

Key Busan challenges and contributions to the emerging development effectiveness agenda

By Andrew Rogerson

The fourth High Level Forum on aid effectiveness (HLF-4) will be held in Busan, Korea, from 29 November to 1 December 2011. This will be a milestone for international development and particularly for the collective efforts over more than a decade by developing countries, donors and many other development stakeholders to implement an agreed international framework to improve the quality of aid.

HLF-4 follows meetings in Rome in 2003, Paris in 2005 and Accra in 2008, which established principles and modalities for transforming aid relationships between donors and partners into true vehicles for development cooperation.

This paper starts by outlining the changing global development context and proceeds to discuss the results to date in implementing the aid effectiveness (AE) agenda. The paper then moves on to identify major remaining challenges in implementing the aid effectiveness agenda and sets out key issues 'beyond aid' which require discussion in Busan. Finally, the paper details the six suggested action areas for Busan:

- Promote differentiated country treatment and South-South cooperation
- Model a new compact on transparency
- Devise a common approach to joint risk management
- Promote independent facilitation, mediation and peer review mechanisms
- Identify post-Busan monitoring areas
- Integrate aid effectiveness principles and climate change.

The original version of this paper was prepared for Commonwealth preparatory meetings and subsequent contributions to HLF-4. It reflects the Commonwealth Secretariat's aim to strengthen Commonwealth input

to international aid effectiveness processes and its recommendations have particular relevance to Commonwealth countries and leadership.

A changed context and cast of actors

Massive shifts in global wealth and influence and widespread social and economic progress have transformed the development challenge and the actors tackling it in ways the aid effectiveness agenda does not yet recognise. In particular, Busan will need to accelerate the political inclusion of new categories of non-traditional and non-donor development actors.

This section considers several powerful changes in the global landscape and different perspectives on development, which were not centre-stage when the Paris aid effectiveness agenda was formulated in 2005, but that now shape the opportunities and challenges for Busan. It covers in particular:

- shifts in global wealth and influence
- changed development needs
- links between aid volume and aid quality
- non-Development Assistance Committee (DAC) flows and non-aid development finance
- post-crisis aid policy in traditional donor countries.

Shifting global wealth and influence. It is now commonplace, especially in the aftermath of the global financial and economic crises that brought the G20 to prominence, to acknowledge the massive shifts in the world economy since the 1990s and their profound effects on global governance. A multi-polar world now depends as much on countries that are not members of the OECD industrialised 'club' for sustained growth and trade and investment flows as on countries that are fully-fledged members. More generally, middle-income countries of all sizes are increasingly supplying development finance, technology, and expertise and market linkages to other developing as well as developed countries,

in mutually beneficial networks. In this environment, North-South perspectives become less relevant and South-South ones more complex. The Commonwealth is no stranger to this evolving landscape.

These phenomena were, however, largely absent from the development discourse at the time of the 2005 HLF-2 in Paris, where the BRICS (Brazil, Russia, India, China and South Africa) played no distinct role. These factors were still under-rated, as recently as the summer of 2008, and HLF-3 in Accra. That event attracted a broader group of participants than HLF-2 in Paris, but failed to actively integrate the experience and views of non-traditional development actors. The Busan meeting will clearly need to take this inclusion process further.

A changed global poverty map. The 1990s and 2000s saw sustained rapid growth and poverty reduction in large emerging economies and across much of the developing world including Africa, though the absolute numbers pulled out of poverty in Asia dwarf the rest. The number of low-income countries, measured against an arbitrary threshold of about \$1,000 per capita in constant terms, has also fallen by one third in the last decade, from about 60 to 40.

This steady process of graduation, despite some reversals through conflict, means that three quarters of the world's absolute poor now live in middle-income countries (Sumner, 2010), compared to less than 6% in 1990. This means that the development challenge, as well as the tools and actors to tackle it, have altered comprehensively since Paris.

