DEVELOPMENT CO-OPERATION DIRECTORATE
Development Assistance Committee

Working Party on Aid Effectiveness

SPECIAL SESSION WITH NON-DAC PROVIDERS OF DEVELOPMENT ASSISTANCE
AGENDA AND ISSUES PAPER

OECfD, La Muette, 2 Rue Andre-Pascale, Paris 16eme

27 NOVEMBER 2007 14:00-18:00

Draft AGENDA, issue paper and discussion questions for the meeting.

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WORKING PARTY ON AID EFFECTIVENESS
SPECIAL SESSION WITH NON-DAC PROVIDERS OF DEVELOPMENT ASSISTANCE

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OECD, Paris 27 November 2007 14:00-18:00

1. As the international community prepares for the Third High Level Forum on Aid Effectiveness (HLF 3), to be held in Accra, Ghana in September 2008, the Working Party on Aid Effectiveness\(^1\) is initiating a process to systematically identify and discuss key issues on aid effectiveness from the perspective of non-DAC providers of development assistance.\(^2\)

2. Non-DAC providers of development assistance bring not only additional financial resources, but also valuable experiences and knowledge. In many cases, their recent and often still continuing status as countries which receive aid provides highly relevant experience for being effective in delivering assistance themselves: they have first-hand understanding of the importance of national ownership, donor co-ordination and aid effectiveness principles. Other countries and entities outside the DAC and OECD have also been providing long-standing development assistance based on geographical, cultural and other ties.

3. Whilst it is encouraging that many of these countries and entities attended the Paris High Level Forum in 2005 when the Paris Declaration on Aid Effectiveness was endorsed, they have been less engaged in shaping the discussions since. As long as their perspectives are not adequately reflected, critical pieces will remain missing from the global aid picture. In order for the outcomes of the HLF 3, as well as collective efforts towards achieving the Millennium Development Goals reflect the evolving realities of the global aid architecture, perspectives from this diverse group need to be adequately considered.

4. The objective of this special session therefore, is to discuss the principles of aid effectiveness from the perspective of the non-DAC providers of development assistance. The diverse experiences and interests of this heterogeneous group are expected to bring rich and multi-faceted new insights and lessons. Participants are encouraged to frankly discuss key issues on aid effectiveness, pointing out aspects which they consider missing from the current approach, and to discuss opportunities and challenges of translating aid effectiveness principles into practice. The meeting hopes to establish a voluntary working group to carry forward the groups’ contribution to the HLF 3 and beyond.

5. Mr. Jan Cedergren, Chair of the Working Party on Aid Effectiveness, will facilitate the meeting.

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1. The Working Party on Aid Effectiveness is comprised of 23 DAC donors, 23 partner countries, with representation from multilateral banks, the United Nations, OECD and the World Bank.

2. “Non-DAC providers of development assistance” used in this document includes non-DAC OECD members, major emerging and transition economies, Middle Eastern donors, non-OECD EU members, and other countries from South East Asia and Latin America.
SESSION 1: PERSPECTIVES ON “EFFECTIVE” AID

What are the key issues, and what is missing from the current approach to aid effectiveness?

**Session Objectives:** The session will provide an opportunity for the group to flesh out key issues for aid effectiveness. Given the rich experience of non-DAC providers of development assistance, the group is encouraged to share their interpretations of the aid effectiveness principles and consider whether the current approach provides a full picture. Partner countries are encouraged to share their perspectives on the implications for aid effectiveness at the country level due to the emergence of non-DAC providers of development assistance.

6. Whilst it is difficult to generalise the diverse experiences and characteristics of non-DAC providers of development assistance, some share similar traits. For example, many of these countries are, or have until recently been, a recipient of development assistance. Based on experiencing the burdens of ineffective aid as recipient countries, they are well placed to be effective in delivering their development assistance. Others have long-standing and significant development assistance programmes to partner countries often underpinned by geographical, cultural, linguistic and other interests.

7. So far, the discussions on aid effectiveness have tended to focus largely on either traditional donors or partner countries. Extending the discussion to the non-DAC providers of development assistance can shed new light on approaches towards aid effectiveness, identify missing dimensions or gaps, or provide new perspectives on how the five principles of aid effectiveness, set out below, are interpreted:

- Developing countries exercise leadership over their own development policies and plans (*ownership*);
- Donors’ base their support on countries’ development strategies and systems (*alignment*);
- Donors coordinate their activities and minimise the cost of delivering aid (*harmonisation*);
- Developing countries and donors orient their activities to achieve the desired results (*managing for results*); and
- Donors and developing countries’ are accountable to each other for achieving development results (*mutual accountability*).

8. Further, as the Paris Declaration on Aid Effectiveness is not prescriptive, the international community can learn from different aid modalities that are aligned with aid effectiveness principles. Many non-DAC providers of development assistance are carving out niche areas and responding to demands of partner countries. Under the rubric of south-south cooperation, they are providing development assistance that leverages their geographical, linguistic or cultural affinities or their recent experiences in development and transition. Often, their knowledge transferred through technical co-operation, more than their financial resources, is the value-added. Others are supporting development projects based on what was important for their own economic growth. Supporting basic infrastructure projects is one example in this regard.

