

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

Working Party on Aid Effectiveness

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

Proposal by the Co-Chairs

7-8 July 2011

This first draft of a Busan outcome document is presented by the Co-Chairs for discussion. It builds on the Menu of Options (DCD/DAC/EFF(2011)1) and a first narrative for an outcome document discussed by the Executive Committee of the WP-EFF. Key components of the partner country Position Paper are drawn on throughout. The draft aims to stimulate discussion within the WP-EFF and act as a starting point for negotiations, which should lead to a shorter, clear, actionable and politically owned document.

The document is structured as follows:

- i) Political preamble / core manifesto - emphasising clear political messages and engagement.*
- ii) Actions on development co-operation - emphasising implementation.*
- iii) Actions relating to the broader development effectiveness agenda - emphasising implementation.*
- iv) Governance arrangements and oversight beyond HLF-4.*

The draft proposes language to reflect emerging consensus where possible, and in other areas is annotated with boxes containing items to help guide discussions around specific themes and commitments. These items are by no means exhaustive. WP-EFF delegates are invited to formulate commitments and propose these during the plenary meeting.

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JT03304441

BUSAN PARTNERSHIP FOR DEVELOPMENT EFFECTIVENESS (WORKING TITLE)

1. We, Ministers of countries responsible for promoting development – as providers, beneficiaries or both – with Heads of multilateral and bilateral development institutions [...]

Box 1 – For discussion – Who endorses the outcome document and who enters into commitments?

Consideration needs to be given to *who* will endorse and “own” the outcome document / who enters into commitments.

Possible options (by no means exhaustive):

- a) Endorsement by ministers and heads of international organisations *only*.
- b) Endorsement by ministers and heads of international organisations, making explicit reference to participation of non-state actors (civil society, parliamentarians, civil society) and their broad agreement.
- c) Endorsement (implying also commitment) by ministers, heads of international organisations, representatives of civil society, the private sector and participating parliamentarians.
- d) Where negotiations point to different levels of ambition (*e.g.* across different groups of development co-operation actors), subsequent drafts could be structured to make a distinction between areas of consensus between all actors, and those principles or commitments that are adhered to by a smaller group (*i.e.* forms of common and differentiated responsibilities).

The need for a new paradigm and new partnerships in international development co-operation

2. We now find ourselves at a critical juncture in the global development paradigm. The target year for the Millennium Development Goals is only three years away and achieving strong, inclusive and sustainable growth in developing countries remains a shared and urgent challenge. International development co-operation has achieved many positive results, but we realise that we can and must act more effectively, developing new partnerships and ways of doing things to support sustainable and transparent results for all. This is not a time for complacency, but for a political agenda on broad co-operation and development effectiveness.

3. The world has changed profoundly since traditional development co-operation began over 60 years ago. We now urgently need to scale up our efforts, and increase their effectiveness and ability to leverage sustainable change. We need to strengthen co-operation between and with countries at different stages of development through new partnerships; engage the private sector, knowledge institutions and civil society fully, and expand our efforts through new financing modalities, investment and knowledge sharing. In Paris and Accra, many countries and organisations reached consensus on principles and actions to make development co-operation more effective.

4. We now commit to strengthen and modernise the development effectiveness and co-operation agenda, involving more actors and partnerships in a compact with both common and differentiated responsibilities. Development co-operation is not only about North-South. It is equally South-South, and South-North, with lessons to be learned by all who participate in it. Development co-operation should not be about blueprints or “one-size fits all” approaches – it can only be based on the ownership of the states and citizens concerned, and depends in turn on their effectiveness. Partnerships for development can only

succeed if they are country-based and encourage differentiated approaches catering for diverse country situations and specificities. Together, we must manage the risks and opportunities of our development policies. In Busan, we agree to build on a new global development partnership that embraces diversity and different responsibilities based on a common set of development effectiveness and co-operation principles that relate to both traditional and innovative forms of development finance. We will develop a limited set of indicators and targets and be monitored against them to ensure that we make the progress that is needed.

5. This political agenda for effective co-operation and development is central to our efforts to tackle global challenges such as climate change, the economic downturn, food and fuel price crises, and fragility. We recognise that we will only succeed by paying greater attention to the impact, effectiveness, results and transparency of our common efforts to address these issues and invest in global public goods. Poverty remains the central challenge and we strengthen our resolve to eradicate it, promoting inclusive, sustainable growth and reducing the large inequalities within and between our countries. The success of our collective efforts will only be proven when the people who live in poverty are able to see, evaluate and sustain the progress to which our partnerships have contributed.

