



Report

EUROPEAN OFFICE KAS BRUSSELS
MULTINATIONAL DIALOGUE ON DEVELOPMENT POLICY

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ELISABETH SANDFUCHS
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Forging a balanced partnership

the Fourth High-Level Forum on Aid Effectiveness in Busan

1. Introduction

From 29th November to 1st December the Fourth High-Level Forum (4th HLF) on Aid effectiveness has met in order to review global progress in improving the impact and effectiveness of aid and to discuss and to agree on a new agenda for development.

The meeting has been preceded by high level fora in Rome (2002), Paris (2005) and Accra (2008) which have resulted in a commitment of both donor and recipients of development aid to implement development aid in a holistic process which is lead by the recipient country and includes consultations and transparency concerning funding decisions and spending practices.

This year's 4th HLF has been marked by a definition of a common goal namely sustainable development and common principles¹ i.e. an increase of country ownership, focus on results, inclusive development partnership and mutual transparency and accountability. It was further marked by a remarkable cooperation between regional groupings of countries both in developing countries and in the donor community. Important stakeholders have published joint position papers well in advance thus allowing for the informed public and media to follow closely the main negotiating positions.

However, despite this harmonious preparatory phase the question remains why only 1 out of 13 targets for improving aid effectiveness identified in 2005 have been met until now. Is the general agreement due to the fact that the real issues have not been tackled? Is there, especially in the light of the current economic crisis any possibility for a binding, quantifiable commitment towards effective implementation of aid from all stakeholders involved?

2. Positions of main stakeholders

Many groups – both regional groupings and international organisations such as Partner Countries², EU, the UN group, African countries³ and a group of ten Arab Donor Agencies, the “Arab Funds of the Coordination Group”⁴ -

¹, see also section 3

² Partner Countries refers to a drafting team which consisted of representatives of developing countries such as Egypt, Ghana, Honduras, Columbia, Timor Leste, Vietnam, Mali and the Pacific Islands Forum Countries.

³ Member States of the African Union, Parliaments, Regional Economic Communities and institutions/organizations, Civil Society including Women and Youth groups,

⁴ Abu Dhabi Fund for Development, the Arab Gulf Program for Development Organizations, the Arab Fund for Economic and Social Development, the Arab Monetary Fund, the Arab Bank for Economic

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published in advance of the summit common positions. These common positions included in parts a more detailed analysis and critique e.g. the EUs position and Arab Funds.

The EUs statement called for the conclusions of the 4th HLF to be as concrete as possible. It also reflected the new strategic orientation of its development policy, published in October 2011 in its "Agenda for Change"⁵, which emphasizes the EUs interests in implementation of development assistance much more expressively than in previous years.

The Agenda, in which aid effectiveness figures very prominently, proposes, amongst others:

- the concentration of EU activities to two to three sectors,
- an increase of assistance to be channelled to priority areas such as human rights, democracy and inclusive and sustainable growth as well as
- a (relative) geographical concentration on the EUs own neighbourhood and Sub-Saharan Africa.

Included in the EUs statement in the run up to the 4th HLF were also two Annexes: firstly, a European Union Transparency Guarantee committing itself to disclose comprehensive information on aid flows from the EU and EU Member States (EU MS) alike; Secondly, a proposal for strengthening Joint Multi-Annual Programming. This initiative is already ongoing and involves joint programming of all EU MS and the EU Commission. Until now it is only implemented in Haiti and South Sudan however the EU plans to include further countries in the near future and invites also donors outside the EU MS to join the initiative.

The statement of the Arab Donor Agencies, the first statement of this group of donors since HLFs have been conducted, underlined the necessity of participation of all stakeholders in the development of transparent and result-oriented strategies whose aim should be fair and inclusive development. It furthermore clearly expressed reluctance to adopt any new development goals such as measures for the protection of the environment, which should be due to the economic focus on oil and gaz production in the respective countries. The statement specifically asks that conflicts with existing goals should be avoided if new goals are added.

Other positions reached from general supporting statements (such as the statement of the UN Group) over a detailed account and confirmation of the main aims and guiding principles of the process relating to the unfinished business identified in previous conferences and taking note of the results of the survey⁶ on the progress in aid effectiveness (e.g. the common position of Partner Countries and of the group of states led by the African Union).

