

Position Paper
PARTNER COUNTRIES' VISION AND PRIORITY ISSUES FOR HLF 4
(Final – 12 June 2011)¹

A. The Changing Context of Development Co-operation

1. International development co-operation has been evolving at a relatively fast pace, particularly during the past decade. The following are some key aspects reflecting this evolution and issues requiring attention:
 - The volume of Official Development Assistance (ODA) has on the whole increased, but questions persist about its effectiveness in contributing to sustainable development outcomes;
 - Non-DAC (Development Assistance Committee) aid providers, including global funds and private foundations, have increased their role in terms of volume and delivery modalities, but tend to follow their own rules and, where they do not have country offices, add to transaction costs;
 - South-south co-operation has become a tangible source of development co-operation, with middle-income countries (MICs) building horizontal partnerships to share development experiences and knowledge playing a key role in the new co-operation architecture; but more needs to be learned about SSC modalities and practices;
 - Aid delivery agencies have proliferated multilaterally and bilaterally, causing more competition and greater specialization, but also making aid management more complex and costly; and
 - Persistent dissatisfaction with ODA performance has led to a series of international High Level Fora (HLF): in Rome (2003), Paris (2005) and Accra (2008) to examine these and other issues affecting the quality of aid and propose actions to improve its outcome.

2. There is an urgent need to deal with these issues and take into consideration at least three more key challenges: **first**, how to cope with the negative impact of recent global crises (food shortages and resulting price increases, international financial meltdown, global economic slowdown) on the pace and quality of development outcomes; **second**, how to address pressing global challenges including climate change, other forms of development co-operation besides ODA (trade, foreign direct investment, technology transfer, and development finance) which are affecting the pace and pattern of future development; and **third**, how to reform the architecture for international development co-operation to make it more effective, transparent and inclusive in terms of involving and benefiting from the experiences of non-DAC assistance providers (public and private) and various delivery modalities. Underlining these challenges is the critical importance of mobilizing domestic and international resources for development and improving complementarity and combined impact.

3. It is methodologically difficult to accurately measure the implementation of the principles of the Paris Declaration as well as the impact of development co-operation. However, efforts made for this purpose, including recent monitoring surveys, evaluation reports, and preliminary findings from

¹ This paper was prepared by members of the Drafting Team charged with the task of preparing a position paper representing Partner Countries' visions and priorities for discussion at the High Level Forum 4 (HLF4) in Busan, Republic of Korea in November/December 2011. Drafting Team members include Talaat Abdel-Malek (Egypt), Helen Allotey (Ghana), Lidia Fromm Cea (Honduras), Sandra Alzate Cifuentes (Colombia), Helder da Costa (Timor Leste), Cao Manh Cuong (Vietnam), Modibo Makalou (Mali), and Alfred Shuster (Pacific Islands Forum Countries). This position paper is based on inputs received from 19 partner countries in addition to feedback from 15 countries on the draft position paper. It draws also on the emerging findings of the independent evaluation of the results of implementing Paris Declaration and online surveys carried out by the Capacity Development for Development Effectiveness Facility (CDDE) to identify priority issues as viewed by partner countries.

the 2011 Monitoring Survey, indicate that progress has been achieved by our countries and our development partners (DPs), but that such progress remains inadequate in meeting commitments and contributing to sustainable outcomes.

B. Purpose of the Paper

4. The purpose of this paper is two-fold:

- to highlight our main achievements since Paris and particularly since Accra, based on concrete evidence, and point out persisting challenges, and
- to identify our priority needs, calling for candid discussions with our DPs and other stakeholders, including parliaments and civil society, in order to reach agreement on the commitments necessary to respond to these challenges. Ultimately, what is urgently needed is a change of mindset and behaviour that would transform current practices into a development partnership approach as called for by MDG 8.

C. Achievements To-date

5. We have been increasingly active in discussing the aid effectiveness agenda at international, regional and bilateral levels since HLF2 in Paris and especially since Accra in 2008. We have contributed to various WP-EFF clusters and task teams, initiated regional platforms to exchange experiences and views, taken numerous actions to meet commitments made under the Accra Agenda for Action (AAA), and participated in the OECD/DAC Monitoring Surveys on aid effectiveness, with 75 countries already responding and the number expected to increase to over 80 in the recent survey (as compared to 54 in the 2008 survey). In addition, 14 countries have taken part in the fragile states principles survey, while CARICOM members have provided additional inputs. The rich body of evidence gathered points to the following achievements:

- **OWNERSHIP:** substantial progress has been made by most partner countries in assuming ownership by developing/refining national development strategies and plans, and broadening the participation of non-government stakeholders to achieve more inclusive ownership, as evidenced by partner countries' reports and supported by the findings of the independent evaluation, as well as the Inclusive Ownership optional module in the Paris Declaration survey. More of our countries have also drafted national aid strategies and policies, translating the AAA into actions compatible with the local context, and linking aid to development plans; some have also strengthened the organization structure for managing aid by establishing a special ministry or agency or upgrading its capacity.
- **ALIGNMENT:** some of our countries reported an improvement in aid alignment as a result of more open and transparent dialogue with our DPs through joint consultative groups, mixed commissions, performance-based evaluations, high level development forums, and similar mechanisms to highlight our priorities and promote responsive actions by our DPs.
- **HARMONISATION:** some limited progress has been achieved in harmonizing aid by calling for joint efforts to prevent aid fragmentation, strengthen coordination at the sector level, and promote more joint analytic and programming work. The higher level of untied aid has facilitated progress in harmonization.
- **MUTUAL ACCOUNTABILITY:** Much progress has also been reported in developing mutual accountability (MA) mechanisms in one form or another. In addition to the few currently operating mechanisms as reported by the 2010 UNDCF (UN Development Co-operation Forum)

study, many “work-in-progress” initiatives are currently being negotiated with our DPs. Associated with these is the parallel development of Aid Management Platforms and M&E systems to monitor and evaluate progress of aid-funded projects and programmes and improve the reporting of results.

- **MANAGING FOR DEVELOPMENT RESULTS:** limited progress has been reported in this respect, but more of our countries are expressing greater interest in and assigning higher priorities to increasing the pace of progress, in recognition of the need to focus on development outcomes and results rather than inputs and outputs of development initiatives. We have a special interest in adopting results-based management approaches and designing appropriate tools, and are inviting our DPs to work with us to achieve this goal.
- Many of our countries have achieved and continue to achieve much progress in **reforming country systems** (procurement, public financial management, and auditing systems) as an important objective and as a means of supporting alignment of ODA with our national priorities. More needs to be done to reach higher standards and also to encourage other countries to initiate systems’ reforms; but these call for more joint actions, including fuller use of the reformed systems by our DPs, including the delivery of aid through budget support.
- **SOUTH-SOUTH CO-OPERATION:** the steady rise in the role of south-south co-operation (SSC) as a co-operation modality which addresses our countries’ development needs has been a noticeable achievement, as it is based on sharing development experience, transferring knowledge and strengthening horizontal partnerships. The leadership shown by MICs in sharing their experience represents a valuable source that complements the more traditional North-South co-operation. The gradual increase in triangular co-operation has reinforced this trend, allowing Northern support horizontal partnerships and enabling SSC to expand its scope and meet demands from more partner countries.

6. The actions taken by our countries to achieve these results have been initiated not only in response to the commitments we made under the PD and AAA, but also in support of our interest to improve the outcome of overall development efforts. We, therefore, wish to acknowledge the positive influence and support of the aid effectiveness agenda, and commit ourselves to stay the course beyond Busan until the challenges outlined below are resolved and to agree with DPs on actions to accelerate the achievement of the MDGs by 2015.

D. Key Remaining Challenges

7. While acknowledging the progress achieved, many challenges remain. Together, these determine the extent to which we and our development partners can improve the future quality of aid and development effectiveness, to which our countries are attaching the highest priority. To ensure the goal of obtaining better joint value for money, and contribute towards development effectiveness, we must further address issues of alignment, harmonization, managing for results, mutual accountability, capacity development (including use of country systems), aid predictability and transparency, and aid fragmentation.
8. **Better Alignment** means that aid allocation and decisions are squarely embedded in national ownership and requires that, in the few cases where further clarity is needed, the partner countries concerned would clarify their development priorities in consultation with various stakeholders and their DPs. Ensuring better alignment of ODA to national priorities and refraining from policies

inconsistent with these priorities would make a tangible contribution to outcomes. This alignment to national goals and priorities has to apply to all aid regardless of whether it is destined to the central government or to local administration and non-government entities.

