will be greatly reduced.

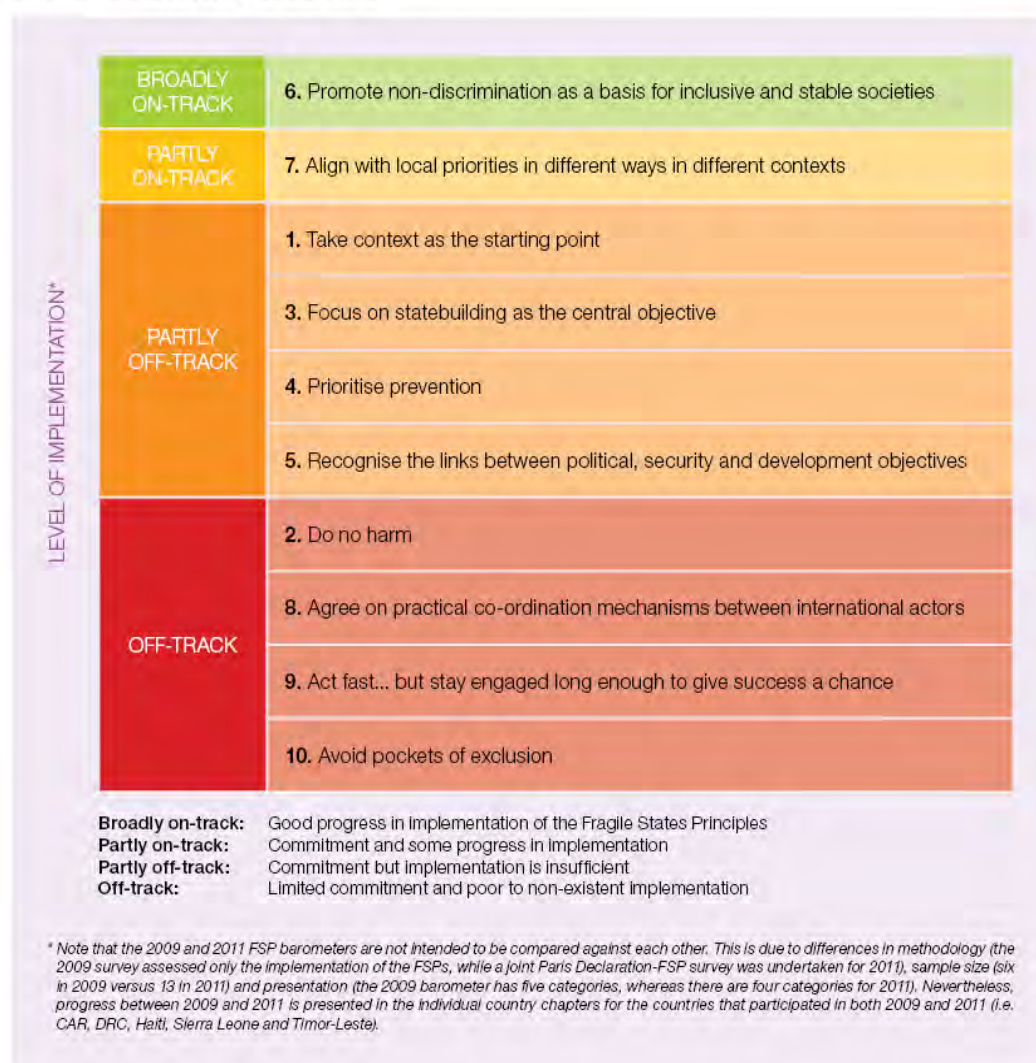
23. Assumptions about the potential role of aid remain exaggerated, particularly in donor countries. Expectations for rapid, fundamental reforms by partner countries have also been unrealistic and unreasonable, especially alongside the record of most donors and agencies. A wider perspective and a sense of proportion will be needed to carry aid effectiveness reforms to their full potential. Both partner countries and donors will also need to foster and harness better the many more powerful forces and policies for development that lie beyond the realm of aid.

Notes

1. This text reproduces part II of the Executive Summary of the Evaluation on the Paris Declaration (Phase II). A full report and additional information can be found at: <http://pd-website.inforce.dk/content/content-en.html>
2. The word „campaign’ is used here advisedly, implying a sustained and concerted effort to achieve major and difficult objectives.
3. The term „significant’ is used to mean definite and verifiable, but not necessarily major, effects.
4. The UN Development Group and the Asian Development Bank participated with institutional studies in Phase 1, and the African Development Bank in Phase 2. The Asian Development bank also produced a substantial update report for Phase2. The fact that the world’s largest aid agency – the World Bank – and the European Commission did not participate directly in the Evaluation leaves large gaps in independent comparative assessment.
5. These include: its interpretation and use mainly as a „technical’ and „process-oriented’ bureaucracy - to – bureaucracy agreement; an excessive focus on the 12 selected „indicators of progress’ for the Monitoring Survey; the demands of the international superstructure and the associated risks of „aid reform fatigue’; and the misplaced perception of a Declaration „formula’ or model, which has constrained adaptation to different country situations and priorities.
6. Using a generic definition of development aid to distinguish it from other forms of commercial, political or military support.

INTERNATIONAL ENGAGEMENT IN FRAGILE STATES: EXECUTIVE SUMMARY

FIGURE 1
2011 Fragile States Principles Barometer



The Principles for Good International Engagement in Fragile States and Situations (FSPs) provide a framework to guide international actors in achieving better results in the most challenging development contexts. In 2011, the Second Monitoring Survey of the Principles for Good International Engagement in Fragile States and Situations was

conducted in 13 countries: Burundi, Central African Republic (CAR), Chad, Comoros, Democratic Republic of Congo (DRC), Guinea-Bissau, Haiti, Liberia, Sierra Leone, Somalia, South Sudan, Timor-Leste and Togo. This followed a baseline survey in 2009 covering six countries (Afghanistan, CAR, DRC, Haiti, Sierra Leone and Timor-Leste). This synthesis report reflects the overall picture that has emerged from the second survey. International performance against these Fragile States Principles is seriously off-track. Overall, in the thirteen countries under review, international stakeholder engagement is partially or fully off-track for eight out of ten of the FSPs.

The Principles for Good International Engagement in Fragile States and Situations seem to have stimulated relatively limited change in international engagement at the country level since their endorsement by the OECD Development Assistance Committee (DAC) member countries in 2007 and their validation by both development partners¹ and partner countries in Accra in 2008. According to the 2011 Survey, development partner practice has not improved significantly to achieve better results. The main message of this report is that a significant gap still exists between policy and practice. The findings of this survey challenge development partners to complement their focus on results, effectiveness and value for money with a focus on the field-level organisational and paradigm changes necessary for achieving better results. In addition, partner countries have underlined the need for stronger mutual accountability frameworks to guide and monitor joint efforts between them and their international counterparts. Such frameworks should be mutually agreed and results-oriented, reflecting the specific and changing needs and priorities of countries in situations of conflict and fragility.

The variation among the countries surveyed means that findings for individual countries may differ significantly from the overall picture. A distinction also needs to be made between the findings for the five countries that volunteered to monitor FSP implementation in 2009 and the eight countries where the monitoring was carried out for the first time in 2011.

I. The changing context

Roughly 1.5 billion people live in fragile states, in environments of recurring and violent crises (World Bank, 2011). The number of countries suffering from conflict and fragility remains high and the dire consequences of fragility manifest themselves locally, regionally and globally, negatively affecting development results. For these reasons, post-conflict and fragile states remain a priority for the international community. Countries in situations of conflict and fragility continue to attract about 30% of total annual DAC official development assistance (ODA),² as well as significant attention from other development partners.

While achieving the Millennium Development Goals (MDGs) remains the objective of fragile and conflict-affected states, the evidence suggests that few, if any, are likely to achieve them by 2015. This has led to calls for complementary prerequisite goals and development approaches beyond traditional frameworks.³

The 2011 Monitoring Survey has been conducted in an international environment defined by four “game-changing” realities that had yet to emerge, or emerged only partially, in 2009, when the first survey was conducted.

- **The acknowledgement by policy makers that fragile states require different approaches than more developed countries.** This is supported by an increasing

body of knowledge, evidence and high-level policy guidance on how to engage on a number of critical areas in conflict-affected and fragile states (e.g. World Bank, 2011; OECD, 2011a). There is also greater focus on international factors that may drive and prolong fragile situations and that require whole-of-government and whole-of-system approaches. These elements have provided impetus for rethinking the frameworks and objectives used to guide international engagement in fragile states.

- **The foundation of new partnerships between fragile and conflict-affected countries and their development partners, mainly in the form of the International Dialogue on Peacebuilding and Statebuilding.** Fragile states themselves increasingly demand a paradigm shift in the way assistance is delivered and the agenda for international engagement is defined.⁴ This is a welcome development that can help improve how international engagement contributes to the reduction of conflict and fragility. The International Dialogue is working toward an international agreement on a set of five peacebuilding and statebuilding objectives to guide international attention, action and funding, and on key “paradigm shifts” that will improve the current way of doing business.
- **The current global economic and financial crisis, which is putting pressure on development co-operation budgets and their use.** This is manifested in two ways: first, there is a risk that aid policies will increasingly have to support national policy priorities such as international security, migration and the promotion of trade. Second, there is an increasing demand for aid to deliver immediate benefits and value for money, for reasons of accountability to taxpayers and to win political support for aid in national budget allocations.
- **The increasing presence, relevance of and funding from other actors, which is making strong international partnerships ever more essential.** Middle-income countries are becoming active global players, challenging DAC development partners in two main ways. First, their engagements may not have the same objectives or be based on the same principles for development assistance as those established by the DAC. Second, even where their objectives and principles are similar or complementary, their effective implementation still requires new partnerships for development to be formed, to reduce fragmentation and increase development impact. The Fragile States Principles provide a framework that can help such partnerships to emerge but the 2011 Survey shows the international community is a long way from forming them.

A closer look at the evidence can help identify opportunities to improve international engagement.

II. The evidence-based findings

The key finding of the 2011 Survey is that most aid actors are neither set up to meet the specific challenges posed by fragile situations, nor systematically able to translate commitments made by their headquarters into country-level changes. While efforts have been made to deliver on agreed commitments, these efforts appear not to have taken full account of the implications of the Fragile States Principles on the ground.

Mixed implementation amongst surveyed countries

The application of the Fragile States Principles is seriously off-track in five of the thirteen countries reviewed (Comoros, CAR, Chad, Haiti and Somalia). In two, Sierra Leone and Timor-Leste, implementation is generally on-track. Of the remaining six countries - five of which took part in the survey for the first time in 2011- development partners have made efforts to translate the Fragile States Principles into practice but any results have yet to be observed. Despite this mixed record, partner countries are increasingly demanding to see results and more effective development. They recognise that enhanced ownership and context-specific implementation of the FSPs is key to achieving this.

Challenges in implementing the FSPs

Two out of the ten principles are being applied in a manner that can be considered broadly or partly on track: non-discrimination (FSP 6) and alignment of development partner interventions (FSP 7). Even here, there are improvements that could be made. For example, under FSP 6, development partners should strengthen the implementation of their commitments to gender equality and women's participation, and should adopt more programme-based approaches. Under FSP 7, the participating countries express concern about the alignment of the contributions of both DAC and non-DAC development partners with their national plans.

The remainder of this section focuses on the evidence and key messages emerging from the survey about those FSPs that in aggregate are "partly off-track" or "off-track", while noting positive lessons from the individual country cases which are "broadly on-track" or "partly on-track". The body of this 2011 Monitoring Report highlights such lessons learned and draws relevant recommendations from them.

Partly off-track

Four of the FSPs fall into this category: FSP 1 (take context as the starting point), FSP 3 (focus on statebuilding as the central objective), FSP 4 (prioritise prevention) and FSP 5 (recognise the links between security, political and development objectives). Key challenges include insufficient understanding of national context to enable effective programming in support of national priorities, limited development partner support for processes aimed at fostering national dialogue and building a national vision, insufficient development partner efforts at prevention, and a continuing need for integrated approaches to peacebuilding and statebuilding on the ground.

- **Take context as a starting point:** since 2009, progress in implementing FSP 1 appears to have been limited. Development partners recognise that the context must be taken as the starting point of their engagement, and that an understanding of local political economy realities is critical, yet they neither conduct regular and systemic analyses, nor systematically share the ones they have undertaken, nor do they necessarily use the analysis as a basis for programming. Instead, international actors still tend to apply "pre-packaged" programming rather than tailoring assistance to local realities (CDA, 2011). For instance, lack of donor understanding of needs and context at the sub-national level significantly impedes the effectiveness of programming, while development partners' approaches to addressing gender inequalities risk being counterproductive unless they are grounded in a sound

understanding of the context. Similarly, it is felt that development partners tend to formulate their country strategies without adequately consulting with recipient countries.

- **Focus on statebuilding as the central objective:** while development partners are increasingly committed to statebuilding, their approaches do not sufficiently reflect the need to support government institutions fostering state-society relations. They have not moved beyond “technical” institution building and capacity development to support broader political dialogue and processes. Statebuilding efforts tend to focus on the executive at central level, with less support for the legislature, judiciary and decentralised administrations. Support is often concentrated on formal institutions and “traditional” areas of intervention such as election support, public-sector management and service delivery, while support to civil society organisations in order to foster free and fair political processes, domestic revenue mobilisation or job creation lags behind. In particular, the survey highlighted that engaging with non-state actors and legitimate local organisations to strengthen state-society relations remains a challenge for development partners.

A key problem in fragile states is the lack of a strong common vision, shared by society and government, of the role of the state and the priorities for statebuilding. External support to provide adequate space for dialogue among key stakeholders remains limited. Similarly, the government and the international community often lack a shared vision of the overarching statebuilding priorities.

- **Prioritise prevention:** joint and systematic efforts to prevent conflict remain weak in comparison with the challenges faced by most fragile states. Effective prevention combines support for early warning systems with swift and flexible early response mechanisms and regular evaluations of their effectiveness. This is seldom the case for development partner-supported systems or activities. Moreover, sharing risk analysis appears to be the exception rather than the norm, which prevents effective joint action and focused dialogue with national counterparts. Development partners need to strengthen the link between early warning and early response and conduct regular evaluations of the effectiveness of their support to prevention initiatives.
- **Recognise the links between security, political and development objectives:** while the links tend to be well recognised, they are unevenly reflected in country strategies. Where they exist, whole-of-government approaches are too frequently “paper tigers”, informal and not acted upon in an integrated manner. Whole-of-government approaches designed in development partner headquarters are often poorly understood at country level or deemed impossible to implement due to the perception of “conflicting principles”.⁵ Finally, development partners have not analysed the trade-offs between political, security and development objectives in all countries, and mechanisms for managing trade-offs are limited.

Off-track

Four of the FSPs fall into this category: FSP 2 (do no harm), FSP 8 (agree on practical co-ordination mechanisms between international actors), FSP 9 (act fast but stay engaged long enough to give success a chance) and FSP 10 (avoid pockets of exclusion). Key challenges include: a serious risk of development partners doing harm through their interventions because they lack systematic operating procedures to assess and address

risks and unintended consequences; a lack of development partner co-ordination; the lack of (financial) predictability of development partner engagement; and the uneven geographic distribution of aid.

