

THE ROAD TO BUSAN: PURSUING A NEW CONSENSUS ON DEVELOPMENT COOPERATION

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Executive Summary

The fourth High-Level Forum on Aid Effectiveness takes place later this year in Busan, Korea. Previous forums in Rome in 2003, Paris in 2005, and Accra in 2008 have set the stage for a deepening of aid effectiveness principles that have been embraced by many developing partner nations, civil society and member nations of the Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD-DAC). New survey evidence is now available showing that behavioral patterns have changed, albeit more among partner countries than donors. In addition, a new independent study shows that implementation of the principles adopted at the Paris Forum and reinforced at Accra produces development results.

For some years now, the global aid architecture has seen the introduction of new providers of assistance and a proliferation of institutions and programs, both public and private. This increase of activity has overwhelmed partner nations and increased transaction costs. It has also led to charges that in some cases aid has done more harm than good. There is a consensus about the idea that enhanced coordination is essential. A unifying principle is that development results must be the focus of both partners and providers in a framework of mutual accountability. One of the key elements in achieving this is transparency in resource allocation, measurement and evaluation.

New providers of assistance from the emerging economies have been invited to the table and are

expected to participate fully at Busan. With national leaders more preoccupied than ever with transnational issues involving health, food, security and climate, and developing nations desiring to pursue poverty reduction with homegrown strategies, a new global compact for development is needed at Busan. The changes that are called for will require political will. If prominent political leaders participate and a broader partnership is fostered, Busan could enable more progress toward the Millennium Development Goals (MDGs) and a vital pathway to 2015, when a new consensus on global goals must be reached.

What Is the Issue?

At the beginning of the 21st century, it became clear that increases in aid financing were not producing the development impacts expected of them. Although interest in aid effectiveness itself was not necessarily new, the unprecedented consensus that emerged on what needed to be done to ensure that money spent on overseas aid and development programs produced better results marked a turning point for the international community.

The first formal agreement between donor and partner countries over the issue of aid effectiveness emerged during the Monterrey Financing for Development Conference in 2002. Under the guidance of the OECD-DAC, further agreements on ways to improve coordination among donors, as well as the first explicit commitments to support partner countries' efforts to build better institutions and more effective policies were reached at the first High-Level Forum in Rome in 2003.

Two years later, this growing group of donor and partner countries endorsed the Paris Declaration on

Aid Effectiveness at the second High-Level Forum on Aid Effectiveness. The Paris Declaration was groundbreaking because it not only provided a set of common principles for improving the quality and impact of aid but also because it outlined a series of action-orientated commitments with target goals that would be measured and monitored during the following five years.

The commitment to the Paris Declaration was reaffirmed at the third High-Level Forum on Aid Effectiveness in 2008. In Accra, an even greater number of new donor and partner countries, middle- and low-income countries, civil society organizations and parliamentarians endorsed the Accra Agenda for Action (AAA), a framework of agreements intended to accelerate the achievements made since Paris and to unblock obstacles to progress in areas that were lagging behind. The AAA also stated that focus should be given to increasing partner-country ownership of development, building more inclusive partnerships for development, recognizing the diversity of approaches needed in aid for the different types of countries involved, and delivering and accounting for development results.

The upcoming fourth High-Level Forum on Aid Effectiveness (HLF-4) that will take place in Busan this November will mark both the end of one journey on aid effectiveness, which began in Monterrey nearly a decade ago, and the beginning of another. In Busan, the largest and most varied mix of development stakeholders to date will meet to take stock of the achievement on commitments made in Paris and Accra, as well as to outline a future agenda for aid effectiveness that reflects the new context within which development occurs.

What Do We Know?

In addition to defining principles for effective aid and outlining an action plan to be implemented by relevant aid and development stakeholders, the Paris Declaration also called for a series of interim monitoring surveys that would be followed by a final independent evaluation at the end of the five-year time limit for implementing the Paris commitments. The surveys served as a valuable monitoring mechanism during this period and were instrumental in the recommendations made in Accra in 2008. Similarly, the final monitoring survey and final “Evaluation of the Paris Declaration” will inform much of the discussion in Busan later this year. HLF-4 will make a full assessment on the value and impact of the Paris Declaration and AAA, and hopefully will reach a consensus on what needs to happen in the future.