9. **Improved harmonization** requires that we assume greater leadership in establishing more regular coordinated dialogue with our DPs. It also requires that we provide our own vision and guidance on how we seek more harmonized aid, taking into account comparative advantages of various DPs as well as the needs of orphan sectors and in-country regions. We urge our DPs to become responsive to such 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, DPs' 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.
10. **Managing for development results** calls for translating this important Paris Declaration principle into a set of actions and supporting techniques which would deliver results more effectively. We believe there is a need to agree on a minimum set of indicators to monitor progress and are prepared to collaborate with our DPs to undertake this task. These indicators would be used jointly to assess progress in achieving *more aligned, more harmonized, more predictable and more transparent aid*. The call for "value for money" should ultimately translate into concrete contributions to enhance development effectiveness.
11. **Mutual accountability** requires a more determined joint action to agree on pragmatic and effective mechanisms to replace general statements affirming joint accountability but lacking in practical arrangements and real impact. More specific and action-oriented mechanisms at the country level, embedding jointly agreed upon measurable benchmarks and targets, are likely to produce the expected results to deal with policy and operational bottlenecks and improve outcomes *in light of mutual commitments* in mitigating risks.
12. Serving these objectives more fully requires more efforts to focus on establishing **transparent aid management information systems** which would capture all aid flows whether from official or private sources, and **build capacity** in our countries as well as in our DPs to make better use of information in operational and policy decisions and in monitoring the implementation of agreed commitments. This must also be viewed as a joint responsibility, with our countries and DPs contributing information on aid policies, aid volumes, disbursements, conditionalities and results, and doing so within agreed time frames.
13. **Capacity development (institutional and human resources)** is a persistent challenge despite substantial aid allocations assigned for this purpose. As stressed in the recent **Cairo Consensus** statement on capacity development, existing practices of technical assistance need to be reviewed to ensure that they are demand-driven and consistent with our development priorities. More emphasis needs to be placed on strengthening key development institutions, governmental and non-governmental. We undertake to develop action plans based on our priorities and are cognizant of our leadership responsibilities in this regard. We also must distinguish between short and longer term requirements to achieve capable institutions, using aid as a catalyst to leverage innovation and best practices.

14. At the same time, we urge our DPs to strengthen their own capacities, at headquarters (HQ) and the country level, to deliver more responsive capacity development support. A more **decentralized approach by HQ** would enable country offices to exercise more flexibility and relevance to local conditions, thus improving the impact of assistance in meeting our countries' priority needs. Longer staff placement in-country would also assist in building up context-specific knowledge and relationships, leading to improved design and delivery of assistance.
15. **Greater aid predictability and transparency** require more actions by our DPs to meet commitments made in Accra. While some progress has been noted, much remains to be done if our countries are to improve development planning and avoid bottlenecks in implementation caused by uncertain financing. More joint consultations about the policies and priorities underlying aid allocations and delivery would go a long way to achieve greater transparency.
16. **Aid fragmentation** needs to be also jointly addressed, with our countries taking a greater leadership role in consulting and coordinating with our DPs to alleviate sector congestion and minimize the overlap between ODA-funded initiatives which enhances coherence to the principle of alignment. This has become necessary to reduce waste in resources and in transaction costs, and also to avoid confusion resulting from having too many DPs adopting different approaches and tools to deal with any given issue. Whether solutions are best found in agreements to reduce the number of DPs in a sector, in pooling their resources under one coordinating umbrella under the leadership of the partner countries concerned, or by other means, is a question best answered through joint consultation. Meanwhile, resolving fragmentation issues should not lead to reduction of DPs' assistance, but to reallocating it in a manner that would improve its effectiveness.
17. The recent decline in ODA as a result of the global recession and DPs' exit from some countries is forcing some of our countries to seek more **bilateral and multilateral debt**, to bridge the gap in development financing. Continuation of this trend is expected to lead to higher indebtedness to a level which might cause the countries in question to reach a position of debt distress. This underlines the point that external borrowing should be considered as a supplement but not a substitute to ODA, until countries reach the stage of exiting from aid. Aid exit has become an important issue in many of our countries and it should be discussed in Busan to review available policy options and share experiences of countries which have exited aid.
18. While our DPs may prefer in certain instances to provide additional **funding to non-government agencies**, alignment and harmonization principles require that (a) governments be informed of the volume and purposes of this funding and (b) partner country priorities be the basis for the delivery of aid. This would contribute towards further enhancing local accountability over development outcomes through facilitating the roles of key domestic stakeholders.
19. All the foregoing challenges are common to our countries, although some issues may be more significant for some than for others. For example, while capacity development is a cross-cutting theme, it also means **state-building in Fragile States**. Capacity development for **MICs** refers not only to managing incoming aid but also to the capacity to manage co-operation delivery through **south-south and triangular cooperation modalities**. The **vulnerability of Small Island Developing States (SIDS)** as a result of sparse populations, geographic distances and economies of scale factors increases the costs of development and call for building regional capacities to manage aid more effectively, supplementing national capacities. Although SIDS are afflicted by economic difficulties

and confronted by developing imperatives similar to those of developing countries generally, they also have their own peculiar vulnerabilities and structural characteristics, so that the difficulties they face in the pursuit of sustainable development are particularly severe and complex.