Old aid concepts are obsolete. Linear processes have become less likely, whereby countries such as Korea move in stages from low-income, aid-dependent status; to middle-income; to no longer needing significant aid; to high-income and OECD membership; and finally a major international donor. Today's emerging economies, including some G20 members, have relatively high poverty headcounts and low average income levels by OECD standards, but are already pursuing their own outbound development cooperation efforts. Unlike countries such as Korea, many have a continuing structural need for official capital in-flows. For them the lexicon of 'aid-giving' versus 'aid-receiving' country is increasingly irrelevant, as they can be both at the same time.

Aid volume: a glass half full. It was clear in Paris and Accra that improving the quality of aid is no substitute for the fulfilment of aid volume pledges, especially those made in 2005 at landmark G8, European Union and United Nations summits. These had a 2010 collective horizon (many set additional targets to 2015), and were framed mostly as percentages of national income. They concerned official development assistance (ODA), an accounting standard for aid from public sources intended for development purposes and delivered on grant or soft loan terms. Between 2005 and 2010, ODA increased at an unprecedented rate, by some \$27 billion a year in real terms. But this was

40% below the overall pledge, with Italy, Germany and France accounting for most of the gap. Aid to Africa accelerated, but fell short of a further regional goal.

The *good* news is that most DAC members met their 2010 commitments, in the teeth of the global crisis. Many have also met, or are – like the UK – on track to meet the 0.7% ODA/gross national income United Nations goal. The *bad* news is that several countries are still treading water or even cutting back on aid budgets, citing fiscal pressures and an increasingly aid-sceptic public. Continued aid growth cannot safely be assumed. The DAC survey of aid spending intentions through 2013 (DAC, 2011), shows overall country assistance prospects as flat (2% growth over 2010) and more worrying, falling in two thirds of beneficiary countries, offset by rises for a few large ones.

Busan could emphasise the two-way relationship between aid quantity and quality. Meeting past volume commitments is vital to the credibility of any new global development deal: yet demonstrating greater aid impact is essential to sustain domestic support for those very commitments.

The best guesstimates for ODA-like flows coming from outside the DAC (from emerging government sources and non-government actors such as foundations) are that these amount to some \$30 billion a year, or about one quarter of the current DAC total of \$125 billion (Prada et al., 2010). India alone is estimated to provide \$600 million a year on ODA-like terms (European Commission, 2011). As reporting by non-members is patchy and definitions are not standardised, such aggregates could well be an under-estimate. Non-DAC sources are probably growing much faster than DAC sources right now. However, if this starting point of 1:4 is right, and even if traditional aid stagnates from now on, it would take more than a decade of double-digit growth of new sources to bring them close to parity with DAC sources. So the Paris and Accra principles could remain relevant for many years, even if not adopted by new sources, so long as they retain the active commitment of their original sponsors.

More choice, more fragmentation: a mixed blessing. There are dozens, even hundreds, more sources of official as well as private and non-profit development finance today than there were in 2005. This is not just because of new or non-traditional states and private actors entering the scene. The number of multilateral agencies and trust funds, still largely funded by 'traditional' donors, has also increased sharply in the past decade, especially with the introduction of so-called vertical funds to tackle specific global challenges, such as communicable disease or climate change.

This proliferation of development channels and programmes has outpaced the overall growth in aid volume, so aid flows have become more fragmented, both within and across countries. The DAC, for example, finds that half of all reported aid relationships contribute less than 5% of total aid volume disbursed

at country level (DAC, 2010). The combined management requirements of these multiple channels can put great strain on beneficiary governments and implementing entities, and pile up excessive donor overhead costs – effectively a tax on useful aid. The estimated loss is as high as \$5 billion per year (Killen and Rogerson, 2010).

Clearly, managing aid fragmentation is a challenge. But it also presents opportunities. This dispersion means greater choice of sources, channels and terms, as well as better risk spreading and improved bargaining power, offering offsetting benefits for aid users. Countries do not complain that they have more offers of support than they can handle, though they may object to the extra red tape involved. Well-intentioned but unilateral efforts to consolidate donors' geographical footprints can also aggravate the phenomenon of under-aided countries or 'aid orphans' (Rogerson and Steensen, 2009), on which the Accra Agenda called for a collective response that has yet to materialise.

