

**DEVELOPMENT CO-OPERATION DIRECTORATE
Development Assistance Committee**

Working Party on Aid Effectiveness

**SECOND DRAFT OUTCOME DOCUMENT FOR THE FOURTH HIGH LEVEL FORUM ON AID
EFFECTIVENESS, BUSAN, KOREA, 29 NOVEMBER - 1 DECEMBER 2011**

Proposal by the Co-Chairs

6-7 October 2011

This second draft of the Busan outcome document is presented by the Co-Chairs for discussion. It builds on the first draft circulated to WP-EFF participants in advance of the July plenary meeting [DCD/DAC/EFF(2011)5], and draws on the discussions of the meeting as well as written comments shared by participants. Comments received in writing can be viewed by WP-EFF participants online at <http://www.wpeff.net>

The draft proposes language to reflect emerging consensus wherever possible, and acts as a point of departure for negotiations in the forthcoming plenary meeting.

The document is structured as follows:

- 1) Political preamble and statement of common principles.*
- 2) Actionable commitments, setting out the responsibilities of different stakeholders for implementation, and covering both:
 - i. Issues relating to the effectiveness of development co-operation, and*
 - ii. Issues relating to selected aspects of the broader development effectiveness agenda.**
- 3) An outline proposal for post-HLF-4 follow-up arrangements, including frameworks for action and accountability, and the proposal to establish a Global Partnership for Development Effectiveness.*

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**BUSAN PARTNERSHIP FOR DEVELOPMENT EFFECTIVENESS
(WORKING TITLE)**

1. We, Ministers of developing and developed countries and heads of multilateral and bilateral institutions responsible for promoting development 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 goals and principles for effective international development.

2. The world stands at a critical juncture in global development. Poverty remains the central challenge, and with the target year for the Millennium Development Goals only three years away, the urgency of achieving strong, equitable and sustainable growth and decent work in developing countries is paramount. In times of global economic and financial insecurity, this challenge calls increasingly for new, modern and effective approaches to supporting development.

3. We realise that the world has changed profoundly since development co-operation began over 60 years ago. Economic, social and technological developments have revolutionised the world in which we live, yet poverty and inequality persist. We also have a more complex architecture for development co-operation, characterised by a greater number of state and non-state actors, and co-operation between countries at different stages in their development, many of them middle income countries. South-South co-operation and new forms of public-private partnership have also become more prominent alongside new modalities and vehicles for investment.

4. International development co-operation has achieved many positive results. Nonetheless, we can and must act more effectively, strengthening partnerships between all public and private actors to achieve the Millennium Development Goals by 2015 and, in turn, generate sustainable and transparent results for all citizens. We commit to modernise, deepen and broaden our co-operation, involving state and non-state actors that have shown interest in participating in an agenda that has until recently been dominated by more traditional donors and aid recipients. We will strengthen collaboration among our respective countries, and engage the private sector, knowledge institutions and civil society within this partnership.

5. Political will for this effective and inclusive development coalition is critical as we tackle global challenges such as health pandemics, climate change, economic downturn, food and fuel price crises, fragility, and vulnerability to shocks and natural disasters. We recognise that success depends on the attention we pay to the impact, effectiveness, results and transparency of our common efforts and investments in global public goods.

6. In Busan, we forge a new global development partnership that embraces diversity and recognises the roles that all stakeholders in co-operation can play to support development. This partnership is founded on a common set of principles that underpin both traditional and newer forms of development co-operation, while recognising that the ways in which these principles are applied differ across countries at different stages of development, and between the different types of public and private stakeholders involved. Lessons must be shared by all who participate in development co-operation, be it North-South, South-South, or South-North. We welcome the opportunities presented by new and diverse approaches to development co-operation, and will work together to build on and learn from their achievements and innovations, recognising their unique characteristics and respective merits.