- **Do no harm:** Development partners do not systematically ensure that their interventions are context- and conflict-sensitive, nor do they monitor the unintended consequences of their support to statebuilding. There is limited evidence of mitigation strategies to address the issues of brain drain (hiring of local staff by development partner agencies), salary differentials for staff employed by government and international actors, and the continued reliance on parallel structures such as project implementation units (PIUs). Development partners also need to be more alert to the potential negative effects on statebuilding of over-reliance on international non-governmental organisations (NGOs) for basic service delivery, particularly when they act outside of existing national frameworks and are not accountable to the government and end users. Inadequate management of aid flows also continues to be potentially harmful. Poor or deteriorating governance – ranging from corruption to lack of transparency and accountability – is considered to have increased aid volatility. While these risks have to be managed, the development partners’ approaches to doing so are often ill-adapted to the challenges faced by fragile states. For example, abruptly stopping aid or its short-term disbursement in response to mismanagement can significantly harm the ability of partner countries to sustain peace. Finally, non-DAC development partners who have bypassed established environmental, human rights or anti-bribery norms such as the OECD Anti-Bribery Convention (OECD, 2011b) have caused harmful side effects.
- **Agree on practical co-ordination mechanisms between international actors:** In spite of the weaknesses in co-ordination between development partners and government, development partners have made limited efforts to agree on practical co-ordination mechanisms among themselves. Development partner co-ordination remains informal in most countries and is almost entirely absent in some. Recipient countries have had to shoulder the burden of co-ordinating international actors, which takes up considerable resources. The increase in the number of “players” (DAC and non-DAC members, global funds, foundations, charities and NGOs) further complicates the task of ensuring development partner effectiveness, tracking funding flows and making the transition from humanitarian to development assistance. Where national capacity and leadership is weak, inter-partner co-ordination is sub-optimal just as it is needed most. In addition, the extent of joint analytical work and missions has declined since 2009 in some countries.

Most countries lack a fully inclusive co-ordination structure involving humanitarian actors, stabilisation actors, development actors and the state. While humanitarian assistance is often more strongly and efficiently co-ordinated at country level than development assistance, its engagement with national government tends to be limited, which can have a negative effect on ownership and statebuilding if sustained over time. This is aggravated by the fact that humanitarian and development aid are guided by different principles and objectives, which can prevent strategic alignment and integration, contribute to fragmentation and hamper the achievement of joint results (this negatively affects FSP 9, FSP 8, FSP 2 and FSP 5). Development partners face significant challenges when transitioning from humanitarian to development strategies.

- **Act fast but stay engaged long enough to give success a chance:** development partners almost uniformly express their commitment to long-term engagement in fragile states, yet aid remains unpredictable and interventions often prioritise short-term objectives. For instance, one-year funding commitments are typical in most countries, often due to development partners' risk aversion and the fact that humanitarian instruments often continue to be used long after the humanitarian crisis is over. While most development partners can mobilise additional funding to respond to short-term shocks, the slowness and lack of procedural flexibility remain problematic.

Fragility is a long-term problem, and it calls for long-term engagement. Many humanitarian crises (*e.g.* the 2011 famine in Somalia) are symptoms of long-term problems such as lack of attention to agricultural sector development, deteriorating governance, fragmented interventions that often bypass state institutions, and environmental degradation. The lack of patience and resources on the part of international actors often prevents them from taking the longer-term perspective in addressing these issues. Short-term “solutions”, supported by development partners, can undermine national ownership, planning and resource management to address longer-term development challenges.

- **Avoid pockets of exclusion:** the uneven geographic distribution of aid is emerging as a significant concern. Sometimes this is due to factors beyond development partners' direct control (*e.g.* security issues), but greater transparency and dialogue between development partners and governments are required to allocate aid according to where it is most needed and in line with government-identified priorities. Geographic pockets of exclusion can ultimately undermine non-discrimination efforts (FSP 6). In Somalia, al-Shabab-controlled areas and the inability of development partners to allocate aid according to identified needs contributes to the marginalisation of women and youth. The lack of reliable data on geographic distribution of aid within a country is also a significant weakness. National aid management systems need to be strengthened to enable development partners to generate reliable statistics and report disaggregated aid flows.

III. The critical conclusions

Three critical conclusions stand out from the 2011 Survey:

1. **Development partners need to make a more focused effort to “walk the talk”, ensuring that the adoption of policies at headquarters translates into behavioural change on the ground.** This requires greater political efforts to adapt and reform their field policies and practices, reinforced with incentives for change, to ensure they can respond faster and with greater flexibility. Development partners need to improve their capacity to work in fragile states. To date, the Fragile States Principles have not sufficiently influenced changes in development partners' practices or helped improve results on the ground.
2. **Traditional development frameworks, such as the Millennium Development Goals or poverty reduction strategies, fall short of providing an adequate basis for effective action to address the challenges of conflict-affected and fragile states.** There is a need for a major shift in the way development outcomes, priorities and

results are defined – both globally and at the country level. The political realities and political economies of fragile states need to be taken much better into account.

3. The Fragile States Principles primarily address development partner practices. Nonetheless, the survey findings suggest that they can also provide a powerful tool to improve country-level dialogue and engagement. Partner countries and development partners could use the FSPs as a basis for agreeing on **joint accountability frameworks prioritising peacebuilding and statebuilding efforts**, ensuring that these are financed, and monitoring progress to deliver better results.

Notes

1. Throughout this report the term “development partners” refers to providers of development co-operation; the term “partner countries” refers to those countries managing the development co-operation provided to them by development partners.
2. OECD, Creditor Reporting System, 2010
3. See *The Monrovia Roadmap on Peacebuilding and Statebuilding* (g7+, 2011).
4. This demand by fragile states for a paradigm shift in the way international partners engage in such contexts is most clearly expressed through the formation of the g7+ grouping of fragile and conflict-affected states. Chaired by H.E. Emilia Pires, Timor-Leste’s Minister of Finance, the g7+ seeks to provide the international community with a greater understanding of fragility from the perspective of fragile state themselves.
5. See Box 4 and Figure 3.

PROGRESS TOWARDS MORE EFFECTIVE AID: WHAT DOES THE EVIDENCE SHOW?

Talaat Abdel-Malek and Bert Koenders, Co-Chairs, Working Party on Aid Effectiveness, October 2011

In 2005, Ministers from developed and developing countries together with heads of international organisations endorsed a landmark agreement to make development more effective: the Paris Declaration on Aid Effectiveness. The Paris Declaration emerged from a growing consensus that both donors and developing countries had to reform the way they were delivering and using aid to ensure more and better development results - and in doing so, to boost their contribution to the attainment of the Millennium Development Goals. One of the distinguishing features of the Paris Declaration was the commitment from developing countries and donors to hold each other to account for implementing its principles at the country level through a set of clear indicators, with targets to be achieved by 2010.

In Busan, at the Fourth High Level Forum on Aid Effectiveness (29 November – 1 December 2011) the international community will need to answer the following question: is aid being delivered in a more effective way than in 2005?

The answer is clear: progress has been made, but globally, donors and developing countries have fallen short of the goals that they set themselves for 2010. The findings from monitoring and evaluating the implementation of the Paris Declaration make for sobering reading. Although the Accra Agenda for Action was adopted in 2008 to accelerate progress with a call for heightened focus on country ownership, more inclusive partnerships, and increased accountability for and transparency about development results, progress in 2010 was still lagging on the majority of the Paris Declaration commitments. The evidence points, nonetheless, to the enduring relevance of the Paris Declaration principles, which matter for development, can be applied to different country contexts and remain valid for different sources of development finance. This suggests that Busan can and should aim to ensure deeper political commitment – coupled with concrete actions to follow through.

Principles for effective aid – and development

The principles set out in the Paris Declaration are based on decades of experience and have helped to establish global norms for development co-operation, to disseminate positive aid practices already proven in donor organisations and developing countries, and to promote a common vision and framework for further reforms. By setting out norms and legitimising good practice, they have contributed to greater transparency and have reduced the extent to which aid is donor-driven. On an even broader scale, the application of the Paris Declaration principles has contributed to better, more constructive partnerships among developing countries and donors.

At the same time, these principles are not limited to aid. The experience of developing countries that have put the principles into action show that they have not only helped to ensure that aid is better managed, but also to strengthen core state functions, for example by improving the management of all public expenditure, procurement and accountability. Evidence from the independent evaluation suggests that efforts to improve aid effectiveness have had a wider-reaching impact on institutions and in turn development results, although the contribution of such efforts to meeting the needs of the poorest people has been more limited.

The principles embodied in the Paris Declaration have been adapted by a growing number of stakeholders to specific needs or situations, including civil society and parliaments. While aid is only one of many sources of finance that can support development processes at the country level, experience also points to the relevance of the Paris Declaration principles to a diverse range of development activities, including South-South co-operation. The principles have also helped bring a broader range of voices to the table. For example, the g7+ group of fragile and conflict-affected countries now leads an international dialogue to define norms and approaches to international engagement in fragile states and situations.

As the nature and quality of partnerships in developing countries and at the global level have evolved, so too has the appetite for better evidence on results, development processes and the role of aid. The Paris Declaration, through the emphasis it places on monitoring and evaluation, has helped to generate more and better information, establishing the foundations for improved accountability. Seventy eight developing countries signed up to participate in the 2011 Survey on Monitoring the Paris Declaration – many more than the 55 countries that participated in the 2008 Survey and far beyond the original 34 countries in 2006. Similarly, 22 countries have participated in the independent evaluation of the Paris Declaration. This growing participation – on a voluntary basis – illustrates the importance countries attach to structured, evidence-based dialogue on aid effectiveness. For some, the survey offered the first-ever opportunity to collect and disseminate country-level information on the nature and quality of aid flows.

Progress, but slower than expected

Evidence gathered on the implementation of the Paris Declaration shows that while progress has been made, it has not been to the extent and pace foreseen in 2005.

The evaluation notes the challenges presented by the targets set for 2010 and concludes that the timing for some of them was not realistic. Indeed, many of the changes foreseen in the Paris Declaration are profound and their implementation requires sustained commitment and efforts. At the same time, the evaluation concludes that the basic timeframe for the Declaration's goals have so far remained relevant.

The 2011 Survey covering 78 countries shows that at the global level, only one out of the thirteen targets established for 2010 – co-ordination of technical co-operation– has been met, albeit by a narrow margin. Nonetheless, it is important to note that considerable progress has been made towards many of the remaining 12 targets.

Global progress on meeting the agreed 2010 targets depends on the individual efforts of donors and developing countries to implement their commitments. Important variations in effort are evident across both donors and developing countries. The impact of reforms

has been greatest where countries have developed action plans to meet their commitments, based on their own needs, context and development priorities.

Making gains – more challenging for donors than for developing countries

While progress in implementing the agenda set out in the Paris Declaration remains gradual and uneven, there are frontrunners among both donors and developing countries that have made significant progress. Evidence from 12 fragile countries participating in the survey highlights particular challenges for these countries in improving the quality of their national strategies, policies and systems. Evidence also shows that co-ordination of donors often remains weak precisely where working towards common goals is needed the most, and weak national leadership and capacity become an excuse for uncoordinated donor-driven approaches. Moreover, while addressing fragility requires long-term engagement, donor programming tends to fall short of good practice, with programming typically limited to three-to-five years, often backed only by one-year funding commitments.

The Paris Declaration embodied a “compact” between donors and developing countries. For instance, it set out commitments by aid recipients, on the one hand, to improve their public financial management systems, and by donors, on the other, to make greater use of these systems to channel aid. In many respects, it has been more demanding for partner countries to implement the required changes than for donor governments and agencies – the magnitude of the reforms has required much more than simple administrative fixes. Yet more than a third of developing countries have made important progress in improving and strengthening their own public institutions and processes.

Despite this hard-won progress, evidence shows that the improved systems put in place by the developing countries are not necessarily used by donors to deliver aid. In many cases, fear of financial misuse and lack of faith in partner country systems has prompted donors to avoid fiduciary risk altogether, rather than managing it.

When donors’ reporting requirements are not aligned with developing countries’ own performance frameworks, this can undermine ownership, capacity and domestic accountability in developing countries. Donors have also found it challenging to harmonise their ways of working, or “join up” on things like analytic work, or to communicate information on future aid to individual developing country governments. Corporate policies, legal frameworks, organisational incentives and capacity issues within donor organisations are persistent bottlenecks.

Efforts to improve donor support for capacity development have also been mixed. The 50 % target on co-ordinated technical co-operation (a measure of the extent to which donors co-ordinate their efforts to support countries’ capacity development objectives) is the only target which has been met. Nonetheless, developing countries often see technical co-operation as a donor-driven process. For example, data show that technical co-operation is more likely to be tied than other forms of aid provided by bilateral donors. Donor support for capacity development needs to be better designed to meet the needs and priorities established by the countries themselves and to focus on longer-term impact. To enable this, developing countries need to adopt strategic approaches to identify and articulate their capacity development needs; put in place appropriate institutional arrangements; and take political leadership to ensure that donor support responds to their priority needs. To date, few of them have done so.

Political commitment is key to the reform agenda

The evidence shows that over the past five years, where donors and developing countries have been successful in transforming the way in which they provide and use aid they have usually depended on political momentum. In cases where less progress has been made, it is often because the reforms required were viewed as technical issues. Sustained political commitment to follow through on important – and often difficult – changes in behaviour is fundamental to address the unfinished business that really can make a difference for the lives of poor people in developing countries.

Seven lessons for the future of development co-operation

The Busan High-Level Forum offers decision-makers in developed and developing countries – be they state actors, heads of international organisations, parliamentarians or representatives of civil society organisations or private sector entities – the opportunity to agree on a framework for global co-operation that will maximise achievements towards the Millennium Development Goals and help forge a global compact for effective development towards and beyond 2015. In doing so, a number of important lessons should be borne in mind:

- a. **Development – and development co-operation – needs to happen through inclusive partnerships at the global and country levels.** Although the Paris Declaration has helped to forge a common vision among a significant group of developing countries and donors, other development co-operation actors – including those involved in South-South co-operation – play an increasingly important role. Their active involvement in shaping the post-Busan co-operation agenda will ensure a more inclusive process founded on shared principles, and covering a larger range and volume of resources and activities in support of development.
- b. **The principles set out in the Paris Declaration and Accra Agenda for Action need to be reaffirmed.** Experience has shown that these principles are relevant to the challenges faced by developing countries. It also suggests that their fuller implementation can continue to increase impact of development co-operation on poverty reduction and sustainable development. Approaches to implementing the principles will need to be continually refined and adapted to include more forms of development co-operation, a wider range of public and private actors, and to meet context-specific priorities such as those of fragile states and middle-income countries. Embedding these approaches in national action plans and strategies is one way of anchoring global commitments in country-level realities.
- c. **Investment in development brings risks; the desired results will not always be achieved, particularly when capacities and systems are weak.** All stakeholders must accept the risks that are inherent to development and seek appropriate ways of sharing and mitigating them through mature partnerships, rather than avoiding them altogether. Donors need to make use of country structures and institutions for aid delivery, developing longer-term approaches to enhancing capacity, which is often diffuse in nature and therefore challenging to measure.
- d. **Inclusive global accountability mechanisms are needed to support strong, country-led partnerships.** Experience to date suggests that monitoring and evaluation of international commitments can create and sustain incentives for implementation. Deepening peer scrutiny and pressure can provide added impetus

for change. By refocusing global processes on essential learning and accountability functions, incentives for reform will be strengthened in individual countries and development agencies.