Non-aid flows. Alongside the increased focus on non-DAC sources comes the growing recognition that aid as such – whether measured narrowly as ODA or including other official flows – is only a small part of a much bigger spectrum of development finance. The other key ingredients are, first and foremost, domestic resources, which dwarf aid in all but the most fragile country contexts; foreign direct investment and long-term private loan flows; migrant remittances; and individual and corporate philanthropy, channelled through intermediaries, including NGOs. One major policy issue not yet addressed in the AE agenda is how, specifically, aid can best be deployed to have a catalytic effect on these other flows, especially in middle-income countries (Rogerson, 2011). This relates to the bigger question of how far the Busan agenda should move 'beyond aid' to a broader set of policy coherence concerns.

Rethinking the case for aid: value for money, fragility, and global public goods. One legacy of the economic crisis in donor countries, and the growing awareness of a changed global development map, is greater public scrutiny of the results achieved by aid and increasing challenges to its focus and time horizon. This often takes the form of a heightened results and 'value-for-money' culture, which is – on the face of it – consistent with the Paris results management principle. By trying to attribute outcomes more closely to external support, however, this priority can come into tension with the cardinal Paris Declaration principle of country ownership, which receives less emphasis in recent donor statements.

Public opinion – not just in donor capitals – also asks increasingly searching questions about the trajectory for aid and the prospects for reduced aid dependence over time, foreshadowing smaller but catalytic development programmes in country contexts that are making rapid progress. In line with the shifts in world poverty discussed above, this discourse also argues for

greater concentration of aid on fragile states and other situations where growth may be stalled or threatened, including by climate change – the situation in most low-income countries. Finally, the case for investment in global public goods, notably measures to respond to climate change, where the underlying motivation differs from, but reinforces, development aid, is stronger than ever. We return to this topic later.

The next section looks at what the aid effectiveness process has achieved against the standards it set itself. We return later to some of these missing pieces and missing actors, as well as key original policy areas where progress needs to be accelerated.

Results of aid effectiveness: real progress, but slow and uneven

In this section we look, first, at what the core aid effectiveness (AE) compact was intended to achieve, and how, against its key proposition, developing countries kept their side of the bargain better than aid donors. We then look in more detail at what the evidence, especially the Paris Declaration monitoring process, tells us. Finally we look at some of the work in progress since Accra (2008) and discuss a key challenge: the need for the entire AE agenda to recapture political potency and visibility.

What was the core aim? The AE framework, particularly the Paris Declaration, has five pillars or principles, intended as mutually reinforcing:

- Country *ownership* (of development strategies)
- Donor *alignment* (to country strategies and their delivery systems)
- *Harmonisation* (of processes and assessments, across donors)
- Management for development *results* (by everyone) and
- *Mutual accountability* (of donors and their partners) for the above.

At their core is a political compact whereby 'if you build it, we will come'. If countries take the lead on establishing priorities and adequate delivery and accountability mechanisms, donors will use these as the basis for their support, and remove or cut back on other requirements. The terminology is stilted, and the model aid relationship this framework describes is idealised and sanitised of real-life political complications on both sides. There have been several subsequent extensions, notably the Accra Agenda's emphasis on greater transparency and predictability.

But the core deal stands, is readily understood, and sets high expectations. In addition, the independent Paris Declaration evaluation report (Wood et al., 2011) finds these commitments, if implemented, are definitely relevant to improving aid quality and impact. Standards of partnership are rising, and developing countries can use them as leverage in their individual negotiations.

The bottom line of the evaluation and progress

reporting to date, against this core compact, is that developing partner countries have delivered on their part of the bargain to a significantly greater extent than donors, within a general trajectory that is too slow and uneven.