7. While development co-operation is only part of the solution, it nevertheless plays a catalytic and indispensable role in supporting poverty reduction, economic growth and sustainable development. We reaffirm our respective commitments to scale up development co-operation. Over time, we should reduce dependency on traditional aid in a phased manner, 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 by expanding their domestic capital markets.

8. 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 financing. At the same time, new financial instruments, investment options, technology and knowledge sharing, and public-private partnerships are urgently needed.

9. Successful development cannot be achieved with blueprints or one-size fits all approaches. We underline the need not only to strengthen the inclusive global development agenda in order to deliver more sustainable results, but also to strengthen ownership of development processes and priorities by developing countries and their citizens. Partnerships for development can only succeed if they are led by developing countries and encourage approaches that are tailored to country-specific situations and needs. This includes the needs of fragile and conflict-affected states.

Shared principles for a Global Partnership for Development Effectiveness

10. As we partner to strengthen development results and in turn support the achievement of the Millennium Development Goals, we will work together to facilitate, leverage and strengthen the impact of diverse forms of development finance and activities, guided by a set of common commitments consistent with international agreements on human rights, decent work, gender equality and disability. To this end, we will:

- a) Adapt to diverse country situations – including fragile states – ensuring that our goals and approaches to partnership respond to the needs and preferences articulated by developing countries, and tackle the root causes of poverty and inequality.
- b) Deepen our efforts to track concrete and sustainable results, scaling up and leveraging resources and initiatives in support of them.
- c) Broaden support for South-South and triangular co-operation, harnessing fully the benefits to be had from diverse modalities and approaches to development co-operation.
- d) Ensure that our co-operation supports developing countries in leveraging other resources and forms of development finance.
- e) Promote effective partnerships between public and private sector actors that support the achievement of development goals, recognising their different and complementary roles.
- f) Deepen, extend and operationalise efforts to ensure the inclusive ownership of development policies and processes.
- g) Take steps to promote greater transparency and accountability in development co-operation.

11. We recognise the urgency with which our commitments must be implemented. Beginning implementation of our respective commitments *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. To this end, we will:

- a) Develop, in agreement with all actors concerned, appropriate frameworks at the country level for monitoring progress and supporting the implementation of our respective commitments and, in turn, the achievement of lasting development results.
- b) Collaborate to monitor progress in the implementation of our common and individual commitments at the international level, drawing on a limited number of appropriate indicators and targets linked with the focus of efforts at the country level.
- c) Form a new, inclusive Global Partnership for Development Effectiveness to oversee and support the implementation of these commitments at the political level.

Realising change: specific areas for action by different stakeholders

Improving the quality and effectiveness of development co-operation

12. Many of us made a commitment to implement the principles and actions set out in the Paris Declaration and the Accra Agenda for Action. We recognise that although progress has been made, it has been uneven and neither fast or far-reaching enough. At the same time, evidence shows that the principles underpinning the agreements entered into in Paris and Accra are relevant, and have made a contribution to increasing the quality of development co-operation, and to more transparent and effective partnerships.

13. Those of us that endorsed the Paris Declaration on Aid Effectiveness and Accra Agenda for Action reaffirm our commitment to implement in full the actions to which we have agreed. We will sustain high-level political engagement to ensure that these commitments are implemented, streamlining our efforts in the context of the broader set of commitments entered into here in Busan. Building on the evidence generated through periodic monitoring and the independent evaluation of the Paris Declaration, we commit to focus on sustainable results as the core objectives of all our efforts to promote development and eradicate poverty. Together with stronger ownership and improved transparency and predictability, this must leverage the urgent changes needed to improve our work.

Ownership, results and accountability

14. Together, we will focus on development outcomes and results rather than the inputs and outputs of our initiatives. These results are often long-term and must have a sustainable impact – short-term approaches centred on easily achievable targets will not suffice. To this end:

- a) Developing countries will lead in articulating their needs and providers of co-operation will support them, basing their efforts on agreed plans. Providers of co-operation will refrain from pursuing supply-driven technical assistance and undermining existing capacities. They will channel support to demand-driven and needs-based initiatives, recognising that capacity development encompasses both institutional and human resource development.
- b) Providers of development co-operation will support partner country efforts to strengthen their core institutions and policies by managing – rather than avoiding – risk, including through the development of joint risk management frameworks.