The Paris Declaration Matters for Developing Countries

The final independent evaluation of the Paris Declaration shows that the Paris Principles *do* matter for development results, and we have seen a wide range of subsequent agreements on development cooperation use the principles as their foundation. For example, the Bogotá Statement on South–South Cooperation (2010), the Dili Declaration on Fragile States (2010) and the Istanbul Principles for Civil Society Organization Effectiveness (2010) have taken the main aid reform principles and commitments and adapted them for their diverse situations and different needs. Similarly, we have seen that sector-level implementation of the Paris Principles has also contributed to better development results in a number of countries, particularly with regard to the health sector. By implementing many of the mechanisms and practices described by the declaration, both partner and donor countries gain a better overview of

the development cooperation environment, and we have seen partner countries increase their capacity to handle greater volumes of strategic support during the past five years.

The Paris Declaration Principles themselves now serve as norms of good practice, and their widespread use has raised expectation levels from all development stakeholders. Although not all these expectations have been met, the Paris Declaration has helped to focus the divergent interests of different stakeholders on ambitious, quantifiable and action-oriented measures. As the authors of the declaration evaluation describe the situation, most partner countries evaluated “have now embedded many of these change processes, not just to manage programs better but because they serve the countries’ national needs.”

Full Implementation of the Paris Declaration Principles Will Take More Time than Expected

Although the Paris Principles continue to demonstrate their relevance over time, progress in implementing the agenda has undoubtedly fallen short. The preliminary results of the 2011 survey show that only one of the original 13 targets set for 2010 has been met.

Certainly, for partner countries, meeting Paris Declaration commitments has required more changes to their own systems than what has been asked of the donor countries. Partner countries face greater capacity development challenges that constrain their ability to meet the Paris commitments, and these challenges cannot be fixed rapidly by broad, top-down directives.

Partner countries have highlighted several key areas that need renewed attention in order for them to meet Paris Declaration commitments. For example, they

have found that there is still a continuing need for a better alignment of official development assistance with national priorities. All assistance, regardless of its destination within a country, should be accounted for with these national priorities in mind, and policies that are not consistent with national objectives should be avoided or eliminated. Partner countries have also expressed the need for greater support in developing additional indicators, benchmarks, and other practical arrangements that would help make greater progress on declaration target areas, such as transparency, harmonization and mutual accountability.

On the other side, assumptions about the potential role of aid resources remains exaggerated in the donor countries. Donor countries' expectations for rapid, fundamental reforms by partner countries are often unrealistic and unreasonable—something especially notable given donor countries' reluctance to make the changes required of their own systems. The Paris Declaration evaluation suggests several reasons for this: "Some [donor countries and donor organizations] 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."

The Paris Declaration originally aimed to improve the efficiency of assistance programs by targeting three areas for improvement: efficient delivery, the management and use of assistance, and the types of partnerships required by these interventions. Although

the independent evaluation of the Paris Declaration reveals general—though slow—improvements in the management of aid and higher standards for inclusive and effective partnerships around development cooperation, the declaration has yet to achieve the sorts of efficiency gains that would reduce the overall burden of management for partner countries.

What Needs to Happen—and Why?

Over the years, the international framework of aid effectiveness agreements has evolved greatly, but so too has the context for development in which it functions. Today there is a much greater onus on local ownership, although behavioral patterns and risk aversion are hard to reverse. In the past, many low-income partners lacked the capacity to convince donors that they could risk the full implications of ownership. That has changed significantly in many partner countries, and donors have begun to respond. However, the evidence shows that taking more risks and aligning better with partner-country strategies and systems could pay large rewards.

Since the 2005 endorsement of the Paris Declaration, the development landscape has become more complex, with a greater number of organizations and countries involved in providing development assistance, growing diversity in the needs and capacities of countries receiving aid, and a greater range of instruments used to promote development outcomes. At the same time, the past few years also have seen the rise of new global challenges to development—including the evolution of food insecurity, climate change and armed conflict.

Despite this changing context for development, the overall objective of development cooperation has remained constant: The MDGs are still a universally

accepted mandate for development, and official development assistance (ODA) remains one of the key instruments with which to reach the MDG targets by 2015. Busan represents the last and best opportunity for the international community to revitalize its commitment to the MDGs and form a new global consensus on what the framework for development cooperation should look like through 2015 and beyond.

The Core Aid Effectiveness Principles Should Not Be Forgotten

The Paris Declaration's Aid Effectiveness Principles are not merely the outcome of a single meeting in 2005; they are the result of decades of real-world experience from diverse actors working on complex development challenges. Although the gains in efficiency resulting from the Paris Declaration commitments have been more modest than originally hoped, the core principles have proven their relevance and adaptability over time and should not be abandoned.

These principles should serve as a basis from which work after Busan will continue. Delegates to the HLF-4 in Busan will be charged with finding ways to deepen, extend, transform and operationalize principles on inclusive ownership, transparency, predictability and mutual accountability, as well as add new areas of work that must be considered in the new framework on effective aid and development. New sets of action-oriented commitments should be formulated for each of these focus areas to ensure proper management, monitoring and implementation, and to ensure that the results stemming from this work are long term and sustainable.