- e. **Governments in developing countries need to strengthen the capacities of core public sector development institutions and stakeholders, including through state-citizen dialogue.** This includes playing a central and systematic role in setting clear priorities, determining strategies and ensuring effective implementation of activities, as well as continuing to encourage donors to support agreed priorities. Effective policies and institutions not only improve the contribution of aid; they also help to ensure that all resources have a greater and more sustainable impact on people's lives. Results can be further improved by lending greater attention to poverty reduction and inclusive growth, accelerating efforts in support of domestic accountability, combating corruption, and providing a conducive environment for citizen participation.
- f. **Achieving sustainable development results will require increased results orientation in public sector management.** This implies creating better systems for targeting, tracking and communicating development results, as well as enhancing transparency and accountability for the use of resources and the results achieved. More systematic use of existing country frameworks for monitoring and reporting on achievements against agreed development goals will both support developing countries in effective decision-making, and encourage donors to rely more extensively on the evidence generated by developing countries.
- g. **Donors need to follow through on their commitments to change their policies and practices.** For many donors, this will involve addressing structural challenges in their aid agencies, for example to ensure that aid is more predictable in the medium-term, that allocation decisions favour efficiency and reduce fragmentation, and that developing countries' systems are used more systematically for aid delivery. Further untying aid – and in particular technical co-operation – will also improve value for money, as well as ownership by developing countries.

The Working Party on Aid Effectiveness



부산 세계개발원조총회
4th High Level Forum
on Aid Effectiveness

CELEBRATING BUSAN: PAYING TRIBUTE TO THE WP-EFF

When celebrating the success of the Busan High Level Forum on Aid Effectiveness, we have to acknowledge and pay tribute to the process led by the Working Party on Aid Effectiveness and its predecessors over the last two decades. “Paris was not built in a day”, neither was Busan. It is difficult to situate a real starting point in this process, but drawing a quick summary of the ideas and political processes that led to shape the current development effectiveness agenda is important to help us decide where we should now be heading.

Academics have not spent a lot of time on aid effectiveness issues beyond the well-known econometric studies on aid and growth. The impulse for the aid effectiveness agenda mainly came from empirical reasoning and the energy of thoughtful people in the business (aid agencies, recipients, CSOs...). Like many of us, they had been for years observing dysfunctional behaviours, with for instance donors tripping over one another and hiring consultants to review the same sectors, and had a mind to do something about it.

Pre-2002: The emergence of a consensual diagnostic

How to bring some degree of functionality to the activities of a busy, increasingly fragmented multi-donor industry in an aid-dependent country, often itself dysfunctional and without leadership or ownership?

At the end of the 1980s, the DAC produced a number of sets of principles for donor behaviour, including its Principles for New Approaches to Technical Co-operation. A DAC Taskforce on Technical Co-operation and Institutional Development (later absorbed into Govnet) developed the concepts of ownership and capacity building and teased out their operational implications, such as the problems inherent in donor support for salary supplements and the need to build local capacity. That taskforce also began to systematically involve developing country officials and experts.

During the 1990s, studies such as those of Elliot Berg, Paul Mosley or Tony Killick showed the ineffectiveness of much donor conditionality, underlining more broadly that donor-led, as opposed to locally owned, approaches were seldom sustainable. Many donors already shared that view. Nic van de Walle and David Naudet, among others, clearly documented in Africa issues such as weak ownership of policies, bypassing of country systems, too many donors doing the same things, or lack of transparency in the aid business.

One main root of the Paris Declaration process is the 1996 DAC document: “Shaping the 21st century: the contribution of development co-operation”. Jean-Michel Severino, as a member of the Reflection Group, observed that in a multi-donor world with multiple frameworks which make it impossible for an aid dependent country to manage its affairs

efficiently or accountably, there should only be one framework, the countries' own development strategy. Without major collective reform, the aid system was dysfunctional.

“Shaping 21” had three key elements - the Vision (the MDGs in embryo), Partnerships and making aid work better (the aid effectiveness process in embryo) and Bringing our policies together (policy coherence, not in embryo – a long standing key issue). The later adoption of the MDGs in 2000 by the UN had profound implications for legitimising also the aid effectiveness agenda.

At that time, the main negotiation within the DAC was about aid untying (completed in 2001, marking one of the major achievements in DAC history), but the broader theme of aid “co-ordination” (as it was called) was also present in the same working group, which had existed for decades, called the “Working Party on Financial Aspects of Development Assistance”, or “FA”. That FA did in particular make a big push on harmonising donor procurement rules. The World Bank, as an observer at the DAC, was particularly active in this.

By 1998-99, to trigger the aid reform agenda on the donor side, came the proposal for a DAC Task Force on Donor Practices. Created at the end of 2000, chaired by Richard Manning, this “TFDP” made the key decision of bringing in a panel of 16 partner countries, integrated into working sub-groups (in particular one on public financial management).

The TFDP worked closely with its sister “Roundtable of multilateral development banks” to support a High Level Forum organised by the World Bank and the Government of Italy in Rome in February 2003. In preparation to this, it organised a series of regional forums (Jamaica, Vietnam, Ethiopia), and produced an excellent Good Practice paper on aid delivery, acknowledged as a reference by the Rome Declaration (we’ll come back to this later).

Meanwhile the World Bank was entering its post-structural adjustment era, pioneering its concepts of sectoral strategies and alignment around them. And in early 1999 Jim Wolfensohn presented the Comprehensive Development Framework (CDF), which contained many ideas that influenced the aid effectiveness agenda. But the CDF lacked traction until its ideas were, at least in part, integrated into the Poverty Reduction Strategy Papers (PRSPs), which came as conditions of the Heavily Indebted Poor Countries (HIPC) initiative agreed at the Cologne G8 in June 1999. In the first phase of PRSPs an evaluation report however showed little effective increase in local ownership of policies. Hence there was a strong need for the aid effectiveness principles.

On the macroeconomic side of the aid effectiveness story, the World Bank published “assessing aid” in 1998, which also had profound implications, leading to the adoption of aid selectivity as a major feature of concessional funds’ allocation processes by most MDBs.

Let us finally mention the Special Programme for Africa (SPA) work. The SPA was transforming itself from a shrinking fast-disbursing fund into the Strategic Partnership for Africa, a donor forum for working on budget and sector support. Much of this work was absorbed into Rome, Paris, and Accra. At a later stage, the SPA brought in African governments (notably the Minister of Finance of Ghana as chair) and the notion of rating donor performance.

All in all, by the time of Monterrey (March 2002), in the context of aid recovery after a decade of aid fatigue, there was a large consensus among the aid community that to reach the MDGs, ODA was certainly part of the solution - and had to be further increased again - but also part of the problem, leading to limited results globally and even possibly doing harm in some cases. The Monterrey Consensus stressed the need of enhanced aid effectiveness, and already included recommendations of most current aid effectiveness issues, including leveraging, south-south co-operation and triangular co-operation. One year before Rome, the diagnostic was clear and the road was shown.

Rome and Paris, 2003-05: a mutual commitment

The first of the High Level Forums, Rome was attended by most DAC donors and Saudi Arabia, the main multilateral donors, close to 30 developing countries, and some regional organisations. For the first time, a ministerial-level declaration was proclaimed about aid effectiveness: the Rome Declaration on Harmonisation (25 Feb 2003).

Broad public attention to aid effectiveness issues came to light later, with Paris in 2005, but the Rome Declaration, altogether with the above-mentioned paper “Harmonising Donor Practices for Effective Aid Delivery”, certainly was the first set of the Paris principles, providing the basis of a standardised framework of co-operation between a donor and a recipient. The Good Practice paper included a survey completed by the University of Birmingham, summarising more than 400 interviews carried out in 11 developing countries to assess the needs of partner countries. Complexity and lack of harmonisation of donor procedures, need for alignment of these procedures in national systems, untying, budget support, building national capacities in public financial management featured heavily in the responses.

After Rome, the FA and TFDP merged into a new group, the “Working Party on Aid Effectiveness and Donor Practices¹”, or WP-EFF. Formally a DAC subsidiary body, it became an actual partnership of donors and recipients, with the participation of the main multilateral organisations and, from 2004 onwards, of 14 developing countries (plus others in the sub “task teams” and “joint ventures”). Main issues included harmonisation and alignment, procurement, public financial management, management for results, and untying.

The second High Level Forum, which France had offered in Rome to host in Paris, and which was first planned as a stocktaking exercise of the Rome Declaration, benefitted from more open preparation, thanks to the extended WP-EFF. Meetings were also held between the WP-EFF and CSOs representatives. Several non-DAC donor countries and about 15 major CSOs participated in the Paris event.

Based on the broad existing consensus, Paris negotiation turned to be a major “trade off” between donors and recipient countries:

- Donors relax constraints on aid, in particular through conditionality; they not only co-ordinate among themselves (this is “harmonisation”,) but also “align” their aid policies and practices to the partner country policies, strategies, institutions and systems.
- Recipients adopt their own development policies (this is “ownership”) and improve their governance, notably policies, strategies, institutions and systems.

- Both agree to measure progress on some of the 56 mutual commitments, to set up targets for 2010, and to reconvene in 2008 and 2011 to take stock and hold each other accountable against their commitments.

Why was the Paris Declaration so much more influential than the equivalent statement at Rome? Certainly because it touched key and sensitive issues, object of debate not only between donor and recipient countries but also inside many agencies and countries, such as the debate at that time between the project approach and budget support. But also, and this is probably why it is still a reference seven years later, because it was not just another statement of intent, but included a set of 12 quantitative performance indicators associated with agreed targets, and a calendar of regular monitoring surveys and further High Level Forums.

To date, 137 countries and about 30 international organisations have endorsed the Paris Declaration.

Before and after Accra, 2005-10: building a comprehensive aid effectiveness agenda

Paris's success raised interest in the WP-EFF, which then grew both in membership and substance.

Parity in numbers between donor and developing countries was decided in 2005 (23 on both sides), before the 'big-tent' approach adopted for Accra (Sept 2008) was reflected in the WP-EFF in 2009 with about 80 regular participants in five groups of stakeholders: donors, recipients, countries that are both at the same time, multilateral donors, and civil international institutions (CSOs, parliamentarians, local governments, private sector...).

CSOs, in particular, present in Paris but with limited involvement, decided to prepare for Accra as a major event. They formed a large network of 700+ CSOs (later known as Better Aid) to co-ordinate joint positions, while the WP-EFF set up an "Advisory Group on Civil Society and Aid Effectiveness", composed of governments and CSOs from the North and the South.

This CSO mobilisation improved inclusiveness. If Rome can be seen as symbolised by "harmonisation", and Paris by "alignment", Accra brought more flesh to "ownership". Still focused on the quality of country development policies, ownership became also identified with open and inclusive dialogues to define and implement them, in ways consistent with agreed international commitments on issues like gender equality, human rights and environmental sustainability (whereas beforehand it was mainly related to the PRSPs).

During the preparations for Accra, close to 50 international thematic groups, within or outside the WP-EFF structure, offered to contribute on substance. Thanks to this, the Accra Agenda for Action (AAA), adopted on 4 Sept 2008 after lively last-minute negotiations, was probably the most comprehensive review of everything that every stakeholder must do to make aid effective. Midway through the Paris cycle (2005-10), Accra gave an additional momentum to the Paris agenda.

This formidable analytical process mobilised before Accra was streamlined and reinforced for Accra's follow up into a new "cluster" structure of thematic working groups within the WP-EFF. These groups provided important knowledge and analysis,

particularly needed for commitments which were “orphans” of Paris indicators, such as participation, transparency, medium-term predictability, limiting fragmentation, etc... Most of this work was deeply rooted at the country level, and provided a valued source of knowledge exchange among countries.

Over the Paris cycle, evidence of implementation was gathered through three WP-EFF-led monitoring surveys covering data from 2005 (as a baseline), 2007 (as first orientations and as background for Accra) and 2010 (year of the Paris targets), and two independent evaluations (2008 and 2010). About 80 developing countries participated in the last round of monitoring, showing their adhesion to the whole process. The “Paris principles” had become such a widespread reference that a parliamentary report in a donor country stated in 2010:

“Co-operation efforts that are not grounded in partnership approaches to working, results-oriented programming and the ownership and use of beneficiaries’ public management systems are ever more scarce. This paradigm has influenced all aid actors irreversibly, whether multilateral or bilateral, and the threat of being held to account by peers means that it cannot be ignored.”

The Paris Declaration also had influence on some major CSOs, encouraging some rationalisation of their traditionally very dispersed efforts.

It does not mean that all the Paris targets were reached, at least in 2010. Most of them were not. But the evaluation showed that the principles were clearly relevant, and things were changing on the field for the better. Some countries and institutions have undergone deep structural reforms. The split in this area was not between donors and recipient, but between fast runners and those who lag behind, in both camps.

What has been the role of the WP-EFF, with the benefit of hindsight, in these major achievements? It has clearly provided the structure to discuss, design and disseminate the principles and monitor their implementation. Doing so, it played a normalisation role, codifying scattered practice into commonly recognised “good practices”. Furthermore, it provided an informal but efficient and inclusive place for developing country representatives to discuss these principles and to participate in their progressive codification.

Busan and beyond, 2011-15: a new partnership for development effectiveness

Busan could not only be the “sunset clause” of the Paris cycle. With only three years to go before the MDG target date, Busan had to look forward. Of course, those who endorsed Paris took stock of the limited progress, and reaffirmed their commitment to complete the “unfinished agenda”. Some major elements were announced to that end, such as the EU joint programming, the limitation of multilateral proliferation, or the setting of a common transparency standard within the end of 2012.

But the context was changing, and more was needed. Drawing on the best aspects of the WP-EFF, Busan called for a new global partnership.

Since Rome, the WP-EFF had progressively associated with new, significant aid providers. The small initial DAC body had grown into a large coalition of the willing, the main international partnership for aid effectiveness. It was then time to go further and

bring together all potential development actors on an equal footing, around the common principles and differentiated commitments stated in Busan.

Since Rome, the WP-EFF had progressively included more aid related topics, working as a network of working groups. It was then time to invite other sources of development finance to the debate, as started in Busan with the climate change community and the private sector.

But even more importantly, since Rome, the WP-EFF has successfully invented and experimented with the High Level Forums a fully inclusive, high-level but informal kind of meetings, combining strong analysis with serious political commitments under “soft” law. Beyond the WP-EFF, it is the HLF concept itself which is now required to be the future framework of this new Global Partnership for Effective Development Co-operation.

So, thanks again to the WP-EFF and its effective chairs, and welcome to the Global Partnership.

In tribute to the chairs of the TFDP and WP-EFF:

Richard Manning, chair 2000-03

Michel Reveyrand, chair 2003-06

Jan Cedergren, chair 2006-08

Talaat Abdel-Malek, co-chair 2009-12

Koos Richelle, co-chair 2009-10

Bert Koenders, co-chair 2011

Hubert de Milly, Senior Policy Adviser, OECD-DCD

1. The “and donor practices” was later dropped in 2007, leaving the well-known name of “Working Party on Aid Effectiveness”.

OWNERSHIP AND ACCOUNTABILITY: A SUMMARY OF RECOMMENDATIONS AND TERRAIN FOR DEBATE

The present document is the abridged version of the “Strengthening Ownership and Accountability: A Synthesis of Key Findings and Messages produced for the Busan High Level Forum on Aid Effectiveness (HLF-4)” built upon research and contributions from the collaboration between different work-streams and organisations under the Cluster A on Ownership and Accountability of the Working Party on Aid Effectiveness (WP-EFF).

From country executive ownership to inclusive ownership

Although the Paris Declaration contained specific recommendations on strengthening the role of parliaments and civil society organisations (CSOs), there was an underlying assumption that partner government executives would and should take sole leadership and control in the design and implementation of national development strategies, which would enable development partners to align and support these strategies. There was insufficient room left for other actors, outside a segment of the partner country executive, generally the Ministry of Finance, to enhancing donors’ and partner countries’ respective accountability to their citizens and parliaments for their development policies, strategies and performance. Stakeholders such as line ministries, local government bodies, parliaments, and CSOs, felt left out or coerced into consultation systems that gave them little voice. This has hampered the enhancement of aid effectiveness that was anticipated.