6. Development co-operation is only part of the solution – but an important one in many countries and situations. Public funding for development should play a more catalytic role in supporting poverty reduction and economic development. We reaffirm our respective commitments to scale up development co-operation. We also recognise that this financing is only one element of a broader landscape of actors and approaches that support development, beginning with the resources of developing countries themselves. We welcome the opportunities presented by diverse approaches to development co-operation, and will work together to build on the achievements and innovations supported by new partnerships, and appreciate their unique characteristics and respective merits.

7. Those of us who committed to implement the principles and actions set out in Paris Declaration and Accra Agenda for Action recognise that although progress has been made – and time is needed to implement commitments at the country level – it has not been 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 in many developing countries, and have made a contribution to development results. Efforts by developing countries to assert ownership over their own development have advanced farthest. Uneven progress has been made towards greater alignment and harmonisation, and challenges remain with regard to management for development results and mutual accountability. But we recognise that there is no going back – we must sustain high-level political engagement as we take stock of progress and agree on future directions for the implementation of our respective commitments.

8. We reaffirm our respective commitments and will implement fully the actions to which we have subscribed. Going forward, we will focus on:

- a) Tracking concrete and sustainable results, and scaling them up.
- b) Deepening, extending and operationalising efforts to advance the principles of inclusive ownership, transparency, predictability and mutual accountability; implementing a priority set of country-led and coordinated actions in these areas.
- c) Adapting in a flexible manner to diverse country situations (including in fragile states) and advancing mechanisms to strengthen trust in sensitive areas such as country systems and corruption.

- d) Close cooperation across a range of stakeholders to implement and monitor these priorities, including providers of concessional finance, providers of regional, south-south and triangular co-operation, private actors, civil society and parliamentary organisations.

9. We realise that aid should not last indefinitely. Over time, we should reduce aid dependency in a phased manner, always taking into account the consequences for the poorest people and countries. Policy coherence for development is a key component in this process in order for countries to make full use of the opportunities presented by international investment and trade, and by expanding their domestic capital markets.

10. As we partner to support the achievement of development results, we will take steps to facilitate, leverage and strengthen the impact of the large sources of finance that can 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. In volume terms, development finance from these sources far outweighs resources channelled through traditional development co-operation. New financial instruments, technology and knowledge transfers, and public-private partnerships are urgently called for. We therefore commit to:

- a) Enhance our efforts to leverage increased and more predictable flows of development finance going beyond traditional development co-operation, and fostering transparency of these flows and their impact on developing countries.
- b) Integrate – where possible and appropriate – new forms of financing and opportunities to leverage these in our national and international policies and strategies.
- c) Develop – in close cooperation with all concerned actors – appropriate indicators and targets to monitor efforts alongside our monitoring of development co-operation, identifying and applying lessons learned.

11. We commit to the following specific actions while acknowledging the common and differentiated responsibilities of all public and private actors.

Key commitments for implementation, accountability and monitoring

Ownership, results and accountability

12. Ownership and self-development form the common core of our development partnerships. We encourage leadership by developing countries as they work to realise these priorities, consistent with international agreements on human rights, decent work, gender equality and disability.

13. We will partner to invest in states as legitimate and responsive actors in development. We recognise the state's enabling role for development, going beyond the delivery of services that have a short-term impact on the wellbeing of populations. We also stress the state's accountability primarily to its own taxpayers and voters and its responsibility to invest in strengthening its institutions and capacities. To this end:

- a) Developing countries will lead in articulating needs and providers of co-operation will support developing countries in the implementation of agreed plans.

- b) Providers of co-operation will refrain from pursuing supply-driven technical assistance and respond to demand-driven and needs-based initiatives, recognising that capacity development encompasses both institutional and human resource development.

14. Translating our efforts into development results is critical to meeting the needs and aspirations of the citizens of developing countries. 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 emphasising easily achievable targets will not suffice. Developing countries will lead in efforts to improve management for development results, in consultation with intended beneficiaries.

15. We will partner to measure and communicate the results of developing countries' efforts – including those supported by development co-operation – more effectively. *[To this end, we will ...]*

Box 2 – For discussion – Possible actions on results

Consideration needs to be given to concrete actions relating to results management and measurement.