20. We also wish to explicitly recognize that **mutual trust** has been an issue. Where it has been lacking or insufficient, it has undermined the establishment of more productive and mutually beneficial relationships between our countries and our DPs. We also point out that exceptions do exist, where mutual trust has actually led to very positive collaboration leading to improved aid and development outcomes. We need to revisit the question of **risk assessment and management** in the development context to identify how such risk may be jointly mitigated through more practical actions and greater mutual trust and respect achieved. This has also been recognized in the World Bank's recent World Development Report as an issue requiring greater attention. Our countries are open to an honest dialogue to address this important issue. We also recognize that the political nature of aid reform necessitates quality dialogue, including dialogue on governance issues based on objective measures of governance indicators and agreed benchmarks.

E. Key Issues for Busan

21. Based on past achievements and existing challenges, and considering the implications of the rapidly evolving global environment for development, we have identified specific priority issues which we wish to take forward for discussion with our DPs in Busan. We believe that the Busan High Level Forum offers a valuable opportunity not to be missed to reach mutually acceptable solutions to problems which have persisted until now.
22. We wish to stress a few considerations as a preamble to our list of issues. First, there is an **unfinished aid effectiveness agenda** which has to be addressed post-Busan, and which should not be compromised in the process of discussing a broadened co-operation agenda.
23. Second, experience and evaluation evidence have shown that our countries share common interests and have adopted key principles, including the Paris Declaration principles. Meanwhile, we also exhibit different stages of development and contexts, which require that a **common but differentiated approach** rather than a one-size-fits-all approach be adopted. Differentiation is necessary between fragile states, MICs, lower-income countries (which are still in need of significant development assistance if they are to join MICs) and so on, in order to apply development assistance approaches consistent with their respective contexts. Meanwhile, the fact that the largest number of the world's poor live in MICs must be considered by DPs recent intentions (and in some cases actions) to withdraw assistance from these countries. In the case of fragile situations, the adoption of a mainly short term horizon in designing and delivering assistance has caused serious planning and continuity difficulties, as it is widely recognized that these situations require a coordinated package of short and longer term assistance. Recognising also that partner countries engage within and across regional contexts reinforces the complementarity of regional approaches to partner country efforts.
24. Third, when all has been said and done, the real test lies in what actually happens at the **country level in implementing commitments and agreements**. The evidence of independent evaluation indicates that actions at the country level have been well below expectations. This calls, among other things, for more political commitment by DPs and delegation of authority to country level

representatives and for informing them of agreed changes in the application of policies and procedures in a timely manner. They should be granted more flexibility in addressing the specifics of the country context and needs subject to assessment of their actions during high level reviews.

25. Fourth, we reiterate that we have to make more progress in moving away from the traditional and outmoded donor-recipient approach to a **development partnership approach** as urged by MDG 8 (strengthening global partnerships) and dictated by the urgent need to generate better value for money for both our countries and our DPs. While the partnership approach seems to have been readily accepted in principle, much needs to be done by DPs to translate it into behavioural change.
26. Fifth, we support the increase in development co-operation delivered through **SSC and triangular co-operation** modalities as a relevant and cost-effective approach side by side with and complementing North-South co-operation, and we support efforts to strengthen knowledge exchange to facilitate access to such knowledge and promote dissemination and transfer of relevant experiences in a transparent manner.
27. Sixth, the **pace of mutually supportive change in reforming systems and policies on both sides** is important. The evidence from various evaluations shows that our countries have done more to meet our commitments as compared to what DPs have demonstrated in meeting theirs. Many partner countries, for example, have introduced needed changes in country systems in order to meet the high levels of compliance set by DPs as a precondition for their own reforms which are still lagging behind. Others examples reinforcing this finding can be easily pointed out.
28. Seventh, we believe that success in tackling our mutual future development agenda rests primarily with our joint abilities to mobilize **political commitments and ACTIONS** to translate these into implementation plans and monitoring mechanisms to assess progress. Much excellent technical material (studies, surveys, tools, good practice outlines, frameworks, etc.) is now available and is awaiting effective and wider application.
29. The following priority list of issues for Busan draws on the previous section which reviewed remaining challenges:
 - The **use of country systems** tops the list. It has simply become urgent that DPs show more trust in the reformed systems and, where further change is required, actively collaborate to achieve mutually acceptable systems. We believe that greater use of our systems calls for changes by both sides to adapt rules and procedures and to review existing risk assessments. The recurrent use of parallel project implementation units (PIUs) continues to undermine whatever limited national capacities exist and agreement should be reached on the phasing out of PIUs and replacing them with **investing** in country systems.
 - Similarly, **capacity development** (of which strengthening country systems is an important component) warrants a change in how this crucial objective is handled under development assistance. We urge our DPs to refrain from pursuing supply-driven technical assistance (despite good intentions) and to respond to our demand-driven and need-based initiatives. We also emphasise that there is more to capacity development than training, important as training is. The strengthening of development institutions (government and non-government) is a key challenge requiring more attention. We have to show greater leadership in articulating our needs and invite our DPs to join us in implementing agreed plans.