3. Main elements of the 4th HLF on Aid Effectiveness

In its outcome the 4th HLF included the acknowledgement of the changing global conditions since the beginnings of development cooperation and the complex development architecture which has emerged since then and which

Development in Africa, the Islamic Development Bank group, the Kuwait Fund for Arab Economic Development, the Saudi Fund for Development, and OFID, the OPEC Fund for International Development

⁵ Increasing the impact of EU Development Policy: Agenda for Change, COM(2011)634final, 13.10.2011

⁶ Aid Effectiveness 2005-10: Progress in implementing the Paris Declaration Executive Summary

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has created the necessity for the international community to come together in Busan in order to agree not only on common goals for aid effectiveness but also to define common rules and procedures. One of the characteristics of this development architecture is a multitude of stakeholders both on donor side and on beneficiary side. These new aid actors include besides the classical ones such as governments and international organisations new ones such as regional organisations, civil society organisations and private business. Furthermore, emerging economies have in recent years established cooperation with less developed countries. In Busan, the importance of south-south cooperation and triangular cooperation between developing countries, emerging economies and industrialized countries was included in the aid effectiveness dialogue for the first time thus reflecting a trend which has already taken place in other instances, such as the international negotiations on climate change and trade.

The main aim of the 4th HLF in Busan was to set the conditions for sustainable development taking into account all policy levels. In order to reach this goal, four guiding principles were identified:

- developing countries have to be the owners of the development process and on the country level the country itself is in the lead position
- the focus of the process is on results
- the development partnership has to be inclusive
- mutual transparency and accountability for donor and beneficiary countries

The negotiations were strongly influenced by a survey⁷ on the progress in aid effectiveness from 2005 to 2010 which provided a concrete basis for discussions. Progress was quantified by a set of indicators with targets to be achieved in 2010 which had been defined at the 2nd HLF in Paris in 2005. The indicators include amongst others the progress in the ownership of developing countries of policies and strategies; the alignment of aid to developing countries' priorities and systems; efforts among donors to harmonise aid practices and the predictability and transparency; and results and mutual accountability. One of the general results of the analysis is that targets which are directed at developing countries (such as the adoption of sound national development strategies by developing countries or the establishment of results-oriented frameworks and availability of statistics) have made a better progress than the ones directed at the donor countries. Overall, only 1 out of 13 targets⁸ established for 2010 in the Paris Declaration have been met. Whilst in some areas, substantial or moderate progress has been achieved, the main problems remain: 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 analytical works. Aid is be-

⁷ Aid Effectiveness 2005-10: Progress in implementing the Paris Declaration Executive Summary

⁸ The fulfilled target is on co-ordinated technical co-operation (a measure of the extent to which donors co-ordinate their efforts to support countries' capacity development objectives).

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coming increasingly fragmented, despite some initiatives that aim to address this challenge. 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. Finally, most developing countries have yet to implement mutual (government-donor) reviews of performance that benefit from broad participation.

With the confirmation of the four guiding principles at Busan, the international community has recognized the need to adapt classical development cooperation to the changing global landscape of stakeholders. Even though the parties agreed on mutual control and assessment of progress, the Busan partnership for effective development co-operation remains a voluntary process. It was furthermore decided to establish a “Global Partnership for Effective Development” to support and ensure accountability for the implementation of commitments at the political level. However, the exact role and competencies of this Partnership will yet have to be designed and agreed upon in the coming months until June 2012.