The wording of the Accra Agenda for Action (AAA) placed more emphasis on the importance of voice for other stakeholders. Since it was endorsed in 2008, there has been a growing consensus on the importance of including all stakeholders in national processes related to a country’s development. This may be articulated in the design of strategies, choices made, or the assessment of achievements, with the understanding that actors respond in different but complementary ways. Competing views also continue on an appropriate distribution of roles and prerogatives, as well as powers, between these same stakeholders. Aid influences the power equation, particularly in aid-dependent partner countries, which is an issue that must be addressed at the Fourth High-level Forum on Aid Effectiveness and beyond. How can aid contribute to inclusive, conducive, equitable and effective domestic modes of decision making, arbitration and peaceful conflict resolution in the running of public affairs? How can domestic stakeholders play an effective role in decision making so as to achieve development results? The question should also and specifically address countries and regions in fragile situations.

From mutual accountability to the promotion of a culture of accountability

In Paris, the issue was very much about how donor and recipient governments could be made to behave in a more accountable manner towards each other. Respective concerns and negative experiences related to the unpredictability of aid and erratic inconsistent donor behaviour on the one hand, corruption, fiduciary risks and low management capacity on the other, were dominating the debate.

By the time of Accra, it became clear that domestic accountability was vital to aid effectiveness and that mutual and domestic accountability were closely linked. Aid – especially in aid dependent countries – can skew accountability away from citizens and the actors who represent them towards donors. Development co-operation ought therefore to address not simply the question of how to ensure mutual accountability, but the whole complex system of domestic “accountabilities” (local, private-public, national amongst constitutional institutions, regional), or the lack thereof. Donor behaviour that aims to ‘do no harm’ and support capacity for domestic accountability is critical. Donor efforts to support domestic accountability should involve acting as facilitators in supporting citizens in holding states to account, going with the grain of reforms and avoiding blueprints and applying a political economy lens in order to better tailor support to context. All stakeholders – partner countries, CSOs, local governments, parliamentarians, political parties, the independent media and development partners - thus must work together to build robust accountability systems that are mutually supportive.

Moreover, evidence is growing that lack of transparency is a major obstacle to mutual and domestic accountability. This deficit is in part due to not having in place effective mechanisms and platforms but also to reluctance on all sides to disclose information that may provide leverage to other actors and lead to negative exposure.

Recommendations

Inclusive ownership

A number of summary approaches that have been recognised as essential for inclusive ownership:

- **Respect the diversity of policy perspectives from various development actors**, such as CSOs or local governments, whose contributions to development will inform national strategies. It is nevertheless to be noted that, as they are actors in their own right, their development activities may not always directly align with these strategies
- **Strengthen parliamentary processes**, as a representative voice of people and their capacities to engage in the determination of development priorities and strategies, as an essential feature of democratic governance.
- **Provide, promote and monitor an enabling environment for CSOs** that allow them to contribute to national and local strategies and maximises their contribution to development. Encourage CSOs’ efforts to enhance their own effectiveness and accountability as development actors.

- **Co-ordinate local, intermediate and national levels to support effective decentralisation and de-concentration policies.** Better multi-level governance allows linking local processes to national and international development strategies, with the local level influencing and, in turn, national strategies and global knowledge relating to local processes.
- **Focus on people and relationships within international co-operation,** with emphasis on strengthening needed capacities for cross-cultural, cross-political networking relationships on all sides.
- **Ensure access to nuanced and broad-based knowledge, an important effort in strengthening capacities for ownership.** Donors should recognise the existing knowledge of partner country governments and other social actors, strengthen knowledge areas identified by them, and understand the political economy in which development efforts take place.
- **Increase emphasis on monitoring and evaluation.** The complex web of organisations trying to inform policy processes, of which some with support from donors, as well as the complex causal link between their contributions and actual increases in inclusive ownership, underlines the importance of moving beyond the presently inadequate investments in monitoring and evaluation.
- **Avoid rapid rotation of donor officials at the country level,** seek out diverse perspectives from relevant development actors, including outside capitals, and work collectively with other development actors through appropriate modalities, while avoiding excessive fragmentation.
- **Work from a capacity development perspective, as donors and external actors,** taking on board learning in international co-operation, accepting complexity and diversity, while avoiding hands-on approaches.

Capacity development

As was underlined in Accra, capacity development is the flipside of the ownership and accountability coin. Only people and institutions able to access, understand and use available information, with an in-depth understanding of the issues and options that are at stake, can really “own” the development process and ensure a culture of accountabilities.

- **Start from the country context.** This requires government efforts to create a good environment for the national stakeholders to participate effectively. In this regard, parliaments, local government, CSOs and the private sector should engage themselves to improve their own responsibility and effectiveness as prescribed in the Accra Agenda for Action (AAA) and donors should continue to respect country ownership and leadership.
- Strengthen collaboration among all development actors based on the explicit recognition that each is a distinct actor in its own right, with unique roles appropriate to their mandates and commitments to development effectiveness.
- **Support countries priorities and needs,** notably to develop national aid policies and locally-driven aid quality and results monitoring frameworks with annual

performance targets for individual providers to increase accountability and promote peer pressure.

- Establish the procedures and tools needed to ensure an increasing level of transparency across the aid system.

Accountability

- **Get on with it:** No new principles of mutual accountability are required. What is needed is implementation. Implementation depends in part on a strong focus on a culture of accountability in which relationships, built on trust, complement mechanisms of accountability, and lead to implementation, change and results. All development actors have a responsibility to be accountable for their aid and development efforts, and share responsibility to promote each others' accountability".
- **Make strengthening mutual and domestic accountability a default:** This applies to all aspects of aid relationships, from strategy to choice of aid instruments and to their implementation. While respecting the "do no harm" principle, efforts should have a positive impact on mutual as well as domestic accountability. There is a need to „walk the talk' on AAA commitments on strengthening the role of parliaments, local governments, civil society and the private sector. This also means recognising that accountability is a political as well as a technocratic process. Findings from various studies highlight the importance of political economy analysis - in recipient and donor countries – to understand how accountability relationships play out in practice and to find pragmatic country-level solutions.
- **Regularly and mutually take stock,** monitoring and evaluating implementation and progress, while ensuring inclusive participation of all stakeholders and an element of independent assessment, as well as peer review. Update action plans based on these reviews.
- **Strengthen accountability systems (domestic and mutual),** with a focus on results, transparency, and capacity. Build on **the capacity of sub-national governments** to interact with the citizenry and other local stakeholders, facilitating participatory decision-making. As a priority, donors should improve their behaviour and avoid risks of fragmentation which can be created by supporting a single actor of accountability. With a stronger understanding of each context, donors should work with partners to develop holistic approaches for programming to underpin dynamic accountability systems, such as budget processes and service delivery, and take account of interactions among institutions of accountability.

Possible issues for debate at the Fourth High-Level Forum on Aid Effectiveness in Busan

- **Inclusive ownership through democratic governance:** How can country ownership of development emerge, and be effectively facilitated? What is emerging good practice on a) multi-stakeholder processes of dialogue at the country and global level for understanding and b) learning about how all stakeholders can strengthen national and local institutions and processes for democratic governance?

- **Institutional conditions for government leadership in development:** How all partners forge a better understanding of the necessary institutional conditions for structuring developing country governments' leadership? These may vary considerably, relating to issues such as: i) a co-ordinated public service with specific policy objectives derived from national development plans; ii) allocation of national revenue and only accept donor aid for these priorities; iii) structuring well-co-ordinated aid management systems with donors; iv) decentralisation of resources to local governments on an equitable basis for local development activities; and v) enabling domestic accountability through real parliamentary oversight of systems such as budget processes, and the influence of other actors, CSOs, the media, parties, audit institutions, etc.
- **Incentives for effective capacity development:** How can donors make better progress in addressing internal incentives to give priority to capacity development and putting proven approaches into practice, while reducing rigid institutional barriers (quick results and rigid disbursement schedules etc.)? How can country stakeholders best determine their capacity development needs and apply their own resources to improve capacity in critical areas?
- **Inclusive accountability and providing support:** How can accountability systems develop as up-front processes that involve citizens and a range of development stakeholders, including local government and in particular excluded communities, in development decisions that affect their lives? Accountability is not just about processes to identify "what has gone wrong or off-track", usually after the fact. How can donors and partners think differently about accountability as development relationships, when it comes to the efforts of donors as external partners, supporting systems of accountability rather than one actor at a time? What is emerging good practice in bringing parliament, political parties, audit institutions, local government and civil society into aid decision-making at important early stages? How can peer processes involving counterparts in both North and South (or South/South) and multi-stakeholder dialogue support capacities for accountability in aid relationships become mutually reinforcing in both donor and partner countries?
- **Drawing lessons and good practice from the experience of social dialogue:** What lessons and good practice can be drawn from the rich experience of social dialogue at country and global levels, including that of trade unions and the private sector employers on issues affecting the public welfare? What are appropriate mechanisms for institutionalising broad-based policy dialogue and negotiation for development that respect the rights of affected populations, as well as the need for government leadership on strategic priorities for development? How can such policy dialogue be structured so as to bring to the table the interests and contributions of various stakeholders to development outcomes?
- **CSOs development effectiveness and the enabling environment.** How can partner governments, CSOs and donors work together to maximise CSOs' contributions to development? Significant gains were made in Accra by recognising the importance of CSOs as independent development actors, and in the agreement to work together to address CSO effectiveness as a responsibility shared among CSO, donors and developing country governments. However, research shows that there is uneven

progress in the fulfilment of these commitments. How can the range of partners in development promote a better understanding of how the principles and conditions of effectiveness vary across different development actors, based on the roles they play in development processes?

- **The local level and multilevel governance:** What is the role and strategic potential of the sub-national level, including local governance and decentralisation processes, to reinforce sustainable human development?

AID PREDICTABILITY – SYNTHESIS OF FINDINGS AND GOOD PRACTICES: EXECUTIVE SUMMARY¹

Background

This report is the culmination of a work programme commissioned by the DAC Task Team on Transparency and Predictability in preparation for the 2011 High Level Forum to be held in Busan. The study objectives were to take stock of progress in meeting commitments on aid predictability, to identify institutional impediments that affect both donors and partner countries, and to highlight good practices towards improved aid predictability. An assessment framework was developed and applied in examining country cases and reviewing donor practices. Twelve donors participated in the donor review (Australia, Belgium, Canada,² Denmark, the European Commission, Finland, Germany, Luxembourg, New Zealand, Portugal, Switzerland and the World Bank), and the report draws on six country case studies (Cambodia, Rwanda, Sierra Leone, Ghana, Tanzania, Uganda³).

Defining aid predictability

Aid predictability as a concept is often not well understood. This study draws on the OECD DAC definition that Aid is predictable when partner countries can be confident about the amounts and the timing of aid disbursements, and identifies two complementary dimensions: transparency (timely availability of information on expected aid flows with the appropriate degree of detail) and reliability (the extent to which partner countries can rely on donor pledges/commitments being translated into actual flows).

Predictability and volatility are distinct concepts: aid may be volatile but still predictable if its fluctuations follow known rules.

Why aid predictability matters

Research has shown that unpredictability devalues aid through its negative impact on growth and on public financial management. As a consequence unpredictable aid undermines donors' and partner countries' efforts to achieve development results, including the Millennium Development Goals. Predictability is not an end in itself: more predictable aid is supposed to lead to more efficient use of resources and more development results.

Studies have demonstrated that aid is typically less predictable than domestic revenues, and that the unpredictability and volatility of aid have serious costs, both for specific interventions and at the macroeconomic level.

The literature outlines how predictability is a key feature of well-performing public finance management (PFM) systems. Predictability has implications for each of the three levels of PFM identified in standard analyses, such as the Public Expenditure and Financial Accountability (PEFA) framework, namely: aggregate control, strategic allocation and operational implementation.

Aid predictability is highlighted in the Paris Declaration (2005) and the Accra Agenda for Action (2008) as a challenge to governments' planning and budgeting processes generally, and aid effectiveness specifically, and it continues to be highlighted by partner countries as one of their major concerns in the run-up to the HLF in Busan.

Key findings

The study's key findings are:

- **numerous examples where the unpredictability of aid has demonstrable negative effects**, including effects on *aggregate fiscal management* (problems of cash management to cope with in-year predictability of aid flows); on *strategic allocation* (unpredictable aid lowering domestic investment and raising its cost/decreasing its efficiency through a negative impact on operational implementation of domestically funded expenditure); and on *operational management* (transaction costs imposed on governments, at all levels, by the very short horizons of donor aid commitments).
- **the complexity and lack of rigour in the debate**: for any recipient country the aid scene (with donor and aid instrument proliferation and aid fragmentation) and the institutional framework for PFM are inherently complex and subject to change over time. The discourse on predictability rarely takes account of the distinctions between predictability and volatility, and between transparency and reliability. Also the interactive nature of predictability is often overlooked (e.g. when it is assumed that donor transparency by itself can resolve the issue, without attention either to the reliability dimension of predictability, or to the need for donor information to be both useful and used if it is to make a difference to outcomes).
- **a lack of working definitions or explicit policies to tackle unpredictable aid by donors**: no donor has established a working definition of predictability and no donor has introduced an explicit policy to operationalise improvements in predictability.
- **agency-wide and country-level donor structural constraints**: some donors' structures and processes support more predictable aid than others (for example, through agency-wide multi-year rolling planning and budgeting frameworks; longer-term country partnerships and strategies; new longer-term aid instruments; effective tracking and reporting on disbursements). At the country level there are some improvements by some donors (longer-term and collaborative donor-partner country partnerships) but many issues persist (such as too short donor country strategic horizons and a lack of joint country processes for improving aid predictability).
- **room for improvement by donors on aid transparency**: good progress but also a wide range of performance on aid transparency by donors is reported by independent transparency assessments and found through this study. There is much scope for improvement in terms of how much aid data is shared with recipient governments

(and whether it is aligned with the government's planning and budgeting format and cycle in order to facilitate putting aid on budget) and (in a useful format and at appropriate intervals) with other stakeholders (beneficiaries, donor domestic constituencies and the wider public).

- problems leading to unreliable aid, and in particular a tendency of aggregate under-disbursement against scheduled disbursements: donor issues (changing authorising environment; delays caused by donor's structures and processes; rapid staff turnover, donor co-ordination issues); partner country issues (political commitment; disbursement absorptive capacity; cases of corruption and financial mismanagement; weak implementing capacity); and donor and partner country joint issues (weak information flow; issues with programme/project planning and design; delays in signing and effectiveness).
- the interdependence of predictable aid and PFM:
 - The reliability of aid, at the level of operational implementation, is highly dependent on the quality and capacity of partner country PFM systems.
 - Partner government improvements in PFM are not necessarily rewarded by the provision of more predictable aid.
 - Partner countries' abilities to make use of advance information about aid flows depend on several aspects of their PFM systems (as well as the format, quality and timing of the information that is provided). However, chicken/egg arguments as to whether lack of donor information or poor government systems are more to blame are inherently sterile – the findings highlight the need for joint action by governments and donors to address the practical reasons for the unreliability of aid.
 - There has been progress by some recipient governments in strengthening systems and capacity (for PFM generally, aid management specifically) that can facilitate improved predictability, but with some way still to go (unsurprisingly given the complex and long-term nature of these reforms).
 - **use of mitigating strategies by partner countries:** a variety of mitigation strategies are observed and directed at different issues of aggregate fiscal management, strategic allocation and operational **implementation**. These include, among others, discounting aid commitments, maintaining sufficient reserves and cash management strategies.