- **Fragile states** need to move from fragility to agility. Capacity building here refers to state capacity building to enable the state to carry out essential functions. The challenge is more daunting and requires coordinated global efforts to address peace-building, state-building and humanitarian assistance in addition to various forms of development assistance. The impressive progress and political leadership demonstrated by the g7+ for example call for greater trust in their governments and shared risk management. It also calls for negotiating a package of transparent short and longer term assistance to support initiatives unlikely to be completed in the short run.
- **Mutual accountability and focus on results** are two closely linked issues which we will continue to pursue by building on what has been accomplished. A number of successful MA mechanisms are already in place and more MA initiatives are in the “work-in-progress” stage. We prefer developing more specific systems which address well-defined issues of joint interest and concern, whether at sector or national levels, rather than arrangements that deal with generalities and lack continuity. Essentially, we view these as useful mechanisms to hold each side accountable for meeting commitments toward the other and for assessing development results (rather than inputs and outputs). Evidence shows that success is contingent on both sides making political commitment to this approach and that they invest in establishing (or strengthening) a transparent aid management information system which serves the MA purpose, including budgetary transparency by partner countries aligned to minimal global norms and standards.
- **Aid predictability** is an issue which impacts planning and continuity of development initiatives. Uncertainty can be quite detrimental to our effective budgeting and planning and to development outcomes; it also tends to increase transaction costs, particularly in countries where ODA represents an important contribution to national budgets. We invite our DPs to make a more concerted effort to apply a multi-year time frame for indicating ODA provisional commitments and to consider other approaches aimed at addressing this issue, in consultation with us. Indicative information is better than no information. The pilot undertaken in providing forward-spending information by OECD-DAC is welcome and should be extended to other partner countries.
- **Aid quantity and quality** are matters of concern to us as partner countries coping with a multitude of development challenges. The facts that the objective of ODA reaching the target of 0.7% of GDP is still not a reality and that ODA flows are declining -at least in certain countries and regions- are disappointing. We recognize and applaud the few exceptions where higher ODA commitments were announced. Volume *does* matter, especially at a time when the Doha Round does not seem to be going anywhere and the global recession is dampening external markets’ potential. We, therefore, call on our DPs to do better in meeting these outstanding commitments. Meanwhile, aid quality becomes more pressing to ensure better value for money during this time of relative scarcity. Quality is a function of our joint ability to address the issues stated above, since – together - they determine the extent to which aid quality is improved.
- The changes in the global development environment demand that we critically review existing structures for managing aid and jointly develop **a new international development co-operation architecture** which would:
 - take over and address the unfinished aid agenda,

- become more inclusive by involving non-DAC co-operation providers to become active participants in the design and functioning of the new system,
- build on the experiences gained through existing mechanisms in order to evolve a set of universal principles governing future development co-operation to incorporate the Paris Principles and others in use,
- take due note of the potential for SSC and triangular co-operation in contributing through horizontal partnerships to supplement North-South co-operation, and
- identify other issues for development effectiveness such as aid for trade, easing tariff and non-tariff barriers, development financing and climate change which call for more coordinated actions which the new architecture would address by working closely with specialized institutions in their respective fields (such as the WTO for aid for trade, for example). A key objective would be to help apply the lessons learned from aid effectiveness efforts to these other areas of co-operation.

30. The new architecture would require an effective mechanism to monitor progress and assess outcomes. The OECD/DAC has gained experience in conducting the monitoring surveys, which have generated useful field evidence. We recommend that, building on this experience, **a more development compact and strategically-oriented monitoring instrument** be devised in close consultation with partner countries that will constitute its main respondents as well as beneficiaries.

31. In concluding this paper, we urge our DPs to also consider trade, investment and other policies (beyond aid) which influence the outcomes of our development efforts, in order to ensure **greater policy coherence**. This challenge is likely to be high on the expanded agenda for international development co-operation.