- c) Transparent, country-led results frameworks and platforms will be adopted as common tools used by providers of development co-operation, who will not impose additional frameworks, objectives or performance indicators on developing countries.
- d) We will work together to develop developing countries' capacities for sound, results-focused public sector management. This includes efforts in the area of statistical capacity, where stronger international collaboration is urgently needed. Our co-operation will be needs-based and demand-driven.
- e) While those of us who endorsed the Paris Declaration and Accra Agenda for Action will accelerate efforts to ensure that mutual assessment reviews are in place in all developing countries, other providers of development co-operation will be invited to play an active role in such mutual assessments of progress.
- f) Those of us who committed through the Accra Agenda for Action to further untie aid will accelerate our efforts in this area, committing to untie all aid by 2015. This untying will increase value for money and in turn the contribution of aid funds to the achievement of the Millennium Development Goals.

15. We will partner to invest in states as legitimate, responsive and accountable actors in development, encouraging leadership by developing countries as they work to realise their development priorities. We recognise that effective public sector institutions and policies are essential for development, and that while public financial management and procurement remain critical functions, they must also be linked with other core state functions to ensure more effective domestic resource mobilisation and responsive and accountable service delivery. Strengthening institutions and policies in developing countries requires all of us to deepen and accelerate our efforts to eradicate corruption.

16. We must accelerate our efforts to achieve gender equality and women's empowerment through credible development programmes grounded in country priorities. Reducing inequality is a prerequisite for sustainable and inclusive growth and development. To this end, we will:

- a) Accelerate and deepen efforts to collect, disseminate 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) Address gender equality systematically as part of mutual reviews of performance, grounded in international and regional commitments.
- c) Systematically address gender equality and women's empowerment in all aspects of our efforts to support peacebuilding and statebuilding.

17. Parliaments and local governments play critical roles in linking citizens with government, and in ensuring broad-based and democratic ownership of countries' development agendas. Civil society organisations also play a vital role in shaping development policies and new partnerships, overseeing their implementation, and they provide services in areas that are complementary to or go beyond those provided for by states. To facilitate their contribution, we will:

- a) Accelerate and deepen the implementation of existing commitments to strengthen the role of parliaments in ensuring ownership of development processes, including by supporting capacity development – backed by adequate resources and clear action plans.

- b) Further support local government to enable it to assume more fully its role going beyond service delivery, enhancing participation and accountability at sub-national levels.
- c) Implement fully our respective commitments to enable civil society organisations to exercise their roles as independent development actors, with a particular focus on an enabling environment that maximises the contributions of CSOs to development.

Transparent and responsible co-operation

18. We will work to improve the availability and public accessibility of information on development co-operation and other development resources. We will also work to make development co-operation predictable in its nature: poor predictability hampers effective planning and budgeting, and in turn efficient investment in the policy priorities of developing countries. To this end, we will:

- a) Make the full range of information on our activities and funding, including the terms and conditions associated with these and, wherever possible, results, publically available.
- 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) Design and implement a standard format for electronic publication of timely, comprehensive information on resources provided through development co-operation, building on the achievements of the International Aid Transparency Initiative and other efforts to date in this area. This standard must meet the information needs of partner country governments and key non-state actors. We will agree on this standard and publish our respective schedules to implement it by December 2012, and ensure its full implementation by December 2015.
- d) Aid providers that endorsed the Accra Agenda for Action will implement fully their commitments relating to medium-term predictability of financing, introducing structural and legal reforms where needed. By 2013, these aid providers will make available the regular and comprehensive rolling three- to five-year forward expenditure and/or implementation plans 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.