Development Cooperation Must Adapt to the Needs of the Evolving World

Although the cooperative efforts around the issue of aid effectiveness have been the centerpieces of the Paris Declaration and Accra Agenda for Action, and though these efforts should surely be scaled up as the international community plans for Busan and beyond, ODA represents only one element from a whole range of actors and approaches dedicated to combating poverty, fostering sustainability and reducing inequalities in today's development landscape.

Other sources of finance should also be considered in the context of new, more unified development strategies. For example, taxation, domestic resource mobilization, private investment, aid for trade, philanthropy and climate change financing are just a few of the other sources of finance that should be considered when coming to grips with any new framework for aid and development. Similarly, new financial instruments, technology and knowledge transfers, and even public-private partnerships can be used to promote social and economic development and should be considered accordingly.

Development cooperation is important, but it is ultimately a means to an end—phasing out traditional assistance will require new partnership models, placing even greater emphasis on these other sources of development finance and their sustainability. Developing countries need to outgrow their dependence on ODA by making full use of the opportunities presented by international trade and investment, mobilizing domestic resources through effective tax systems and by expanding their domestic capital markets.

A Bigger, Better and More Inclusive Partnership Needs to Be Built

Busan will bring together the largest and most diverse mix of development stakeholders that we have seen to date. It is important that the diversity of these partners be embraced and that efforts to strengthen their capacity to work with one another be encouraged and institutionalized.

Mutual respect and mutual accountability must form the basis for this new partnership, but what is also clearly needed is more leadership for effective development coming from the low- and middle-income countries. States and their citizens must take ownership of their own development agendas in order to maximize any impact from aid and development efforts, and they will only do so if approaches to development are tailored to their unique situations.

The new partnership must recognize the importance of all development actors working today—including state and nonstate actors from OECD and non-OECD countries, as well as fragile states. Although the objective of meeting the MDG targets of reducing poverty and promoting sustainable development should remain common goals to all partners in this new development consensus, there should be differentiated responsibilities that more accurately coincide with the diverse realities of all the members of this partnership.

We Must Face Up to the Complex Nature of Development Challenges

Development takes time, and development challenges are extremely complex. There will always be risks involved in any intervention, and any successful efforts to foster development and sustainability will undoubtedly meet their fair share of stumbling blocks

along the way. Development practitioners must be realistic in their objectives and expectations—designing programs around unattainable goals is wasteful. As the recent Chinese white paper on development notes, effective development means “remaining realistic while striving for the best.”

Political leaders should also encourage honest and open discussion on the subject of development. In the midst of the current global recession, with development budgets around the world under greater scrutiny than ever from taxpayers, it is essential that politicians lead the discussion on the risks inherent in global development work, while also emphasizing to their constituencies that this work makes a tremendous difference in the lives of others and must continue.

Recommendations and Next Steps

If Busan is successful, it will signal a renewed global commitment to tackle poverty as a central source of the world’s problems. It takes years of monitoring the implementation of agreements and commitments before victory can be declared. Yet the fourth High-Level Forum on Aid Effectiveness in Busan could be considered successful if it achieves the following:

- A broad partnership among nations at all levels of income and development, as well as private actors and nongovernmental organizations, based on a clear division of labor and transparent communication.
- A set of principles, founded on solid evidence, to guide the new consensus on development cooperation, together with a commitment to eliminate policies that present obstacles to achieving development results.

- A revitalized global effort to achieve the MDGs and focus on the need for global public goods.
- A recognition that the world's poorest and most fragile states need security and capacity, and that working with them means being willing to adapt modalities and to take risks.
- An acceptance that people, no matter how impoverished, must be empowered to participate directly in the development process.
- An acceptance that all participants in development efforts must produce measurable results and that these results must be duly reported to the citizens of all nations.

This is an ambitious set of goals, but this is what is required if Busan is to deliver a more effective aid system—one that is capable of tackling today's complex development challenges and that successfully combines the efforts of an increasingly diverse and dynamic set of development actors. Beyond the goals outlined above, there are a number of other issues which participants at Busan must consider. These include questions of how best to engage the Group of Twenty (G-20), how to integrate private and nongovernmental participation into an international dialogue on aid effectiveness in a way that is logistically feasible, how to strengthen the link between political commitment and implementation, how best to address the particular needs of fragile and conflict-affected environments, and how to achieve better coherence and effective collective action in the current aid and development arena. Busan presents the ideal forum for debating these hard questions and for creating a revitalized development agenda that is inclusive, adaptive and principled.