What is the evidence? A distinctive feature of the AE process is that these five sets of principles and associated behaviours (particularly the first three) were converted to 12 specific progress indicators, for which baselines and target rates of improvement were set in 2005 for 2010. They were then surveyed across a large range of countries on two occasions, the first in 2008 and the last just a few months ago.

This measurement process has proven a double-edged sword. On the one hand, specific, time-bound and quantified targets certainly focus political accountability – a point we will revisit when looking at what happens post-Busan, as no arrangement to extend this monitoring beyond 2011 is yet agreed. While progress on several indicators has proven disappointing, progress on AE commitments not backed by any monitorable indicator is much harder to pin down and, therefore, less politically visible.

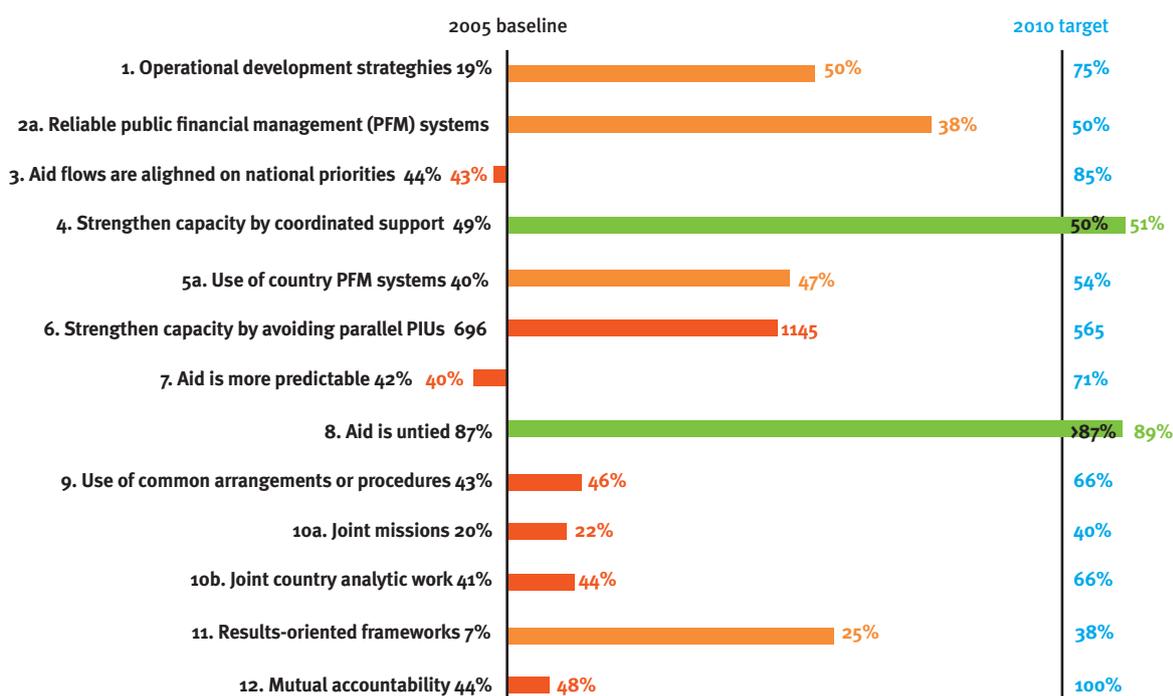
On the other hand, the indicators can be unreliable guides to real progress on AE, for different reasons. One is that they are still too focused on efficiency (on transaction costs of aid processes especially) and not enough on effectiveness (development impact). However, there is virtually no evidence from the country studies of the Paris Declaration evaluation (Wood et al., 2011: 29) that harmonisation of donor processes leads to substantial savings either for them or their country partners, and some evidence to the contrary.

A second reason is that there were understandable short-cuts and proxies used at the outset to frame indicators or assign assessment roles that may not stand up to close scrutiny. For example, the proxy for country ownership (operational development strategies) is rated by the World Bank, based on its required internal review of a government strategy document from a different perspective. These documents are presented periodically by all low-income countries as a formal condition of access to the Bank’s concessional funding. A third-party review based on other evidence would be preferable, though harder to organise.