9. Different dimensions of partnerships are also appearing. Trilateral co-operation arrangements are linking up relevant expertise of non-DAC providers of development assistance with financial resources of more developed donors. Others are moving towards “development partnerships,” rather than donor-recipient relations. For example, a non-DAC provider of development assistance is providing assistance...
based on the philosophy of complementarily with local expertise, mutual benefits, and promoting sub-regional solidarity. Mutual accountability and mutual benefits are emphasised in such partnerships.

10. At the country level, partner countries are presented with approaches from both non-DAC providers of development assistance and “traditional” DAC donors (and also multilateral aid institutions). For some partner countries, assistance provided by the former can arguably be more relevant or “effective” as they come from countries “more like themselves.” Other partner countries may prefer the more flexible and interest-driven approach on offer. Non-DAC providers of development assistance may also fill in current gaps by providing support to countries which are often under-aided or neglected by other donors.

**Issues for Discussion:**

- Some countries are (or were until recently), both recipient and provider of development assistance. How does this fact influence the way in which development assistance is provided?
- What factors are considered to be most important in order to ensure that development assistance is “effective” in your context?
- What factors, issues or aspects on aid effectiveness are missing from the Paris Declaration on Aid Effectiveness and/or the current discussion on effectiveness of aid?
- Some partner countries are receiving development assistance both from DAC donors, multilateral institutions, and non-DAC providers of development assistance. What perspectives on aid effectiveness, based on the wider range of modalities on offer, can partner countries share?

**SESSION 2: KEY OPPORTUNITIES AND CHALLENGES**

**Session Objectives:** Based on some of the key issues identified in the previous session, this session will discuss the opportunities and challenges of translating these aid effectiveness principles into practice.

11. The opportunities non-DAC providers of development assistance bring for aid effectiveness and broader development co-operation is clear. They can bring strong credibility when sharing their diverse lessons, experiences and tools, particularly due to their own recent development experiences. Others have cultivated strong and deep ties with partner countries over the years. Their unique strengths can create opportunities for dialogue and mutual learning between different partners in development. On the other hand, they can also learn from the success and failures of “traditional” donors and adopt good practices.

12. At the partner country level, non-DAC providers of development assistance have opportunities to capitalise on their comparative strengths and niche areas. By making full use of their strengths at sector or country level, they can contribute to effective and complementary division of labour with other donors. Where they are active or present in the field, they can seize opportunities to join existing donor coordination mechanisms, share analytical work, and contribute collectively towards achieving development results aligned to national priorities. Further, based on interests or ties, they can complement other donors by supporting countries that may be under-funded or neglected by current channels.

13. On the other hand, there are several challenges that hinder their efficiency and effectiveness. A key concern for some non-DAC providers of development assistance is capacity constraints, as institutions and staff may have limited capacities to plan, formulate, collect data, monitor and evaluate
development assistance programmes. Effectiveness is also hindered if there is no coherent, comprehensive and long-term vision towards development assistance underpinned by clear policy, legal or regulatory frameworks delineating roles, responsibilities and processes. Authority and functions spread across different actors also leads to uncoordinated development responses.  

14. As with traditional donors, harmonising and aligning development assistance is also a challenge. Use of bilateral and project-based support may lead to fragmentation and increase the transaction costs for partner countries to manage programmes and different donor protocols. Whilst these channels have clear strengths, such as deepening relationships, ensuring visibility, and attributing tangible impact, they add more strains to partner countries, particularly if the volume of aid increases significantly. It also reduces effectiveness by duplicating and overlapping with others. Furthermore, whilst being flexible to the partner country’s demands is important, too much freedom of manoeuvre outside identified national priorities may risk inefficient and potentially counterproductive assistance that may not contribute towards development.

15. Furthermore, as many non-DAC providers of development assistance are also held accountable by their own constituents to reduce domestic poverty, a key challenge is balancing such responsibilities with their interest for external development assistance. As with traditional donors, efforts need to be made domestically, for example through participatory dialogue, to build up a national constituency and support base to back their role as a provider of development assistance. To this end and over time, demonstrating results of their development assistance will very likely be a key challenge, particularly to gain support to increase spending on external development assistance.

**Issues for Discussion:**

- What experiences, lessons and additional approaches to improving the effectiveness of development assistance can be shared with the international community by non-DAC providers of development assistance?

- What are some of the opportunities that non-DAC providers of development assistance can capitalise on, at the international, regional or country levels?

- What are some of the challenges for translating aid effectiveness principles into practice? For example, what are some of the challenges at the source country or at the partner country level?

**CONCLUSIONS AND FOLLOW-UP:**

What does the group want to achieve at the Third High Level Forum on Aid Effectiveness?

16. The group is encouraged to consolidate and prioritise a few key issues on aid effectiveness identified throughout the special session.

17. It is proposed to establish a voluntary working group to ensure that the work around the key issues influence and contribute to the preparations and outcomes of the Third High Level Forum on Aid Effectiveness. The working group shall be comprised by a balanced representation of non-DAC providers of development assistance, partner countries and DAC/traditional donors. Interested parties will be asked to volunteer to join this group during this session.

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Many of the challenges were raised in dialogue with non-DAC providers of development assistance, including the Policy Dialogue with non-DAC members of the OECD [DCD(2006)2] and the 2nd Policy Dialogue on Development Assistance.