Possible options (by no means exhaustive):

- a) "Developing countries will adopt results-based management approaches and design appropriate tools (planning, budgeting, implementation and monitoring and evaluation) to mainstream results-orientation in key public sector management activities."
- b) "Developing countries will lead in defining a limited set of indicators to monitor progress towards development objectives, consulting with providers of development co-operation as they do so."
- c) "Country-led results frameworks and platforms will be adopted as common tools used by providers of development co-operation, who commit to avoid imposing additional frameworks, objectives or performance indicators on developing countries."
- d) "We will collaborate to develop capacities for results-based management, including statistical capacities, with co-operation being needs-based and demand-driven."

16. Accountability to citizens and taxpayers is crucial. For the policies promoted by states to be effective, they must respond to the needs and aspirations of citizens in developing countries. Parliaments play a critical role in linking citizens with government, and in ensuring broad-based ownership of countries' development agendas. Civil society organisations also play a role in shaping development policies, overseeing their implementation, and providing services in areas that are complementary to or go beyond those provided for by states. To this end, we will [...]

Box 3 – For discussion – Principles and/or commitments on ownership and accountability beyond the state

Consideration needs to be given to the broader aspects of ownership, considering state-citizen relations and key institutions for oversight and accountability.

Possible items for inclusion here (neither exhaustive nor mutually exclusive):

- a) Commitments on strengthening parliamentary processes, which could include joint commitments on ensuring adequate funding of parliaments; promoting the independent character of parliaments; efforts to ensure involvement of parliaments in institutional reform, budget transparency, oversight, monitoring, and the establishment of policy priorities; initiating and supporting efforts to develop appropriate capacities for parliaments to fulfil their roles and mandates – clear actions should be proposed. Development co-operation in this area must be based on developing countries' own plans.
- b) Commitment to principles and/or actions on the role of civil society, which could include the legal, political and regulatory environment in which CSOs operate; reference to freedoms and/or rights; legitimacy of CSOs as beneficiaries and partners in development co-operation, with parameters for this (e.g. transparency).

Transparency and predictability

17. Transparency on development co-operation and results is crucial to support the efficient allocation of resources for development, and to ensure accountability to our citizens and parliaments. We will work to improve the availability and public accessibility of information on development co-operation and other development resources. To this end, we will:

- a) Make all relevant information on our activities publically available.
- b) Focus, at the country level, on establishing transparent aid management information systems which capture all forms of development co-operation, and strengthen capacities among all stakeholders engaged in development co-operation to make better use of information in decision-making and to promote accountability.

Box 4 – For discussion – Principles and specific commitments transparency and information sharing

Are there common principles on making information on development co-operation available that all parties could agree on? What specific, actionable commitments are desirable in this area, and where might commitments be different across groups of stakeholders?

Possible items for inclusion here (neither exhaustive nor mutually exclusive):

- a) Consensus on global principles and specific commitments on access to information relating to development co-operation.
- b) Consensus on global principles and specific commitments on access to information on other forms of development finance, which could include domestic revenue and public expenditure information, private flows, and other official flows.
- c) Agree on, further develop and adhere to (an) international standard(s) for the provision and exchange of information on development resources – including those provided through development co-operation – that make(s) timely, relevant and sufficiently detailed information available for use by all stakeholders.

18. We will forge predictable partnerships for development. When the resources provided through development co-operation are volatile or are prone to unexpected reductions or delays, the consequences for development programmes can be devastating. Poor predictability hampers effective planning, budgeting and in turn efficient investment in the policy priorities of developing countries. To this end:

- a) We stress that indicative information is better than no information. We note the renewed commitment of donors that endorsed the Accra Agenda for Action to implement fully their commitments relating to medium-term predictability, making concerted efforts to apply multi-year timeframes for providing indicative information on future spending to developing countries on a rolling basis.
- b) 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 step up efforts to reduce fragmented co-operation in developing countries and at the international level. Just as the diversity of our partnerships can bring opportunities and scope for innovation, the proliferation of actors and mechanisms for co-operation can bring challenges for developing countries in the effective management of development co-operation. Fragmentation needs to be addressed jointly. While there is no single preferred approach to this challenge, developing countries will lead in consultation and co-ordination efforts to agree on effective actions at the country level. We commit to reduce fragmentation without a reduction in the resources available to support development in any given country.