Beyond the indicators, however, an impressive array of other material has been assembled to assess the AE process as a whole, including specific country studies involving extensive interviewing. More than 60 developing countries volunteered for this, implicitly ‘voting with their feet’, or rather their time, on how important these issues were for them. This bears re-emphasis from the international community: Paris-Accra is not a ‘paper tiger’ in its intent; if implemented fully in its key respects, it would still make a real difference.

Paris Declaration. As the traffic lights of Figure 1 suggest, progress across the core AE agenda has been disappointingly slow (few greens), uneven (amber) and sometimes quite inadequate (reds), by the standards the signatories of the Paris Declaration set themselves voluntarily. Ownership – a developing country responsibility – has progressed furthest, well beyond alignment and harmonisation, where the prime responsibility is with donors. Mutual accountability and managing for results have seen the least progress.

Figure 1: Have the 2020 targets been met?



Source: OECD presentation ‘Evaluation and Survey Findings’ given at the plenary meeting of the Working Party on Aid Effectiveness, July 2011.

This asymmetry between country and donor performance looks paradoxical, in that donor commitments (such as relying on national accounting systems or reducing the number of stand-alone project management units) appear less demanding than those undertaken by developing countries. Moreover, donors were assumed to have greater capacity in aid management, relative to their partner countries, from the outset.

The evaluation associates this lack of donor progress with a lack of underlying institutional change at individual donor level, and insufficient incentives for staff and managers to change fundamental attitudes affecting AE at their end. The most frequently cited example concerns attitudes to risk implied by the increased use of country systems. Donors may want – at some level – to encourage their use, both because they are committed to do this in principle, and because they understand that national capacity will not be transformed unless calculated risks are taken on both sides to demand more of that capacity. But donors' own internal systems and control cultures, reinforced by zero-tolerance public attitudes to aid failures, exert a powerful pull in the opposite direction.

Accra Agenda for Action and beyond. Although more recent, and not benchmarked, monitored or evaluated as systematically as Paris, progress on the additional commitments made at Accra in 2008 tells a similar story. The central planks of Accra are greater transparency and predictability of aid and improved donor division of labour. The aid transparency agenda has attracted most attention, mainly through the concurrent International Aid Transparency Initiative (IATI), benefitting from the endorsement of a growing sub-group of development actors and their recent landmark agreement on a common data standard. There are big potential gains to be reaped from this ambitious vision, if adopted widely and consistently enough, as discussed in the next section.

Little progress has been made on predictability, in particular on the commitment 'beginning now' (i.e. in 2008) for donors to share their non-binding aid plans with partner countries several years ahead. The data are collected regularly and could be shared easily in real time, but some donors still feel uncomfortable releasing them.

There have been some significant improvements on division of labour at country level in the reduction of the dispersion of aid efforts across sectors. However fragmentation of aid across countries, as pointed out earlier, is actually worse now than in 2005. The related problem of under-aided countries, which is a collective allocation issue across the aid community referenced in the Accra Agenda, has yet to be tackled. These are essentially political issues, as the technical tools to measure these problems and track solutions have been developed and discussed in detail since 2008.

Less technical detail, more political clarity. A plausible cross-cutting criticism of the entire aid effectiveness industry of the past decade is that it has become

more bureaucratised, more jargon-laden, and less politically inspiring than it should be, even though it covers only part of the development challenge. AE efforts are also now dispersed over too many areas of potential progress, of unequal value. Some of these, like harmonisation, are at best a means to an intermediate end like reducing costs, not fundamental development challenges that if tackled immediately would improve peoples' lives.

So the international community needs to prioritise its efforts even within, as well as beyond, the bounds of aid effectiveness. AE efforts also need to be tailored to very different country contexts, especially fragile states, where attempts to replicate an overly mechanical agenda may absorb too much already scarce attention. The Busan outcome statement will, therefore, need to tread a fine line between greater simplicity and immediacy, yet have sufficient relevance to a wide range of stakeholders and contexts.