4. Conclusions

The question which has to be answered in the aftermath of the summit is whether the 4th HLF can be characterised as a major step towards improved aid effectiveness. On the one hand the agreement remains a non-binding one which relies on transparency, best practices and eventually some amount of naming and shaming through the mutual transparency and accountability element of the process in order to reach its aims. Until now this has led to an unevenness in the progress both on donor side and on beneficiary side. However, it doesn't necessarily have to be an impediment for progress. The key actors involved might be able to create a “race to the top” dynamic in which the countries/actors lagging behind themselves will take the necessary steps to correct inefficient spending without being under threat of sanctions. One of the conducive factors towards such a race to the top might be that recipient countries in comparison have made a better progress than donor countries until now which could spur the engagement of donor countries to catch up. In the spirit of a balanced partnership approach and the idea of mutual accountability developing countries as well as emerging economies could even demand greater progress from donor nations. Also, in comparison to other international negotiation processes such as trade negotiations and climate change, the issues at stake neither involve the same amount of financial engagements nor the same amount of (potential) loss of sovereignty. This gives individual countries greater scope for compromise. A further positive outcome of the summit is the greater engagement of emerging economies, which are themselves active as donors and recipients of ODA. Arab countries have been active donors since the 1970s, even though amounts have varied very much, often correlating with the current oil price. However, their active engagement in the aid effectiveness dialogue is new. The same goes for other nations such as India or China. In the mid- to long-term this will lead to a better availability and comparability of information. The path to effective coordination with these new(er) stakeholders is however still long.

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Nevertheless, there are a few factors which can prevent improvements in the area of aid effectiveness. The current economic crisis has led to a reduction or at least stagnation of official development assistance for developing countries⁹. Funding gaps become more likely and there is a need for a close surveillance and very good information sharing on which donor will cut funding in which area. Until now there is no single body which collects data on both, existing and planned commitments from the network of donors and there is no plan to establish such a common information sharing centre. Existing mechanisms are not encompassing enough and don't reflect the changing landscape of donors. For instance, while some non-OECD countries do provide data on their activities as donors to the OECD, others don't. Therefore, data from these non-OECD countries are not readily available or provide an incomplete account of funds spent due to differences in the definition of what official development assistance actually entails. Estimates of the amount of development aid by „emerging“ donors range from \$11 billion to \$ 41 billion.¹⁰ The EUs initiative to strengthen joint multiannual programming would be a step in the right direction, however even though other donors are welcome to join this initiative, at this stage it involves only EU MS. The discovery and communication of funding gaps thus has to rely on the capacity of the individual recipient country. The problem will be even more pronounced for regional, transregional and global activities.

Considering donors as rational actors another negative effect of budget cuts lies in the basis for decision making which donors will apply. It is highly likely that whilst general aid effectiveness factors will play a role in this decision making, countries and other actors will also follow more selfish considerations such as the necessity to exploit any kind of development assistance in the media. The self-interest could also include giving priority to financing of projects which improve the security and involve the protection of critical infrastructures such as fight against terrorism and piracy or the securing of energy supply (to donors such as the EU, the US or other countries), which do not figure prominently in the agenda for aid effectiveness nor form a prominent part of the Millennium Development Goals but would certainly be positively assessed by the general public which also acts as tax payer and electorate. Last but not least, historically grown relationships between countries with a strong colonial past remain important determinants of decisions for funding. It would be applaudable if donors would spell out these underlying factors and thus increase the predictability of aid. The “Agenda for Change” of the European Union with its emphasis on development assistance being also led by EU interests could be defined as a step towards making underlying factors more explicit. Yet, it is a cautious one, reflecting the shaky foundations of the EUs Common Foreign and Security Policy, which has not yet grown into an actual European voice in foreign affairs.

⁹ “Financing for development – Annual progress report 2010. Getting back on track to reach the EU 2015 target on ODA spending?” Commission Staff Working Document, European Commission , SEC(2010) 420 final

http://ec.europa.eu/development/icenter/repository/SEC_2010_0420_COM_2010_0159_EN.PDF

¹⁰ “Brave new world. A literature review of emerging donors and the changing nature of foreign assistance” Julie Walz and Vijaya Ramachandran, Centre for Global Development, Working Paper 273, November 2010, p.6



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In this respect and in the light of the voluntary character of cooperation on aid effectiveness a lot of responsibility will lie with civil society actors, both on a national and on an international level, to ask for an increase of transparency and to follow the process as closely as possible. On a positive note, the agreement to establish a platform, the “Global Partnership for Effective Development Co-operation” until June 2012 should make monitoring of the advancement on many of the yet unachieved effectiveness-goals an ongoing exercise and will create a light but possibly important independent institution which will serve as agenda-setter and bring some dynamic in the process.