Conclusions

Costs and disappointing progress: The country studies confirm that the characteristic unpredictability of aid has serious costs at all levels of public finance management and therefore for development results. Despite the Paris and Accra commitments and the recognition of the critical role of aid predictability, progress on aid predictability has to be seen as disappointing. Quantitative evidence from the Paris Declaration (PD) monitoring surveys shows poor performance against the PD indicators, which themselves focus only on short-term predictability. Country contexts tend to be complex (with donor and aid instrument proliferation and aid fragmentation); even taking

into consideration this complexity, the study has revealed apparently lacklustre action on predictability, in particular by donors.

Technical vs. structural factors: Some issues in aid predictability stem from technical inefficiencies in the way aid is managed, but deeper problems arise from how donors and recipient governments are structured. Aid agencies are not well configured to provide reliable medium- and long-term assurances of aid, and there are, in any case, strong political and operational incentives for agencies to keep their options open. For the most part their own funding cycles and planning horizons do not allow long-term aid commitments. However, the country case studies found that donor commitments and projections for future years even in the medium-term characteristically tail off sharply, so that, if donor information were taken literally, partner countries would continually be planning for a sharp reduction in aid flows. The country cases also found structural issues (in PFM and aid management) on the partner country side that have an impact on the recipient government's ability to support predictable aid.

Tendency to focus on short-term predictability and on transparency: There is a tendency to focus on short-term predictability, with particular attention to providing information about planned expenditures for the coming year in time for inclusion in government budgets, and also to the in-year predictability of programmatic support (and there are clear examples of improved practices in these dimensions). This bias towards short-term issues seems to occur partly because significant action on medium- and long-term predictability (although arguably more important) is effectively precluded by donors' embedded ways of doing business. There is a related tendency to focus on the transparency (information sharing) rather than the reliability dimension of predictability, and on timeliness of information sharing, rather than on the relevance, quality and format of data from the perspective of its use by recipient governments.

Implications for aid modalities: Budget support has often been at the centre of discussions of aid predictability, but the issues are equally relevant to all modalities. Project aid continues to dominate aid flows and the predictability and reliability of project aid should therefore receive much more attention than it has up to now. Empirically, no modality is clearly superior in all dimensions of predictability. But a government's ability to mitigate the effects of unpredictability is highly dependent on access to discretionary resources: programmatic aid which is not tightly earmarked is particularly valuable. Conversely the costs of unreliability are potentially greatest when aid is tightly earmarked to particular funding lines. The detailed design of all aid modalities (including aspects such as earmarking and the use of country systems) can make a big difference both to its predictability per se and to the government's ability to mitigate the effects of unpredictability.

Predictability and other issues in aid effectiveness: There are strong overlaps between predictability and other elements of the aid effectiveness agenda. Usually, the overlaps are convergent (e.g. improved transparency and more use of country systems will assist predictability) but there may also be tensions – as in the case of the division of labour.

Transparency is a crucial component of predictability, but additional transparency by itself will not make aid reliable. The donor profiles and country case studies suggest the agenda being addressed by the International Aid Transparency Initiative (IATI) – that

aid organisations publish accessible, timely, and detailed management information – is an extremely important one; that while there has been significant progress on transparency, in terms of donors sharing more information and earlier, supplying information does not ensure its use. Rather, this depends on the format and quality, as well as the timeliness, of the information provided, and on systems for using the information for planning and monitoring.

There are very strong links between the **using country systems** agenda and the predictability agenda. This is not to say simply that more use of country systems would solve predictability problems. The bypassing of country systems does undermine predictability since it undermines efficiency in operational implementation. It also undermines the benefits of predictability by making it harder to optimise strategic allocation of resources. However, simply exhorting donors to switch to country systems is unlikely to overcome concerns about fiduciary risk and so forth. The requirement is to address the underlying issues in the quality of country systems. This would simultaneously address issues in PFM predictability and some of the bottlenecks that cause aid to be unreliable at the level of operational implementation.

Predictability and **conditionality** are also linked. For a number of years OECD DAC has promoted appropriate and transparent conditionality as a crucial factor in improving predictability. The failure to meet conditions (often of a fiduciary or administrative nature, rather than policy or performance conditions) is a frequent cause of unreliability in aid delivery, and the relevance and quality of conditions may legitimately be reviewed from the perspective of their effects on the long-term predictability and the short-term reliability of aid. At the same time the study's definition of predictability acknowledges that aid is not unpredictable if it is withheld because of a failure to meet clearly-specified conditions. This in turn may be linked to an argument that conditions themselves should be designed to ensure that aid is used more effectively.

Several of the case studies highlight a risk that the **division of labour** will make aid less predictable in particular sectors. There is evidence that, despite the transaction costs of dealing with many donors, a multiplicity of donors tends to average out volatility. It is therefore a concern that reducing the number of donors in a sector is not being accompanied by firmer and longer-term aid commitments from those that remain. Similarly, silent partnerships put more aid at risk if the vocal partner decides to withdraw.

Good practices

While overall progress has been disappointing, there are a number of good practices that donors and partner countries can learn from to address some of the problems of unpredictable aid (and constraints that need to be overcome in doing so). For example, some donors are introducing innovative initiatives such as longer-term aid instruments; some recipient governments are introducing planning, budgeting and aid management processes to support overall public resource (and aid) predictability; and together some donors and recipient governments are working to co-ordinate aid information management.

The study finds some general principles of good practice to be:

- The underlying importance of strengthening country PFM systems, and the potential for aid practices either to undermine or to reinforce such systems.
- Transparency is essential for predictable aid but it is not the whole answer: aid needs to be reliable too.
- Working together is critical: a one-way flow of information from donors to recipient governments is not sufficient and so far there has not been enough attention to the interaction between donor and government behaviour that is needed to make aid more predictable and reliable.
- There is no “magic bullet”: increasing the transparency and reliability of aid requires a whole series of interlocking operational problems to be addressed, with action both by partner governments and by donors. Which actions are most important will depend on the country context.
- Given the multiplicity of aid effectiveness issues, it is easy for predictability to get lost in the crowd. At the same time “predictability” issues are not easily compartmentalised: the aid effectiveness issues of predictability, conditionality, transparency, use of country systems etc require to be addressed in a holistic way.

The good practices identified from the country case studies and donor survey are summarised in the table below.

Summary of good practices

	Donors	Recipient Government	Donors and Recipient Governments
Internal structures and processes	<ul style="list-style-type: none"> • Understanding the dimensions and drivers of predictability. • Agency-wide rolling multi-annual programming. • Coherent and flexible budgeting • Longer-term instruments. • Effective tracking and reporting on disbursements. • Co-ordination between donors’ internal agencies/ departments; HQ and field offices. 	<ul style="list-style-type: none"> • Strengthening country PFM systems. • Integrating strategic planning, budgeting and aid management. • Improving the predictability of national budget execution at decentralised and service delivery levels. • Long-term costing plans (national, sectoral, local government). • Aid management policy. 	<ul style="list-style-type: none"> • Role for donors and partner countries to work together on PFM strengthening and capacity development.

Transparency	<ul style="list-style-type: none"> • Sharing the maximum envelope (and the deciding criteria) of aid allocated. • Providing data on medium-term reliable indicative projections, short-term firm commitments and actual disbursements to recipient governments on request, in timely and accessible format aligned with recipient government planning and budgeting systems and processes. • Publishing to wider stakeholders the same aid data. 	<ul style="list-style-type: none"> • Streamlining recipient government mechanisms for collecting information on aid flows. • Integrating aid flows in national budget and medium-term expenditure framework. • Improving the presentation of national budget to Parliament/National Assembly. • Publishing budget and aid data and regular analysis of aid flow trends. 	<ul style="list-style-type: none"> • Joint in-country agreements and activities designed for the country context. • Joint process for sharing and publishing rolling multi-year indicative forecasts, commitments and disbursements. • Sector and programme level partnership principles. <p>Enabling inclusion of all development actors in aid predictability processes.</p>
Reliability	<ul style="list-style-type: none"> • Investing in longer-term partnerships, and better communication and collaboration with partner countries. • Longer-term aid instruments • Streamlining donor procedures • Ensuring conditions are transparent and appropriate • Using programme-based approaches to balance predictability and flexibility. 	<ul style="list-style-type: none"> • Strengthening PFM processes, systems and capacity in order to address demonstrable bottlenecks preventing reliability (e.g. procurement delay). 	<ul style="list-style-type: none"> • Consultations on longer-term country strategies. • Sector and programme level partnership principles with focus on transparency and reliability of aid, and clarity on how progress will be monitored. <p>Joint monitoring and reviews.</p>
Mitigating strategies	<ul style="list-style-type: none"> • Earmarking funds only when appropriate, and using broad earmarking where 	<ul style="list-style-type: none"> • Discounting aid commitments when preparing budgets. <ul style="list-style-type: none"> • Ensuring a complementary mix 	<ul style="list-style-type: none"> • Dialogue and feedback on aid discounting for planning and

	possible. • Using programme-based approaches to balance predictability and flexibility.	of aid modalities with sufficient flexibility to allow budgetary adjustments. • fiscal and monetary control and prudent macro-economic strategies.	budgeting.
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Key messages

The following key messages have been drawn from analysis of the country cases and donor profiles.

1. Experience of partner countries and donors shows that improved predictability is possible; but so far overall progress on predictability has been disappointing and unpredictable aid is still widespread. This has serious costs at all levels of public finance management and for development results.
2. There needs to be improved understanding by partner countries and donors that predictability is a combined result of aid being both 1) transparent and 2) reliable.
3. Making aid more predictable requires joint actions and disaggregated information sharing between partner countries and donors. Donor actions are necessary but not by themselves sufficient to ensure predictability.
 - Partner countries need to know in advance what aid will be delivered, when, by whom, and for which activity/purpose, and be able to use that information for national and sector budgeting and planning, and then have the promised aid delivered on time for the agreed activity/purpose.
 - Donors need to understand partner country systems, capacity and incentives and align their aid accordingly (e.g. using the appropriate budget classification system; providing the aid data in a useful format and in sync with the budget calendar), providing the following data:
 - reliable indicative rolling projections for medium- and long-term macroeconomic planning and budgeting
 - firm commitments for short- term planning and budgeting
 - actual disbursements for in-year financial management.
 - Partner countries and donors together need to design programmes and projects with realistic disbursement schedules.
4. **By their nature these activities have to be sequenced:** recipient governments cannot budget effectively until they have the data from the donors; donors have to understand what recipient governments need to be able to provide the appropriate aid data.

5. **Moving forward on aid predictability requires tackling both technical and structural issues:**
 - **technical inefficiencies** (e.g. mismatch between donor and recipient fiscal years; donor requirements that are equivalent in intent but disharmonised in detail *e.g.* disharmonised recipient aid information co-ordination processes and databases), and
 - **structural impediments** (donors' decision-making cycles, replenishment cycles; recipient PFM, including aid management, processes; the ways in which conditionality is applied)
6. Focused donor and recipient political will and investment of staff resources are needed to operationalise the commitments on aid predictability into practical action.
7. Aid information needs to be shared publicly; it is not enough to share aid information just between donors and recipient governments. There are other stakeholders (donor taxpayers, recipient country parliaments, beneficiaries) who require aid information, each with a (different) role to play in holding donors and the recipient governments to account for the effectiveness of the aid spent. With sharing aid data as the default, an appropriately designed policy is needed for such exemptions that are essential.
8. Predictable aid does not have to be unconditional and inflexible. Some donors perceive a trade-off between predictability and flexibility (to respond to changes in domestic environments and events in partner country contexts, developments in project/programme implementation, etc.). Aid can still be linked to underlying principles and to well-chosen results indicators. But these need to be appropriate and transparent.
9. More progress is needed particularly on the medium- and long-term predictability of aid. While some donors have improved their multi-annual programming (enabling them to provide, for example, indicative medium-term projections), others have not. This is a structural issue within agencies: donors cannot share reliable medium- and long-term aid projections if they themselves do not have this information.
10. PFM improvements and aid predictability are closely linked. Addressing the underlying issues in the quality of country systems would simultaneously address issues in PFM predictability and some of the bottlenecks that cause aid to be unreliable at the level of operational implementation.
11. Most of the shortcomings and recommendations for improving aid predictability are already well known to most donors; Busan will be a critical opportunity to 1) recognise that there are deep structural issues at the heart of aid predictability and 2) act to improve structures and processes to provide more predictable aid.
12. Donors and partner countries can 1) learn from existing good practices on aid predictability and 2) consider opportunities for innovation. There are many good practices in existence for donors and partner countries to learn from. At the same time the structural impediments to improvements on aid predictability mean that innovation, and not just exhortation, will be necessary if the Busan HLF is to spark

significant progress on providing aid that is more reliable in the short, medium and long term. For example, donors and partner countries could usefully consider:

- a. whether new instruments (such as cash-on-delivery and other results-based instruments) will improve predictability in practice and if their design could focus on and/or be adapted to ensure better predictability;
- b. how best to maximise the opportunities for multilaterals with longer-term aid instruments to act as fund co-ordinator.

1. This study was prepared for the Task Team on Transparency and Predictability affiliated with the Working Party on Aid Effectiveness (WP-EFF). Full document can be found at www.oecd.org/development/aideffectiveness/49066202.pdf
2. CIDA requested that their profile not be included in the report.
3. The last three were part of a separate ODI/World Bank study with a similar approach.

AID EFFECTIVENESS IN THE HEALTH SECTOR: PROGRESS AND LESSONS: EXECUTIVE SUMMARY

Aid plays an important role in reducing poverty and inequality, increasing growth, building capacity, achieving human development and accelerating achievement of the Millennium Development Goals (MDGs). Aid effectiveness is critical, both to maximise the impact of aid and to achieve the necessary changes for long-term, sustainable development.

Aid to the health sector is significant and complex and exemplifies many of the challenges for aid effectiveness. The health sector has pioneered action to improve aid effectiveness and offers valuable lessons for other sectors. This final report of the Task Team on Health as a Tracer Sector (TT HATS) provides an overview of progress in implementing the principles of the 2005 Paris Declaration and 2008 Accra Agenda for Action in the health sector with an emphasis on lessons learned from country experiences.

Key messages

There have been significant achievements in the health sector but more needs to be done. The health sector has made significant progress in aid effectiveness, spearheading innovative approaches such as the IHP+ to improve harmonisation, alignment and monitoring mechanisms. Further progress is needed, particularly to address the gap between commitments at the global level and practice in countries and to bring about sustained changes in the behaviour of both countries and donors. Experience from health informs other sectors and wider development. Monitoring progress in aid effectiveness commitments in health and continuing to capture lessons from the health sector remain highly relevant and should continue beyond Busan.

Effective aid creates conditions for success. There is evidence that aid effectiveness improves sector planning, budgeting and governance capacities, strengthens national systems, and contributes to health results through more efficient and sustainable implementation of national health policies, plans and strategies. In fragile and post-conflict situations, streamlined and co-ordinated policy and management processes are providing the basis for improving health and service delivery systems. An ongoing challenge in the health sector is striking the right balance and finding better complementarities between programmes that score well on delivering short-term measurable results though often at the expense of aid effectiveness and longer-term transformational change, and more sustainable whole-of-sector approaches that focus on greater alignment with country needs, institutions and priorities, but are more challenging to measure.

Health provides unique insights and lessons into the complexities of aid architecture. Aid to the health sector has increased substantially over the last 20 years

from USD 5 billion in 1990 to USD 21.8 billion in 2007 (IHME, 2010). Greater investment and programmatic scale-up has significantly improved some health outcomes. These developments have been accompanied by a growing number of actors and increasingly complex governance and aid management arrangements. Whilst diversity brings many benefits, it poses challenges for country ownership, alignment, and national systems and leads to duplicative and fragmented approaches at global and national levels. Using health as a “tracer” sector has deepened understanding of the risks and benefits of diversity and has leveraged action for a more co-ordinated and coherent approach to the global aid architecture. This was recognised by the G8 in the Deauville Declaration in May 2011. Important lessons from health can inform global efforts to tackle issues such as climate change and food security which show signs of following a similar path, including strong political commitment, significant needs, and the launch of new initiatives and funding channels, and similar aid architecture challenges.