The next section examines remaining challenges and new issues that need to be addressed in Busan.

Remaining challenges and new issues

To build consensus and policy action on aid effectiveness issues, development partners from both sides should address the following six questions at Busan.

- How – not whether – to include non-DAC actors and non-aid flows, and promote differentiated country treatment and South-South cooperation?
- How to accelerate adoption of a new standard on transparency?
- How to bridge the mutual accountability gap and devise a common approach to joint risk management?
- How to reform the multilateral 'architecture' to promote independent facilitation, mediation and peer review?
- How far to go 'beyond finance' to broader policy coherence?
- Who is responsible for all of this after Busan?

Inclusion of non-DAC actors and non-aid development flows. There is no perfect recipe for co-opting newer sources of development cooperation into an aid effectiveness agenda they did not actively help to frame, and which does not integrate their perspective. Part of their unease is the result not of the substance of the effectiveness agenda but rather the OECD label, associated with a historically exclusive group under whose loose mandate is now being developed by a much wider group of stakeholders. Conversely, there are risks in re-formulating existing Paris-Accra commitments in ways that might dilute them for their original signatories, under the guise of making them more acceptable to a wider group.

Similarly, there is an obvious need to link aid (narrowly defined as ODA or including other official flows) to the bigger spectrum of development finance,

including from private foreign sources as well as domestic financing, and their associated processes and institutions. And yet, there is a parallel risk of drowning an already complex discussion focused on a few aspects of development cooperation in a sea of other policy challenges, from trade to migration to foreign investment and beyond. As a minimum, there should be an obligation for Busan to show how aid complements these other flows.

In terms of who subscribes to what, the leading, but by no means agreed, option is arguably a ‘common but differentiated’ framework, i.e. a tiered arrangement whereby all parties sign up to a single core set of principles, then subsets of participants also make (or re-state) specific undertakings appropriate to their situation. The common set of principles could cover all development finance, and would be at fairly high level, enshrining principles like transparency, complementarity, mutual learning, public accountability and adherence to human rights (Glennie and Rogerson, 2011). These terms would all need subsequent elaboration, but would become a crucial common reference after Busan.

Transparency: one minimum standard, but whose?

There is considerable momentum behind IATI especially in civil society. Recent advances in information technology have enabled real-time consolidation of multiple data sources, obviating the need for large central databases. This approach depends on a common data standard for consistency, and one exists for aid, developed recently by IATI. A few donors, including the UK Department for International Development, are already web-publishing their data to this standard, and others are committed to do so. The US, not a signatory of IATI, has adopted a compatible but parallel transparency approach. In principle, so could many others.

This recent progress on transparency needs to be capitalised through a political process whereby all actors can adopt compatible but not identical standards. Busan could boost momentum by making universal the commitment to publish relevant data on aid, but also on national budgets and other development finance, in sufficient detail and quality, referencing such a common standard. Politically, care is needed to separate membership of IATI as a multilateral organisation, which is discretionary, with the universal adoption of a technical standard equivalent to the one developed by IATI, which Busan could mandate. The latter approach begs the question of who judges this equivalence if the entity making the commitment is not an IATI member. Nonetheless it provides a useful basis for moving forward. The time-frame for implementing any such commitment would also require flexibility and in some cases, external support to build the capacity to meet the standard.

Mutual accountability: an additional recourse? It is no surprise that progress on mutual accountability lags behind other AE areas. There have been local successes with joint assessments and other experiments to promote better dialogue and partnership, but this

is not the norm. Real-life power imbalances between needy clients with few alternatives and rich patrons with many can make two-way accountability difficult to enforce, if at all.

An intermediate approach to ease the logjam on mutual accountability is suggested in the Paris evaluation report, and has been suggested separately by the Commonwealth Secretariat (2011). This involves using third-party facilitation and mediation and could take one of several forms at three levels.