19. We will reduce fragmented co-operation in developing countries and at the international level. Developing countries will lead consultation and co-ordination efforts to agree on effective actions at the country level. We will ensure that our efforts to reduce fragmentation do not lead to a reduction in the resources available to support development in any given country. To this end:

- a) We will reduce fragmentation, focusing on reducing the transaction costs associated with fragmented approaches to aid delivery. This involves making greater use of country-led co-ordination arrangements, including joint strategies and programming and delegated co-operation.
- b) We will improve the coherence with which we govern multilateral organisations and global funds and programmes. This will include agreeing on a set of guidelines to reduce the proliferation by donors of global funds, programmes, partnerships and multilateral channels by the end of 2012. We will streamline our use of existing funding channels where they are performing, and ensure the full participation of these institutions in co-ordination and mutual accountability mechanisms at the country and global levels.

- c) Aid providers will accelerate efforts to address the issue of countries that receive insufficient aid, agreeing on global aid allocation benchmarks by the end of 2012. Multilateral aid providers will – in view of their global and regional mandates – play a special role in addressing the needs of countries that receive insufficient aid.
- d) Aid providers will deepen and accelerate efforts to address the problem of insufficient delegation of authority to donors' field staff, reviewing all aspects of their operations, including delegation of financial authority, staffing, and roles and responsibilities in the design and implementation of development programmes, and implementing measures that address the remaining bottlenecks.

Promoting sustainable development in situations of conflict, fragility and vulnerability

20. Fragile states are for the large part off track to meet the Millennium Development Goals. Achieving them will depend on our collective ability to promote lasting development in these contexts. We recognise the need for a new global framework for partnership in these settings, which prioritises inclusive politics, security, justice, economic foundations and the strengthening of countries' resource bases and revenues as goals in their own right, paving the way for the achievement of the MDGs. We will prioritise these intermediate goals and, in doing so, commit to:

- a) Conduct, at the country level, a single nationally-led assessment of fragility and in turn a single, shared plan, which defines a limited set of priorities required to transition out of fragility and to build the foundations for sustainable development and human security, and the means through which these will be achieved.
- b) Develop and implement co-operation agreements to ensure that no peace process or political dialogue relating to conflict or fragility fails for lack of finance.
- c) Develop and use tools to assess the specific risks associated with co-operation in fragile situations, conducting joint risk assessments, and using national systems to the maximum extent possible.
- d) Develop and use emergency or fast-track procedures within co-operation agencies for financial management and procurement in fragile situations to improve the speed and flexibility of aid delivery.

21. We must ensure that development strategies and programmes prioritise building 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; also, we will increase the resources, planning and skills for disaster management at the national and regional levels.

From aid to development effectiveness

22. Our co-operation must play a catalytic role, facilitating, leveraging and strengthening the impact of all sources of development finance and expertise on poverty reduction and inclusive economic growth. We therefore commit to implement actions that strengthen the impact of all development finance.

Knowledge sharing for sustainable development

23. 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 in particular have the potential to transform developing countries' policies and approaches to service delivery by bringing cost-effective, locally owned solutions that are appropriate to country contexts.

24. We recognise that many countries engaged in South-South co-operation both provide and receive 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 for the implementation of social protection programmes in developing countries, recognising the success of such programmes to date in providing a social safety net for the most vulnerable, reducing inequality and promoting the achievement of the MDGs for all citizens.
- 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.

Private sector and development

25. We recognise the role of the private sector – including formal and informal enterprise – as an important, complementary partner to governments and civil society in advancing innovation, creating wealth, income and jobs, mobilising domestic resources, and delivering goods and services. We will scale up public-private collaboration. To this end, we will:

- a) Work with representative business associations, trade unions, chambers of commerce, and other organisations to improve the legal, regulatory and administrative environment for the development of private investment and decent work; and also to ensure a sound policy and regulatory environment for increased foreign direct investment, public-private partnerships, the strengthening of value chains in an equitable manner, and the scaling up of efforts in support of development goals.
- b) Ensure the participation of the private sector in the design of development policies and strategies to foster sustainable growth and development.
- c) Expand and make fuller use of modalities for blending the loan and grant instruments extended by governments, multilateral banks and private actors, developing innovative financial solutions to mobilise private finance for agreed development goals in a transparent manner.