Main findings

What has been achieved?

Good progress has been made in implementing the Paris Declaration principles in the health sector, particularly in strengthening country ownership, co-ordination, use of common arrangements, dialogue and information sharing between donors and countries. Examples include the increased focus on strengthening policy dialogue around national health policies, strategies and plans as supported by the International Health Partnership+ (IHP+) and the IHP+ Results monitoring function which reports donor and country progress against adapted Paris indicators. Similarly, the creation of the Joint Funding Platform which aims to harmonise funding from the World Bank, Global Alliance for Vaccines and Immunisation (GAVI), and the Global Fund in health systems at country level is promising.

More effective aid can deliver improved health results. Available evidence suggests that aid delivered through programme-based and sector-wide approaches can increase overall resources for health and this is correlated with improved health service delivery, better coverage and health outcomes. These approaches are usually based on robust national health policies, strategies and plans that constitute the cornerstone of aid effectiveness in the health sector.

Country ownership is central to better aid effectiveness. In a number of countries, strong leadership, sound health policies and pragmatic use of resources to drive sector reforms and strengthen health systems have been key to improving health results. There are promising signs of stronger, more inclusive country ownership.

Civil society engagement in policy and planning processes has increased, but this is not consistent across countries and there is little evidence of systematic engagement including with legislatures or the private sector.

There are conflicting views about whether global programmes strengthen or undermine country ownership, although the slow pace of harmonisation and alignment of global programmes at country level and heavily earmarked funding potentially hinder country ownership.

Progress has been made in supporting greater alignment of aid. Country-led joint assessment of one national health plan, unified modalities to support the plan and use of a common results framework to track plan implementation are key for alignment. Some countries have made considerable efforts, often as part of wider reforms, to strengthen procurement and public financial management systems and ensure these systems adhere to accepted standards. Country-led assessments, dialogue between health ministries and donors, and donor involvement in annual monitoring processes have contributed to sector reforms in this area.

Harmonisation, division of labour, and implementation of common arrangements are improving. Considerable efforts have been made by countries and donors to increase use of programme-based and sector-wide approaches, joint funding arrangements and common planning, financial management and procurement procedures.

Donors have made systematic efforts to improve aid predictability. Experience of innovative financing mechanisms, such as the International Financing Facility for Immunisation, shows that bilateral donors can enter into multi-year commitments and provide predictable funding. This highlights the need for better analysis of the role of different aid modalities in relation to predictability.

Established accountability frameworks offer the possibility of monitoring and improving mutual accountability for results in the health sector as demonstrated by IHP+Results and the Commission on Information and Accountability for Women's and Children's Health. The G8 Deauville Declaration notes that responsibility for aid effectiveness is shared between donors and partner countries and emphasises support for mutual accountability, with a strong focus on results.

What factors have hindered progress?

Many of the constraints to aid effectiveness identified by the TT HATS interim report (OECD, 2009) persist. This includes the complexity of the aid architecture, lack of donor alignment with country priorities and systems, poor donor harmonisation and difficulty in maintaining momentum once mechanisms are in place. Recent developments, in particular the emergence of new donors, also represent challenges for aid effectiveness.

There is significant 'disconnect' between commitments and practice. Some donors have made significant efforts to meet aid effectiveness commitments, but others, including some bilateral agencies and global programmes, remain unwilling or unable to engage. While project aid from traditional and emerging donors and global programmes is increasing, a significant proportion of this aid is still 'off budget', and the increase in aid for health is not matched by a commensurate increase in use of budget support. There is strong evidence that project aid undermines aid effectiveness, distorts priorities and resource allocation, increases budgeting, reporting and audit demands, and weakens mutual and domestic accountability.

Aid remains highly unpredictable, with most donors unable to give realistic commitments much more than 12 months ahead. Differences between donor commitments and actual disbursements are also significant. Furthermore, despite improvements in harmonisation, separate and uncoordinated donor reviews continue and

harmonisation remains a significant challenge for global health programmes and some bilateral donors.

Global programmes score relatively well on aid effectiveness at the global level, but the extent to which they implement aid effectiveness principles at country levels is less consistent. Pressure on donors to „spend’, to demonstrate short-term results and to reduce their transaction costs mean that aid is likely to be increasingly channelled through global funds in the future, with the expected challenges in aid management practices at country level.

Countries have not consistently met their commitments such as reaching the Abuja target for domestic expenditure on health¹, strengthening and reforming systems and broadening policy dialogue to include civil society and the private sector. Many of these changes go beyond the mandate of the health ministries. For example, progress in strengthening public financial management systems depends on wider government reform. Sector ministries may sometimes see the aid effectiveness agenda as a means of centralising control of resources by the finance ministry, thus reducing their autonomy and leverage with donors.

Political considerations influence implementation of commitments. Donor pressure to demonstrate results and retain accountability, concerns about losing influence, and inflexible rules and systems limit harmonisation and use of common arrangements. Donor constraints to longer-term aid predictability include unwillingness to commit funds beyond the current term of office, preference to retain political leverage and the flexibility to respond to changes in foreign policy priorities, and domestic rules and processes. Concerns about fiduciary risk and short-term planning horizons in recipient countries reduce incentives to provide multi-year commitments. Decisions about whether to remain engaged in the health sector also appear to be strongly influenced by donor headquarters.

Efforts have focused more on aid effectiveness processes than on the impact of better aid on health service delivery and outcomes. The transaction costs of aid effectiveness processes are high, in particular for donor country staff, and there is a risk that the costs are disproportionate to the benefits. In addition, demonstrating and attributing the impact of aid effectiveness is challenging and there is no common understanding of what results can realistically be expected or how these will be measured.

Aid effectiveness principles could benefit from better prioritisation at the country level. Experience in the health sector indicates that some principles are more important than others. Country ownership, alignment and predictability are fundamental to other aspects of aid effectiveness. For partner countries, harmonisation of donor aid, mutual accountability and management for results are important but secondary to a good plan, funding for that plan and knowing when funds will be available.

Significant gaps in knowledge remain. There is a paucity of evidence about the relevance, application or adaptation of aid effectiveness principles in different contexts, in particular in middle-income countries and fragile states, the effects of global programmes on aid effectiveness, and the political economy of aid effectiveness in health.

Recommendations

Reaffirm commitments to the principles of aid effectiveness and promote them

among new actors. While all of the Paris principles are important and mutually reinforcing; country ownership, alignment and predictability of aid are the most powerful levers for achieving sustainable outcomes. Greater efforts are also required to improve wider understanding of aid effectiveness principles, including among non-traditional donors, parliamentarians and civil society, and to institutionalise aid effectiveness across donor agencies and governments.

Step up efforts to put commitments into practice. There is an urgent need to scale up implementation by a wider range of donors and countries and to identify incentives to make this happen. Greater efforts are required to strengthen and use country systems that meet accepted standards, to actively reduce project aid, parallel systems and separate missions, to increase the medium and longer-term predictability of aid and to institutionalise common results frameworks and mutual accountability measures. Global funds and programmes in particular need to identify ways in which they can better support harmonisation and alignment at country level.

Increase support for country leadership and capacity development. Donors and countries need to strengthen national leadership and the capacity of national systems, in particular those related to public financial management, procurement, and monitoring and evaluation. Countries also need support to strengthen their capacity to manage global initiatives, their impact and the increasing number of actors in health. Capacity development is a priority for African governments in particular. More intensified investment and technical assistance is required to strengthen national planning, budgeting and accountability processes, including the capacity of national legislatures, civil society organisations and the private sector to engage in these processes.

Agree on realistic results to be achieved through aid effectiveness and realistic timeframes for achieving change. Countries and donors need to achieve a consensus on what results might be expected from improved aid effectiveness and how these might be measured. It is important to be realistic about the time it takes to change behaviours and processes and about the constraints to progress.

Strengthen the evidence base. Specific gaps to be addressed include country experience that demonstrates the links between more effective aid and improvements in health service delivery and health outcomes as well as the analysis of the cultural and political factors that influence sector development processes as a way of understanding how politics drives or prevents change. Efforts to strengthen the evidence base should build on the work of the TT HATS and IHP+ in reporting on sector progress, addressing knowledge gaps, and providing lessons for other sectors.

Improve co-ordination of the global aid architecture There is an urgent need for more efficient co-ordination of the global aid architecture for health and for more effective collaboration on policy and decision making concerning global initiatives, to ensure greater coherence. This requires high-level leadership, greater alignment of accountabilities and incentives, and a stronger mandate for existing mechanisms such as the OECD DAC, rather than the creation of a separate global co-ordination initiative. Measures to ensure that countries are in the lead and their perspectives are taken into account, needs to be more consistent than at present. Greater efforts are also needed to capitalise on the experience and comparative advantage of the diversity of actors in the health sector.

Revisit aid effectiveness frameworks, structures and processes. Reforms that have the potential to reduce the transaction costs of implementing aid effectiveness, to ensure that aid effectiveness principles can be applied in fragile states, and to engage a wider range of actors should be considered. The scope of global and country partnerships must be broadened to encompass emerging donor countries, global initiatives, private philanthropy, civil society and the private sector, and facilitate their contribution to increasing the coherence and effectiveness of aid for health. South-South collaboration is a priority for partner countries and also provides an important platform to increase the engagement of emerging donor countries.

Lessons from the health sector

- **In for the long haul:** Set realistic expectations about what can be achieved by when, recognising that transformational change in donor and country practices require long term commitment.
- **Politics matters:** Bringing about genuine and sustainable changes in donor and country behaviour is as much about politics as it is about technical fixes and changing aid modalities.
- **Focus on actions that make a difference:** The Paris principles are a means to an end. Concentrate efforts on those principles with greatest potential for development – aligning with national priorities and providing predictable, sustained and on-budget aid.
- **Don't reinvent the wheel:** Existing health sector compacts, codes of conduct, tools and accountability can be adapted and used for other sectors.
- **Think twice:** Avoid establishing new global funds and programmes that potentially duplicate or compete with existing organisational mandates and programmes, leading to fragmentation. Recognise that global approaches to country problems must be based on a clear analysis of the existing global and national institutional context.
- **Plan for measuring results at the start:** Invest early on in developing a common understanding and expectation of results and in regular, robust, independent monitoring and evaluation of aid effectiveness processes and impact.

AID ALLOCATIONS: A SNAPSHOT IN THE RUN-UP TO HLF4

The Busan High Level Forum on Aid Effectiveness (HLF4) will provide a unique opportunity to take stock of progress made on past aid effectiveness commitments, but also to define and initiate new priority areas for collective action engaging a broad partnership of actors. One such potential area relates to making the most of the combined effectiveness and impact across developing countries of development assistance from all sources.

Overview of the current development co-operation system: imbalances and fragmentation

One consequence of the current global development co-operation system, where aid allocation practices are to a large extent uncoordinated, is the phenomenon of **under-aided low income countries** (LICs), also referred to as “**aid orphans**”¹. On the basis of different benchmarks measuring need, performance and absorption capacity, these LICs receive less aid, *relative* to others. The Accra Agenda for Action (AAA, 2008) commitments to improve allocation of resources across countries and to work to address the issues of countries that receive insufficient aid were a response to this concern. Ensuring allocative efficiency¹ of aid is crucial to ensuring that aid generates development results. Where possible, correcting for some of this under-funding by increasing aid resources for countries with the most need and with good ability to use it could allow faster progress towards development results, including the MDGs.

Another significant challenge related to global aid allocations is the **fragmentation of aid relations**. Many developing countries receive too little aid from too many donors. The fact that excessive fragmentation of aid impairs aid effectiveness was already acknowledged in the Paris Declaration (2005), which called for a pragmatic approach to division of labour to increase complementarity and decrease transaction costs. The Accra Agenda for Action (2008) broadened the scope to international division of labour across countries and committed donors to using existing channels for aid delivery before creating separate new channels. Yet, fragmentation is continuing to increase in all regions except the Americas.¹

How is aid allocated at the moment?

Aid allocations, measured in terms of country programmable aid (CPA)¹ and humanitarian aid¹, **vary significantly from one country to another**. Globally, aid represents 0.6% of partner countries’ GNI and USD 17 per capita. In LICs, aid represents 9% of GNI on average, but with wide disparities across countries. For some LICs, aid corresponds to one-fifth or more of GNI and/or more than USD 100 per capita.

The OECD DAC Secretariat has developed a practical methodology as a first step to identify significantly under-aided countries, which takes into consideration the

differences in views and approaches of what constitutes under-aided. The proposed methodology utilises a blend of various established aid allocation benchmarks and generates a **“Watch List of Under-Aided Countries”**. According to recent OECD analysis¹, **five countries are identified as potentially under-aided** and would therefore merit particularly close examination by the international development community. All the five countries are Least Developed Countries (LDCs) and three are considered fragile and/or conflict-affected¹. While these countries vary significantly in their ability to absorb aid, research indicates that most fragile states can efficiently absorb greater amounts of aid than they currently receive.¹

Watch List of Under-Aided Countries

Country	Region	Fragile and/or conflict-affected state*	Least Developed Country
Madagascar	Sub-Saharan Africa		LDC
Niger	Sub-Saharan Africa		LDC
Bangladesh	South and Central Asia	Fragile	LDC
Guinea	Sub-Saharan Africa	Fragile	LDC
Nepal	South and Central Asia	Fragile	LDC
Total: 5 countries		3 fragile states	5 LDCs
* These are countries classified as fragile and/or conflict-affected states according to the working definition of the International Network on Conflict and Fragility (INCAF).			

In terms of aid relations between donors and partner countries, the **matrix of aid supply across the world shows an increasingly fragmented picture**: today there are globally close to 4 000 aid relations between donors (DAC members and 23 major multilateral agencies) and partner countries. On top of these, the remaining 200+ multilateral organisations, emerging donors and other non-DAC donors add to the number of relations.

Currently, the **global fragmentation ratio is 40%**, meaning that two out of every five donor-partner country aid relation are non-significant in financial terms.¹ Fragmentation stems largely from bilateral sources; 45% of bilateral aid relations are non-significant.¹

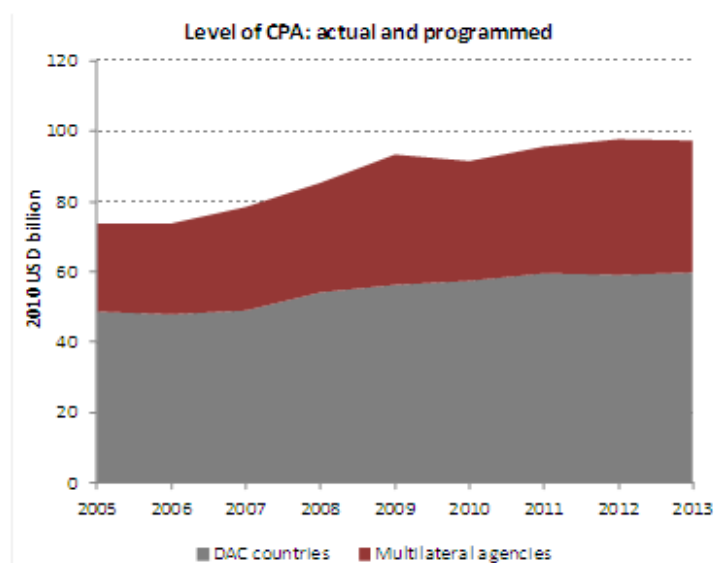
Particularly alarming is the large increase in fragmentation since 2004 in LICs with the least institutional capacity to manage an increasing number of actors. Fragile and conflict-affected states particularly are suffering from small-scale interventions from donors; since 2004 the number of non-significant donors increased three times more in fragile and conflict-affected states than in non-fragile states. Furthermore, contrary to what might be expected, priority partner country status does not ensure a significant aid relationship: 19% of DAC donors' aid relations with priority partner countries are non-significant.