At the country level, for example, these parties could facilitate national accountability workshops, to lobby for and catalyse change in a non-confrontational setting. At the regional level, peer review mechanisms could look across country cases, drawing in more senior players in the relevant agencies. At international level, countries who feel their concerns have not been taken up adequately could use such parties as mediators to, for example, carry messages to the headquarters of the relevant sources and try to seek consensual resolution. This experience could be consolidated in an ombudsman-type function at the regional and/or global level. Obviously, much depends on the skills and credibility of the third-parties selected, and the mandate they are given, which these options merely illustrate.

Also linked to the challenge of mutual accountability are new approaches to **joint risk management** that could overcome donor disincentives to use country systems. If perceptions of risk by donors are at the root of the lack of incentives for them to use country systems, as suggested above, then a more direct approach to recognising and mitigating these risks may be a way forward. As a minimum, the idea is that both sides have a candid discussion on the risk profile of an aid-funded programme, if only to isolate where it is subject to remedies within the parties’ span of control (such as improving financial systems) and where not. This requires separating risk that can be managed jointly from unilateral lack of trust, which is not unknown in aid relationships, but absent from the stylised Paris model.

Similar considerations underpin so-called results-based financing; especially cash-on-delivery (COD) funding (Birdsall et al., 2010). The idea is that donors take off the table those financing risks borne by the host country but imposed by donor behaviours in conventional aid. At the same time, countries would assume the full implementation risk, redirecting resources freely in whatever way they think will deliver results. This, in turn, would trigger aid payments. This type of contract may not be as good for both sides as a locally negotiated risk management solution, but it provides a powerful clarification of roles and responsibilities.

Multilateral development architecture: should and can it be fixed? Another remaining question-mark around Busan is whether there should be some reform of the sprawling architecture of multilateral aid, especially the overlapping mandates and increasingly narrow earmarks of so-called vertical funds, active in

health and climate change in particular. The Accra Agenda for Action, for example, urged signatories to think twice before creating any new mechanisms of this type. And yet many more have in fact been created since 2008. This is important to many developing countries as proliferation and fragmentation can put pressure on capacity-constrained developing countries.

If overall aid volume is now assumed to have stopped growing rapidly, such new constructs can only be created or expanded at the expense, in large part, of regular country-based aid programmes. Yet, quite unlike the intent of Paris, these funds operate for the most part without a country presence and few have planned country allocations at all. They make decisions on the basis of periodic cross-country assessments of funding proposals, whose results are often unpredictable. This means that developing countries need to be more closely involved in decisions to create and expand new constructs, conscious of their benefits but also potential costs and risks.

The main open question is whether such a complex process is politically as well as technically manageable (uncertain); and if so by whom; and on what time frame (well beyond Busan?).

Understanding that **climate change funding**, as defined in the Copenhagen Accord for example, follows a different logic from development co-operation does not mean that aid effectiveness lessons are not relevant to that wider context. This is true even if all public international funding of climate change action is genuinely new and additional with respect to development aid, despite the high degree of intrinsic purpose overlap between the two and the lack of obvious alternative fiscal sources to ODA in the short term. Stripped of the 'aid' tag, however, many lessons from the Paris process, on the importance of integration with country priorities and delivery systems in particular, deserve to be taken up in earnest by designers of climate change financing instruments.

Beyond finance to policy coherence? This is a specific illustration of a larger issue: how much should Busan expand the agenda well beyond aid (and beyond development finance), to other policy coherence areas within a joined-up approach to development, in particular trade, investment, migration and climate change? What can the design of new funding mechanisms – whose logic is not an aid one – learn from the AE experience? So, for example, regional integration arrangements, such as those of the European Union with the African, Caribbean and Pacific (ACP) groups of countries, often combine expanded trade access and financial aid, meaning that funding flows must be understood in that wider context, not in isolation. The same obviously applies with migrant remittances and the opening up of external labour markets, or encouragement of foreign investment in relation to domestic and international tax policies.