- d) Further promote approaches to co-operation that harness developing countries' potential for making trade an engine of sustainable development, building on and drawing from lessons on "aid for trade" to eliminate bottlenecks, help address market failures, strengthen access to capital markets and promote approaches that help mitigate the risks faced by private sector actors as they support the achievement of development goals.
- e) Invite the private sector and related organisations to play an active role in the context of a new Global Partnership for Development Effectiveness, exploring areas of mutual benefit to advance both development and business outcomes, including through the promotion of good practices and responsible investment.

Combating corruption and illicit flows

26. Corruption is a global plague that seriously undermines development, diverting resources that could be harnessed to finance development, damaging the quality of governance institutions, and threatening human security. It often fuels crime and illicit goods, and contributes to conflict and fragility. We will intensify our efforts to fight corruption and illicit flows. To this end, we will:

- a) Implement fully our commitments to eradicate corruption, enforcing 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, strengthening national policies, legal frameworks and institutional arrangements for the tracing, freezing and recovery of illegal assets, including in the absence of mutual legal assistance requests. This includes enacting laws and policies that facilitate improved international co-operation.

Climate change finance

27. Global climate change finance is expected to increase substantially in the medium-term. Recognising that this is a rapidly growing source of development finance that brings with it new opportunities and challenges, we will:

- a) Ensure that measures to deal with climate change are an integral part of developing countries' national development plans, contributing to the achievement of national development objectives, and that they are financed, delivered and monitored through developing countries' existing systems and structures.
- b) Invite the UNFCCC to consider lessons from aid and development effectiveness in the design of the funding delivery mechanism, including by limiting the number of financing mechanisms, and inviting the Transitional Committee and the Board of the Green Climate Fund to include aid effectiveness principles in the design and management of the Fund.
- c) Invite UNFCCC participants to agree on a definition of "new and additional" funding for climate change, recognising the importance of this definition in supporting predictability of future concessional flows to developing countries.

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

28. We will hold each other to account for making progress against specific commitments and actions. To this end, we will:

- a) Agree, by June 2012, on a limited set of indicators to support monitoring of progress at the global level in the implementation of our respective commitments agreed in Busan.
- b) Assess progress in implementing partnership commitments in individual developing countries through country-specific frameworks, with a limited set of indicators and targets for all actors involved in development co-operation agreed at the country level, responding to the country's context and specific needs.
- c) Ensure that these arrangements for monitoring are grounded in developing countries' nationally owned aid and development policies, which articulate the co-operation needs of developing countries and their preferred approaches to co-operation.
- d) Support initiatives led by developing countries that strengthen their capacities to monitor progress and evaluate the impact of efforts to improve development effectiveness.
- e) Publish the results of these country-level monitoring exercises on a regular basis, with reports on progress towards globally agreed benchmarks published annually.

29. We accept that the strengthening of our co-operation and the adherence to both common and differentiated responsibilities 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. To this end, we will:

- a) Put in place a new and inclusive Global Partnership for Development Effectiveness to oversee and support the implementation of commitments at the political level, recognising the need for this Partnership to offer an open platform that embraces diversity, as well as the common and differentiated responsibilities of participants.
- b) Agree, by June 2012, on the working arrangements and membership of a streamlined, multi-stakeholder ministerial Steering Committee to oversee the functioning of the Partnership and ensure complementarity with efforts undertaken through other fora and groups.
- c) Call on the new Global Partnership for Development Effectiveness to support further development and implementation of norms and standards for co-operation, including through the agreed global and country-level approaches to monitoring progress.