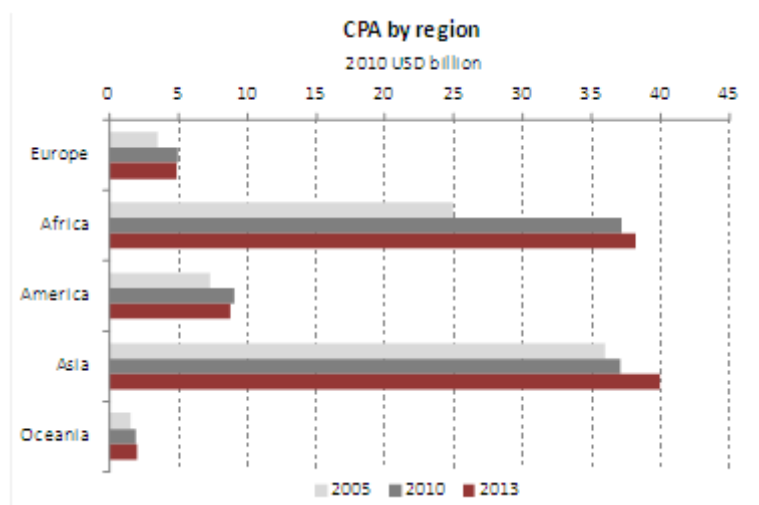
How does the future look?

The data generated by the annual **OECD DAC Survey on Donors' Forward Spending Plans** provides a basis to review the outlook on global aid allocations. As the only regular process at the global level that brings together most bilateral and multilateral aid spending plans for the upcoming three years, the Survey seeks to reduce some of the uncertainty around future aid levels at the global, regional and country level and to help identify gaps and opportunities in forward aid allocations. The 2011 edition of the Survey provides information on the likely aggregate outcome of country allocation decisions taken individually by DAC donors and the largest 23 multilateral agencies up to 2013, only two years before the MDG milestone.

Survey findings indicate that the **recent growth in CPA is decelerating**. Preliminary figures for global CPA in 2010 are estimated to USD 91.6 USD billion. **Global CPA is programmed to grow at a real rate of 2% per year up to 2013**, compared to 8% per year on average over the previous three years. The increase in CPA is mostly driven by outflows from multilateral agencies. For DAC donors' bilateral aid the projected increase is slightly lower: 1.3% per year.

The projected **slow down in aid growth is likely to be more severe for Africa and for low-income countries**, where CPA is projected to increase at about 1% per year in real terms, compared to a 12% annual growth rate for Africa and 14% for LICs over the past three years. Thus, additional aid to these countries is likely to be outpaced by population increases. The **majority of countries in all regions are projected to receive lower aid levels by 2013**, reversing the patterns from previous surveys. The region receiving the fastest growing amount of CPA is Asia, with a projected annual growth rate of 3%. Most of the increases stem from multilateral sources and are expected to be allocated to rapidly-growing countries.





The 2011 Survey also collected information on planned donor exits in the coming years. The survey shows that **nearly 10% of all bilateral aid relations in Africa are expected to be phased out in the next few years**. Nearly 80% of all countries in the Americas are projected to receive lower levels of aid in 2013 than in 2010, and 40% of these are linked to phase-out decisions. This shows that **aid allocations are indeed evolving**. Given the pressure on overall aid budgets and the fact that donors are engaging in reorganising aid portfolios, it is of critical importance that all providers of aid have sufficient information on aid allocations, and draw on this wealth of evidence to make informed decisions on their future allocations.

What can be done at and post Busan?

Fragmentation of aid remains a key challenge in the run-up to Busan. In stating their vision and priority issues for HLF4, Partner Countries urged Development Partners to “become responsive to a vision of coherence and complementarity by engaging in a more open and honest dialogue to agree on time-bound action plans to tackle such consequences like increased aid fragmentation, development partners’ proliferation and congestion in some sectors to the exclusion of others, and increased administrative burden on partner countries to meet diverse reporting and management expectations of development partners”.¹

At this time of widespread budget austerity in donor countries, it is of critical importance that aid is allocated in a way that best supports achieving development results. While monitoring aid allocations and donors’ future spending plans and identifying potentially under-aided countries are all necessary steps to address aid allocation challenges, they are by no means sufficient to fulfil commitments made in Paris and Accra. This would require determining which aid sources and delivery channels are best placed to address different aid allocation challenges, and what specific actions should be taken by different providers of development co-operation to pursue these objectives. This is an important subject for urgent discussion at political level by the international development community.

HLF4 will present an opportunity to discuss among a broad range of stakeholders the possible roles of bilateral and multilateral actors in addressing fragmentation and the needs of under-aided countries, reducing transaction costs and improving coherence.

In the absence of increasing aid envelopes, addressing challenges of aid allocation will require a mix of actions. Based on existing evidence, key elements for action could include:

- Drawing maximally on existing information and evidence to spark political dialogue among all relevant providers of development co-operation to approach a more action-oriented discussion on aid allocations.
- **Utilising existing information to enable better-informed decision making on aid allocations.** With rapid development taking place in many partner countries, aid allocations are constantly evolving. Existing data on aid allocations could feature more prominently in internal analyses and co-ordination with other donors when formulating aid policies and preparing aid allocation decisions.
- **Capitalising on efficiency gains whenever possible.** Important efficiency gains could be achieved by rationalising aid relations to decrease transaction costs and increase impact of aid interventions. The average non-significant bilateral aid relation amounts to only USD 3.8 million per year, compared to USD 52.6 million for a significant bilateral aid relation. In relative terms, the total value of non-significant aid relations represents over one-third (38%) of the funding gap faced by under-aided countries¹.
- **Strengthening further existing data collection and analysis on aid allocations and enhancing the transparency and availability** of this analysis to all actors. The OECD DAC Survey on Donors' Forward Spending Plans is currently under a confidentiality agreement that precludes publication of donor disaggregated data for each country. A positive experience from disclosing Survey data comes from a recent pilot with Rwanda, where the Rwandan government found the Survey data important for supporting country-level dialogue on accuracy and comprehensiveness of donors' forward spending plans. Removing the confidentiality requirement of the Survey would provide all stakeholders with transparent information on indicative future aid allocations. This would not only help to advance on the AAA commitment on aid predictability and transparency but would also support the international community to make more informed decisions to address global gaps and overlaps in aid allocations.

There is no quick-fix for aid allocation challenges **and no one 'right' way to allocate aid. Each donor makes sovereign decisions on its aid programme, and will continue to do so.** What is important is for the developing community to draw on systematic and regular analysis on the aggregate impact of aid allocations in order to make well-informed decisions.

For more information: please visit www.oecd.org/dac/aidarchitecture or dac.contact@oecd.org

UNLOCKING THE POTENTIAL OF SOUTH-SOUTH CO-OPERATION: POLICY RECOMMENDATIONS FROM THE TASK TEAM ON SOUTH- SOUTH CO-OPERATION

(July- 2011) – Abridged version¹

I. A new global development co-operation landscape

The global landscape of development co-operation has changed drastically in recent years. The era of one-way co-operation has become outdated, as countries of the South are engaging in collaborative learning models to share innovative, adaptable and cost-efficient solutions to address their development challenges. Conscious that effective co-operation should go far beyond financial contributions and North-South technical assistance, a large and expanding group of Middle and Low Income Countries (MICs and LICs) are creating new and innovative responses to their socio-economic-environmental challenges, ranging from poverty and education to climate change, post-conflict and reconstruction.

In this context, South-South Co-operation (SSC) has become the expression of collaboration and partnership among countries from the South, interested in sharing, learning, and exploring their complementary strengths to go beyond their traditional role as aid recipients. Knowledge Sharing, one of the most dynamic dimensions of SSC, has developed into a third pillar of development co-operation, complementing finance and technical assistance. This changing context is allowing the emergence of a paradigm where “Horizontal Partnerships”, based on equity, trust, mutual benefit and long-term relations, become an alternative way to do development co-operation.

This new way of doing things is not limited to emerging actors; it also includes traditional donors willing to increase their effectiveness by engaging in triangular co-operation (TrC) or directly supporting South-South schemes. By leading and investing in sustainable horizontal partnerships, the developing countries, specially MICs, are playing a key role in transforming the development co-operation agenda, helping accelerate the achievement of global and national development goals, in particular the Millennium Development Goals (MDGs).

Although not a substitute, SSC has proved to be a valuable complement to North-South development co-operation, particularly when addressing emerging development challenges, like climate change, food security, social protection and public security.

The proliferation of new actors and cross-regional modalities is enriching the understanding and practice of development co-operation and generating important changes in the global development architecture towards a more inclusive, effective, and horizontal global development agenda.

The evolution of SSC leaves important lessons about its strategic role in enhancing ownership and strengthening national capacities. Nations that have successfully included South-South and Triangular initiatives in their national co-operation strategies have also evolved their level of engagement to go from activities to projects and from projects to

medium and long-term programmes in relative short periods. This trend demonstrates the transformative power of SSC and its contribution to institutional change and strengthening.

II. What is the evidence saying?

The evidence that support this document was collected since November 2009, in a very dynamic partnership with Southern academic institutions, governments, civil society organisations and debated in specialised workshops held in Barbados, Guatemala, Mexico City, Bali, Johannesburg and Bangkok, which will be complemented with another workshop in Bogotá, September 2011. Early findings have demonstrated that:

1. SSC is an expression of the increasing collaboration and partnership among countries from the South, interested in sharing their development experiences and learn from each other.
2. These new arrangements among Southern countries are conceived as **horizontal partnerships, where activities are based on trust, mutual learning and equity and conceived to establish long-term relationships.**
3. Through South-South co-operation, developing countries, particularly Middle Income Countries but increasingly Low Income Countries, are **proactively engaging in the global development architecture**, going beyond their traditional role as recipients and contributing their energy and successful development experiences in benefit of their own and their partners development.
4. South-South Co-operation have certain characteristics that can **enrich the aid effectiveness agenda**:
 - Due to similar development levels and experiences, developing countries can share good practices and development solutions that are highly adaptable to local economic and social conditions;
 - Partners trust each other, and this trust increases as formal and informal peer linkages are built and strengthened.
5. South-South Co-operation has demonstrated good development results when:
 - All partners have strong leadership and are willing to engage in horizontal partnerships. Political commitment from high-level authorities is essential to ensure sustainability of South-South co-operation;
 - Partners can identify mutual benefit, learn from each other and clearly define responsibilities in the co-operation arrangement;
 - Co-operation is built upon long- term relations, and willingness to scale up and diversify partnerships;
 - There are highly motivated change agents who can make a decisive difference in promoting **endogenous capacity development**. Their **leadership** can be decisive to boost reforms at the institutional and policy levels in the countries involved.
6. There are opportunities to enhance and improve the bridges between North-South and SSC. Triangular co-operation could serve to promote win-win-win situations, in which all partners (traditional donors and developing countries) learn, contribute

and share responsibilities. We define TrC as an arrangement under which donor and international organisations support and complement specific South-South co-operation programmes or projects by providing technical, financial, and material assistance.

7. To be effective, triangular arrangements need:
 - a) Strong partner countries' engagement and shared ownership among all partners;
 - b) Efficient management of transaction costs (which tend to be high in this type of co-operation), and good use of **complementary strengths** in first-hand knowledge, expertise and resources.
8. SSC still faces several challenges that in some cases are related to institutional and technical capacities of Southern countries – particularly those of middle-income countries. They include:
 - a) Improving the quality of information (data, processes, cases, change agents) that would enable transparency and better quality and results;
 - b) Reinforcing results-orientation;
 - c) Better alignment to national systems and development.
9. In the above mentioned areas, South-South co-operation can benefit from the lessons learned in North-South co-operation, especially in the areas of mutual accountability and transparent, regular and efficient information and result management.
10. Many of SSC projects are still carried out in random and isolated ways. SSC would achieve better results if more regular and structured approaches were adopted.
11. Southern Countries need to strengthen their capacities to match demand and supply of development knowledge consistently, generating practices and knowledge on how to improve modalities, look for innovation and co-ordinating efforts to avoid fragmentation and overlapping (including with traditional aid).

With the evidence gathered and its analysis, the TT-SSC expects to contribute to the preparation of Busan High Level Forum on Aid Effectiveness and influence other global development policy processes like the G20 and the UN DCF-ECOSOC.

III. Policy recommendations

To fulfill its mandate, the Task Team on South-South Co-operation has put strong focus on SSC based on knowledge and experiences sharing among practitioners around key development challenges, which is gaining important dynamism in many middle-income countries and in some low-income countries.

Working at the crossroads of policy, practice and analysis, and using a groundbreaking methodology, the TT-SSC uses the power of collaborative networks to understand the dynamics of South-South Co-operation and Triangular Co-operation, to document good practices, and to recommend on how unlock its potential to foster development effectiveness.

Based on the results of the analytical work, and a lively process of consultations with our partners, the TT-SSC presents the following draft recommendations to be taking into account in the preparation of the Busan HLF-4.

a) Enriching the aid effectiveness agenda

1. **Produce and implement guidelines on how to build horizontal partnerships for development co-operation.** When focused on Knowledge Sharing, South-South Co-operation, is usually grounded on horizontal partnerships, based on equity, trust, mutual benefit and long-term relations. To ensure its effectiveness, we commit to work together to **produce and implement guidelines with key practices for horizontal partnerships**, which will be adaptable to country, regional and global development priorities and monitored through a continued learning process.
2. Enable practice-policy alliances to empower change agents to enrich policy making. South-South Co-operation triggers the emergence of formal and informal practitioners networks and facilitates their participation in policy-making processes. We commit to promote the engagement of practitioners and their networks in our South-South and Triangular Co-operation initiatives, as a tool for promoting leadership and contributing to good-fit technical co-operation, while strengthening practice-policy alliances in developing countries.

b) Adapting the aid effectiveness principles

3. Support country-led capacity development plans for mutual accountability, transparency and results management. SSC still faces several challenges that in some cases are related to the institutional and technical capacities of southern countries. They include improving the quality of information, reinforcing results oriented approaches and achieving better alignment to national systems and development plans. We commit to support the design and implementation of country-led capacity development plans to scale-up the effectiveness of South-South and Triangular programmes and initiatives. The support of multilateral organisations and donors, including through the adaptation of their aid experiences and lessons learned, as well as the involvement of Southern academia will be key for the success of these plans.

c) Finding complementarities and promoting convergence between North-South and South-South partners

4. Develop evidence-based guidance and toolkits to boost complementary strengths among development partners. Although still facing challenges such as excessive transaction costs, TrC offers opportunities to bridge North-South and South-South co-operation. We commit to develop evidence-based guidance, toolkits and studies in order to outline criteria for effective TrC such as recipient's leadership, shared ownership and complementary strengths.
5. Endorse and build on G20 Recommendations on Knowledge Sharing. Mechanisms to promote KS are key for scaling up and taking full advantage of the potential of SSC. If correctly monitored and assessed, operated under partnership models and permanently strengthened with best practices and lessons learned, they can effectively broker demand and supply, support implementation, and offer funding to SSC partners. We encourage the WP-EFF to endorse the G20 recommendations on KS, and commit to enrich them with additional country-led initiatives, including from non-G20 members.

d) *Measuring progress*

6. Provide a clear evaluation framework to measure our progress. Much has been learned around the practices and processes of SSC and TrC, with valuable key lessons for the countries and organisations engaging in these programmes and initiatives. With a view to 2015, we commit to move towards a results-oriented approach with a clear evaluation framework and shared commitments.