Box 5 – For discussion – Principles and specific commitments on fragmentation

Are there common principles on fragmentation that all parties could agree on? What specific, actionable commitments are desirable in this area, and where might commitments be different across groups of stakeholders?

Possible items for inclusion here (neither exhaustive nor mutually exclusive):

- a) Commitment to implement / accelerate implementation of the International Good Practice Principles for Country-Led Division of Labour and Complementarity.
- b) Commitment to advance efforts to identify orphan states and monitor development co-operation flows with them.
- c) Commitment to monitor fragmentation and proliferation of development co-operation at the global level and agree on targets to reduce or manage fragmentation.

20. We recognise that using developing countries' own systems as a means of financing and implementing activities can bring significant benefits. To this end:

- a) We note the renewed commitment of partner countries and donors that endorsed the Paris Declaration on Aid Effectiveness and Accra Agenda for Action to accelerate the implementation of their commitments on both the quality and use of country systems as the first option for delivering aid for the government sector.
- b) Both developing countries and their co-operation partners will collaborate actively to achieve mutually acceptable systems, building on progress made to date. Rules, procedures and approaches to risk assessment and management will be reviewed to support the implementation of existing commitments. This includes efforts to phase out parallel project implementation units, replacing them with investment in developing countries' own systems.

21. *[Principles on multilateral channels, “vertical” funds and global programmes...]*

Box 6 – For discussion – Multilateral channels for co-operation, “vertical” funds and global programmes

Few suggestions relating to *channels* for development co-operation, and in particular on the role and effectiveness of multilateral organisations and global programmes have featured in WP-EFF dialogue to date. How should the Busan HLF address these?

Possible items for inclusion here (neither exhaustive nor mutually exclusive):

- a) Agreement on a charter or set of guidelines to limit the proliferation of and improve the impact of vertical funds and global programmes. Such guidelines would need to draw on a portfolio management approach in which each fund or programme is required to meet certain performance standards. Where standards are not met, there are clear rules for exit or consolidation.
- b) Agreement to improve division of labour on a thematic basis and on different issues between multilateral institutions, and coherent policies across these institutions on issues including openness, transparency and participation in donor consortia.

Promoting sustainable development in situations of conflict, fragility and vulnerability

22. 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 important linkages between our respective security, state- and peace-building, humanitarian and longer-term development and poverty reduction objectives. Partnership in and with fragile and conflict-affected states and situations requires our special attention and tailor-made approaches. To this end, we will:

- a) Strengthen and draw on nationally-led assessments of the features and degrees of fragility as a basis for national strategies and plans.
- b) Work together to increase space, leadership and support for inclusive political dialogue to develop a national vision, manage conflict peacefully and build confidence in the state.
- c) Define country-level agreements (or compacts) between the governments of developing countries and their international partners to define joint priorities, targets, measures of progress, and ways to manage risk.
- d) Elaborate a new approach to deliver international assistance to fragile states which generates results aligned with peacebuilding and statebuilding objectives, is more transparent, flexible and effective, and strengthens (rather than duplicating) national capacities and systems.

Box 7 – For discussion – Principles and/or commitments on conflict, fragility and risks

Significant interest has been expressed within the membership of the WP-EFF and through the partner country Position Paper in according greater priority to the issues of development effectiveness in situations of fragility, including in conflict-affected states. The points outlined above are drawn from initial consensus among G7+ countries and their international partners (International Dialogue, Monrovia, June 2011) and will need to be worked out in more detail.

Strengthening the impact of development co-operation on broader development processes

Box 8 – For discussion – Structure and positioning of the larger development effectiveness agenda within the outcome document

The WP-EFF should consider whether this section should precede the section on development co-operation (*i.e.* restructure to insert the paragraphs that follow at the current paragraph 12) in order to stress this broader and new agenda at the outset, or place it in its current position (*i.e.* following discussion of issues that relate more narrowly to the quality of development co-operation).

23. Development is a common concern. Our co-operation must play a catalytic role, facilitating, leveraging and strengthening the impact of all sources of development finance on growth and the eradication of poverty. This includes taxation and domestic resource mobilisation, private investment, aid for trade, philanthropy, non-concessional public funding and climate change financing. We commit to implement actions that strengthen the impact of all development finance, and will monitor our efforts in this area.