There is, however, a risk that attempts to expand

into all these areas could distract attention from fulfilment of outstanding and specific AE commitments. They could also encroach on policy areas outside the expertise of many of Busan's participants, for which competent discussion fora (G20, UN, etc.) already exist. Clearly a balance needs to be struck.

Post-Busan monitoring and governance responsibilities. There is an emerging consensus that the Paris progress monitoring process has been valuable and is appreciated by developing countries, in particular, as a tool to hold parties to account. It is also recognised that it should be streamlined and focused on fewer indicators on the essence of results at country level. One or two new areas – such as fulfilment of transparency pledges – may also need to be included. Responsibilities for collecting information should be devolved to countries themselves, and their local group of external partners, as far as possible. How feasible is this, and what would a minimum set of indicators look like?

A final question surrounds who should take the institutional lead after Busan on a re-invigorated, and hopefully more inclusive, development effectiveness agenda, given that the main default choices today are UN and OECD-based?

The machinery of the Working Party on Aid Effectiveness, hosted in Paris by the DAC but with over 80 members from a wide range of stakeholders, is unwieldy. It has, however, found a balance between effectiveness and inclusion that has kept the AE agenda moving forward gradually, albeit at a relatively low level of political visibility and buy-in.

Has this arrangement now outlived its usefulness in a changed international context? Its obvious, if largely cosmetic, dependence on a 'donor club' sends mixed signals, especially to new development actors. The logic should be that the DAC is just one constituency within a much broader international partnership, not that the latter is in any way a subsidiary of the former (Killen and Rogerson, 2010).

The alternative option for a continuing forum on development effectiveness, into which the processes and support structures of a streamlined Working Party could be spun progressively, is clearly the UN: specifically its Development Cooperation Forum (UN-DCF). This has clear legitimacy and a universal mandate. It lacks resources, which could presumably be found through consolidation with the Working Party, and it would need to capture more interest by decision-makers right across the development community. They may be deterred now partly by the diffuse nature of the UN reporting processes into which the DCF feeds its information, and partly by competition from the OECD/DAC Working Party itself.

The final section highlights six selected areas that have been identified as important and timely in this Background Note, and where Commonwealth and international community input to the Busan process seems particularly relevant and feasible.

Policy recommendations

Development cooperation actors, especially Commonwealth countries, should prioritise action in six areas in Busan.

- 1. Promote differentiated treatment, South-South and triangular cooperation.** Parties to Busan should underscore the importance of a new development compact that differentiates according to country context and integrates the perspective of South-South cooperation. The Commonwealth is particularly well placed to accelerate this approach through ‘triangular’ cooperation arrangements and to bring this learning to Busan.
- 2. Model a new international compact on transparency.** Participants should build agreement on the principle of adopting a minimum common standard for development finance transparency. Parties to Busan should not only state this principle, but also demonstrate intent by adopting an IATI-equivalent standard (but not requiring new countries to join IATI).
- 3. Devise a common approach to shared risk management.** Parties should agree the main elements of a new approach to shared risk management at country level, which could be tested in volunteer pairs of countries/partners.
- 4. Promote independent facilitation, mediation and peer review mechanisms.** Parties to Busan should agree on the core mandates of third-party facilitation

for mutual accountability, at country level and preferably regional and/or international level. They should discuss what role institutions such as the Commonwealth, the UN and regional organisations should play as arbitrators or ombudsmen in support of such efforts.

- 5. Identify critical post-Busan monitoring areas.** Parties to Busan should identify the minimum set of indicators, based on what they see as critical areas for commitment post-Busan, on which they would strongly support country-level monitoring and periodic international review.
- 6. Integrate aid effectiveness principles and climate change.** Climate change negotiators should be urged to integrate the positive lessons of aid effectiveness, especially the paramount importance of external funding being anchored in national strategies and integrated in national delivery systems, in the design of future climate change financing facilities, especially for adaptation in vulnerable states.

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