IV. Looking forward – towards the achievement of the MDGs

Despite the magnitude of current global south-south exchanges, and the positive outcomes achieved benefitting millions of people around the developing world, the potential of horizontal partnerships is yet to be unlocked. Much has been learned around the practice and processes of SSC and TrC, with valuable key lessons to guide our way to the achievement of the 2015 MDGs. It is time to move decidedly towards a common understanding and shared commitments to improve the results, effectiveness and impact of SSC.

The development community is called to converge in a common agenda to empower horizontal partnership with the adequate policy framework, incentive-schemes and financial tools to scale them up and produce a game-changing move in development co-operation with a view to 2015.

We encourage the development community to examine and endorse the above-mentioned policy recommendations and work together to ensure they will be adequately reflected in the political agreements at the Busan High-Level Forum 2011.

Notes

1. This is an abridged version of the original document that can be found at www.southsouth.info/

FROM THE USE OF COUNTRY SYSTEMS TO MORE EFFECTIVE INSTITUTIONS: PROGRESS AND LESSONS

When donors and developing countries endorsed the Paris Declaration on Aid Effectiveness (2005), they were united with the objective of building stronger, more effective partnerships for development. As part of these commitments, countries receiving aid agreed to strengthen their national systems and donors to using them to the maximum extent possible. The evidence from the work undertaken by the Global Partnership on Country Systems points to a number of key messages and lessons learned on both the use of country systems and the link to more effective institutions.

In particular there is a recognition of the importance of the aid effectiveness agenda but also the need to place the use of country systems within the broader scope of designing, resourcing, and implementing effective strategies for development (irrespective of financing source)¹. Achieving tangible results consistent with internationally agreed development goals should be at the heart of any development efforts at country level.

The following key lessons learned are drawn from the conclusions of the Use of Country Systems agenda and the endorsement by over 50 organisations and countries in Manila in June 2011 of the Statement of Principles and Recommendations on Strengthening and Supporting Effective States. These recommendations, along with those agreed by the international PFM and Procurement communities (Manila Consensus on PFM and Cusco Declaration on Public Procurement) formed the basis of the Effective Institutions commitments in Busan.

Main recommendations

1. Capacity development for more effective institutions

Political leadership and exercising ownership over policies and institutions

The Paris Declaration on Aid Effectiveness and the Accra Agenda for Action recognised the need for countries to lead efforts to strengthen public sector institutions. Countries should continue to exercise stronger ownership over their policies and institutions in a transparent, accountable and participatory manner. Domestic leadership building on existing capacity is essential to strengthening and sustaining an effective state¹. Donors should respect country leadership and ownership, place national priorities at the centre of individual, organisational and HQ level decision-making processes, and provide support in a coherent, coordinated and programmatic manner¹.

Holistic approach to capacity development

Capacity development is key to sustainable performance and country ownership. With weak capacity, there will be no sustained development effectiveness. Political leadership is needed to ensure capacity development is inseparable from other results sought.

Effective capacity development requires a holistic approach that includes but also goes beyond focusing on providing assistance in a few core state functions. Development Partners should take care to design and implement, in co-ordination with partner countries, capacity development programmes that complement national capacity development plans and institutions. In the interest of sustainability, Development partners should respect country ownership, rely where possible on existing capacities and avoid one-size-fits all approaches. Developing countries should also make a commitment to invest their own resources to strengthen skills and capacity of public sector staff.

Supporting core state functions

It is generally recognised that core state functions such as procurement, public financial management, statistics, evaluation and audit require sustained ownership and political commitment; appropriate technical solutions are essential, but are not adequate on their own. It is also important to highlight the importance of a holistic approach to public sector management, including better supporting core state functions¹ and accountability institutions as well as those responsible for managing and delivering public services across different sectors. There is recognition amongst developing countries that strengthening capacity in procurement and financial management is critical to obtaining increased value for money and effective outcomes in government expenditure.¹

Parliaments and civil society groups should be at the forefront of demanding more effective core government functions, thereby improving public participation in development and linking resource flows with development impact¹. Development partners and developing countries must ensure that this role can be fulfilled by creating the space and laws for this engagement to occur.

Development Partners should also recognise their own limitations in understanding country systems and take appropriate action to account for or address these gaps. Capacity Development at country level should, where possible, be undertaken by national training institutions and involve all stakeholders (including parliamentarians, CSOs and Development Partners). At the same time, there is a need for a systematic, joint learning and knowledge sharing across countries to take place on what is working and what is not in supporting core state functions and related capacities.

Building capacity to monitor and deliver results in an inclusive manner

It is important that Development Partners support country capacity to mainstream results based approaches into public sector management. Amongst other benefits, this will help to produce, assess and use available information generated by countries with greater attention paid to results oriented frameworks and monitoring and evaluation systems. Capacity building initiatives need to recognise the interdependence of distinct components of the public sector management cycle - planning, budgeting, implementation, monitoring and evaluation – and avoid overtly strengthening one component while leaving other components unable to work in a complementary manner. In addition to strengthening these components, attention can be focused on improving the availability and accessibility of information on results already generated by existing national and international systems¹.

There is a need for robust and demand-driven country-owned results-based public sector management reforms that build on existing country systems and deliver short, intermediate and long-term results in a flexible manner that are relevant to country context¹. The components of public sector management should reflect evidence-based

decision making processes, and reflect a thorough consideration of how the political economy in each specific context can influence reform processes¹. Amongst other components, Development Partners should support plans to strengthen Monitoring & Evaluation and statistics including in the production of disaggregated data (*e.g.*, domestic preference in procurement and gender). Robust results-based public sector management requires strong and clear linkages between planning, budgeting, reporting, procurement, auditing, monitoring and evaluation processes¹.

Improving availability, accessibility, reliability and actual use of statistics to enhance domestic accountability is important for state legitimacy and an Action Plan on Statistics should be agreed for this purpose¹. Strengthening and using the national statistical system is crucial for generating the information and evidence necessary for the country to take leadership in tracking improvements in accountability and building the capacity to generate future data to track performance over time.

The benefits and costs of aid-supported activities might not be divided equally across citizens. It is therefore important that strengthening state capacities to establish appropriate safeguards should avoid, mitigate or compensate for adverse environmental and social impacts that might result from development processes. This includes enhancing the capacity to institutionalise and mainstream Social Safeguards and Environmental Impact Assessment (EIA) and Strategic Environmental Assessments (SEA) through country systems, for example through the development of appropriate legal and institutional frameworks¹.

Capacity for domestic resource mobilisation

There is a recognition of the need to better link domestic resource mobilisation with the strengthening of public expenditure management systems¹. Stronger public expenditure and procurement systems create an increased fiscal space by generating expenditure savings that can be deployed in ways that promote development effectiveness. At the same time, taxation promotes a culture of government accountability to citizen taxpayers, enables long-term financial commitments and underpins a predictable fiscal environment to promote growth. As such, countries and development partners should ensure efforts to support tax reforms that promote inclusiveness, good governance that reduce income and wealth inequalities and promote social justice. Development partners should also gear up their efforts to ensure developing countries can take advantage of the new era of international tax transparency to address tax evasion and other illicit financial flows. We promote the development of internationally harmonised standards for mutual beneficial double taxation agreements.

Supporting reform in fragile states

Recognising that strengthening institutions in critical and fragile situations can be a powerful tool for economic growth, efforts in these countries should reflect core state-building principles based on the connection between (i) political settlement and political processes, (ii) state capabilities, accountability and responsiveness, and (iii) social expectations¹. The focus should be on finding flexible, practical and innovative solutions to strengthening national institutions and systems in Fragile States.

2. Strengthening transparency and accountability for more effective institutions

Transparency and accountability are recognised as principles on which to base the strengthening of public sector institutions and practices. Operationally, an important element of an effective development partnership hinges on transparent and predictable partnerships.

Transparency for more effective states

There is a need for stronger institutions and systems to enable greater transparency and accountability in public financial management, procurement and other core functions - including statistics and information management systems, evaluation systems, audits and parliamentary oversight¹. Resources are needed to access information at all levels of government and for parliament to also have the analytical capacity and support to understand and use the information. Information needs should be mainstreamed across government and be bolstered through national legislation mandating government to provide information for public use (e.g., Freedom of Information bill).

There is also a recognition that improved transparency and accountability would generate the necessary information and evidence on the benefits of strengthening and using country systems. Despite progress in increasing budget and aid transparency at both country and global level, challenges remain such as incompleteness and timeliness of information as well as the lack of capacity to process and analyze the available information.

Transparency in core state functions such as procurement is also critical to the effectiveness and accountability of the state and requires the collecting and processing reliable and comprehensive data on public procurement. Transparency is important at all stages of the procurement process from needs assessments to final contract award and execution.

Countries, with support from Development Partners, should also improve fiscal transparency through mechanisms to ensure that meaningful public budget and financial information at different stages of the budget cycle is accessible to the public, with due attention to quality, usefulness, accessibility and timeliness¹. In order to support country efforts to strengthen budget transparency, Development Partners should provide reliable, timely and accessible information on ODA forecasts and actual disbursements to help developing countries reflect aid on plan, on budget, account and reports.

Tools and mechanisms for accountability

Recognising the achievements in the development of tools to assess transparency in PFM (PEFA) and Procurement (MAPS), donors need to enhance the harmonization of information reporting to partner countries – aligned with partner country information needs. Whilst developing countries should encourage and support engagement of civil society and private sectors in transparency and accountability systems.

Corruption erodes public trust in institutions and undermines governments' ability to deliver services, in some cases leading to state fragility and renewed conflicts. Donors and partners in developing countries, civil society and the private sector should work together to help build a culture, through policies and actions, of zero tolerance for corruption and tackle the global incentives through responsible donor assistance with an anti-corruption lens in all sector programmes¹. To this end, state institutions should be

promoting a culture of openness and accountability, sharing information across the public sector.

Accountability institutions and inclusive states

Countries and their Development Partners should together make efforts to strengthen the ability of country oversight institutions to engage in the governmental process by enhancing their oversight capacity over all public resources and not only aid. We recognize that technological innovations emanating from state and non-state actors can be useful in spearheading domestic accountability processes at country level¹.

Credible and effective evaluation systems, including independent processes, are needed as a fundamental dimension of good governance, transparency and accountability in both donor and partner countries. Evaluation can provide useful evidence to enhance our understanding and enhance decision-making in development processes as well as to improve transparency and mutual accountability by demonstrating the results of policies and programmes – including aid supported interventions.

Legislators need to take on a proactive role in participating in discussions around strengthening and using national systems¹. Development Partner support to parliamentary oversight should be provided on the basis of the legislatures' own capacity development plans as well as through donor and developing country legislative dialogue. Development Partners should also contribute to the strengthening of supreme audit institutions on the basis of institutions' own capacity development plans, solid strategic planning and audit standards as well as through donor and developing country audit dialogue.

Recognising that building effective states requires an inclusive approach and strong non-state institutions, countries and Development Partners should work together to train members of parliament and Civil Society Organizations (CSOs) to access and use the technical content of budget and financial reports issued by the executive and audit reports produced by Supreme Audit Institutions¹.

Accountability is not a one-way business but one that is underpinned by more transparency. Moreover, transparency and accountability are inherently political and as such in supporting more transparency and accountability at country level, Development Partners should better understand the political economy environment in which they are operating, including governance and corruption risks.

3. Partnerships for more effective states

As part of the broader objectives of better partnerships for development, Development Partners should recognize and support partner countries to fully take advantage of the potential of South-South Cooperation and Triangular Cooperation.

Partnerships between countries and their development partners should encompass a joint and systematic effort to improve the effectiveness of Technical Assistance to support capacity development for more Effective States. Development Partnership should also strive to support country capacity to produce, assess and use available information generated by countries with greater attention paid to results frameworks and monitoring and evaluation systems. Attention should be focused on improving the availability and accessibility of information on results already generated by existing national and international systems¹. Development Partners should better support country-driven approaches to results management, requiring their use as a basis for their own internal reporting needs rather than the development of parallel and uncoordinated data collection

and reporting systems. Development Partners should also invest more resources in supporting country-led efforts to strengthen results frameworks, monitoring, evaluation, statistics and information management systems. 1

Given the complexity of public sector reforms, Development Partners should be sensitive to country capacity and context. Phased approaches are particularly important for results management and must be responsive to country requirements. Development Partners should therefore increase their capacity and understanding of the political and economic challenges and opportunities to building more effective states. This includes, communicating with their legislatures and accountability institutions around definitions of risks and expected benefits as well as developmental risks of not using country systems. Development Partners must also recognize in their programming that broad social and political consensus at country level is needed for long-term and sustainable change. Supporting more effective states requires the recognition of efforts of both informal as well as formal institutions in the delivery of public services.

Development Partners should ensure that new areas of finance such as climate change do not replicate the errors of the past (by for instance learning lessons from sectors such as health) by fostering a simplified, accountable and transparent climate architecture and stronger national institutions and independent oversight to manage this new and significant financing flow.

Commitments on using country systems

In line with the commitments in the Accra Agenda for Action and the UN LDC Programme of Action, donors should use country systems as the first option for aid programmes in support of activities managed by the public sector. The use of country procurement and PFM systems is not an "all or nothing" approach, but can be increased gradually in coordination with developing countries. The „use of country systems’ is not limited to a specific aid modality and can also include project support. Countries and development partners should continue to monitor the use of country systems across their various components irrespective of aid modalities and instruments.

Recognising that the use of country systems is not an end in itself, Development Partners and countries should work together to increase the flow of external assistance using national systems and procedures as a means to enhance development effectiveness and to achieve development results. The „learning by doing’ approach on using country systems generates more demand for better country systems and contributes to the process of reforming and strengthening those systems.

Development Partners should also pay more attention to how the political economy of developing countries shapes the results of their programmes, and conversely how the modalities of delivering their support can impact upon a country’s political arena. Recognizing the fiduciary and development risks also means promoting programs, such as those related to anti-corruption and governance that strengthen the identified gaps.

As committed to in the Accra Agenda for Action and the UN LDC Programme of Action, Development Partners should transparently state the reasons for not using country systems when that is the option adopted. While recognising that Development Partners have different risk appetites, there is further scope to collaborate on the significant number of fiduciary reviews and risk assessments through sharing findings, data gathering and the coordination of assessment missions. Countries should establish a coherent, integrated medium term strategy of diagnostic instruments which can be used

and supported by its development partners. Development Partners should also recognize the challenges that tax exemptions can have on putting aid on budget.

Recognising that fiduciary risk management is a major factor for most development partners and deserves attention, it is important to underline the importance of assessing the opportunity of use of country systems through a more comprehensive risk/benefit analysis and an assessment of impact on sustainability. More should be done to enhance mechanisms for jointly assessing country systems and managing risks related to their use.

Better integration of aid flows with national processes offers the opportunity for strengthened scrutiny by Parliament, civil society, and SAIs as well as supporting national lines of accountability, countries and Development Partners should ensure that aid flows and their use are accessible to, and usable by, the legislature and SAIs to allow for oversight¹.

In all of these areas, it is important to support the improvement and accessibility of knowledge platforms on building and sustaining effective states and institutions, including on PFM, Procurement, environment and social safeguards, Climate Change Financing, Taxation, Statistics, Monitoring and Evaluation. This includes the engagement of non-state actors in these platforms.

HLF4 Programme

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