24. Development co-operation is important, but it is ultimately a means to an end – phasing out traditional aid will require new partnership models, placing even greater emphasis on other sources of development finance and their sustainability. Developing countries need to outgrow dependence on aid by making full use of the opportunities presented by international trade and investment and by expanding their domestic capital markets.

25. To deepen the impact of our policies and efforts on broader development, we will:

- a) Collaborate to further enhance the role of the private sector as an engine of growth, strengthening the environment within which it operates at both the country level and internationally.

- b) Enhance public-private co-operation for development, grounding this in developing countries' policies and strategies, and drawing on lessons learned and international best practice.
- c) Draw on important lessons on the effectiveness of development co-operation to support the design and implementation of vehicles for providing climate change financing to developing countries, recognising that these are a rapidly growing source of development finance that brings with it new opportunities and challenges.
- d) Recognise and promote aid for trade – an area in which development co-operation can bridge the gap between “traditional” approaches to co-operation and those that help to harness developing countries' own resources and potential for sustainable growth.
- e) Make fuller and more appropriate use of instruments that blend concessional and non-concessional funding for development, harnessing public funding to leverage appropriate private financing.
- f) Promote, where appropriate, the use of triangular approaches to development co-operation (for example, by bringing together the expertise and resources of a range of co-operation partners to deliver effective social protection programmes appropriate to country context).
- g) Collaborate to promote greater coherence between our development co-operation policies and other policies (*e.g.* investment, migration, security, trade) that impact on development, monitoring our progress in this area.

Box 9 – For discussion

Clarifying actionable and monitorable Busan outcomes on broader issues of development effectiveness

More work is needed to clarify efforts and commitments that impact on the “broad context of development”. Busan should contribute to added value by seeking a new global compact based on more inclusive global partnerships and a commitment to development effectiveness and impact. As the host of HLF-4, Korea has indicated its ambition for an agreement that paves the way for a better framework for the future, with a view to “making development happen” globally.

The WP-EFF is invited to discuss the operationalisation of this central part of the agenda, focusing on concrete commitments and appropriate measures for monitoring success (*e.g.* monitoring of different types of resource flows and partnerships).

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

26. We recognise the urgency with which our commitments must be implemented. Beginning implementation of 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.

27. We will hold each other to account for making progress against specific commitments and actions. [*To this end, we will...*]

Box 10 – For discussion – Fostering global and country-level accountability

Stakeholders intending to endorse the Busan outcome document now need to discuss the desirability, feasibility and broad parameters of arrangements to monitor progress in the implementation of Busan commitments with the aim of supporting accountability and action at the country and global levels. Such arrangements must be strategic and light.

In particular, consensus would need to be reached before HLF-4 on:

- a) What should be monitored in broad terms (the details could be finalised after HLF-4).
- b) Agreement on how and at what level monitoring should happen, with an emphasis on both country-level approaches and identifying where global standards need to be agreed and where and how global accountability should be promoted.
- c) Commitment to a timeline for finalising monitoring arrangements and for the periodicity of monitoring.
- d) Governance structures and organisational arrangements, to include (i) identification of relevant political fora into which findings would inform dialogue and accountability, and (ii) mandating an organisation or entity to co-ordinate monitoring at the international level, producing credible analysis and providing support to participating stakeholders.

28. *[We will support implementation by / We will reconvene to...]*

Box 11 – For discussion – Future arrangements for governance and support

This set of issues has not to date been discussed in detail by the WP-EFF. Dialogue – and decisions – on appropriate structures and a global architecture to support implementation will be important in preparation for Busan.

Discussions over the coming months will need to consider:

- a) The need for appropriate structures to support the implementation of “unfinished business” by parties that endorsed the Paris Declaration and the Accra Agenda for Action.
- b) Principles on the need for actions that are felt at the country level, and that have limited and efficient structures for implementation (minimising bureaucracy and transaction costs).
- c) An appropriate forum / fora for standard-setting and political dialogue on development co-operation and the broader effectiveness issues agreed in the Busan outcome document.
- d) Reference to any other initiatives that may be implemented to support implementation of the Busan outcome (e.g. collective agreements endorsed by some – but not all – Busan participants). This could include, for example, principles for CSO effectiveness; standards governing private sector activities; specific agreements on south-south or triangular co-operation; standards or initiatives implemented by OECD-DAC providers of development co-operation).

Discussions around these issues could feature more prominently in the October 2011 meeting of the WP-EFF.

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