

# BACKGROUND

## HLF4 and the Future of the International Aid Architecture

The aid landscape has changed dramatically over the last decade. Economic shifts have made way for new and re-emerging donors. Civil society organizations have gained a greater presence than ever before in international discussions on aid. Philanthropy is in fashion and high net worth individuals are following the trend. Charting the activities of old and new aid actors results in an image that some have described as more akin to a bowl of spaghetti than a roadmap. The changing aid landscape raises serious questions about aid effectiveness and the future of the aid architecture.

The Fourth High Level Forum on Aid Effectiveness (HLF4), to be held in Busan, South Korea, November 29 – December 1, 2011, seeks to address these concerns. HLF4 follows the 2005 Paris Declaration on Aid Effectiveness and the 2008 Accra Agenda for Action, which aimed to improve aid effectiveness by establishing best practices for aid delivery. While new development partners have taken on greater roles, many have yet to officially endorse the Paris process, raising concerns about coherency and the need for greater coordination among old and new actors.

The Busan conference is an opportunity to establish a broad, inclusive global partnership for effective development cooperation that would bring new actors into the fold and establish common, but differentiated principles for all development partners. While the Paris process was largely dominated by members of the Organisation for Economic Co-operation's (OECD) Development Assistance Committee (DAC), Accra moved towards greater inclusivity by allowing greater participation from civil society, parliamentarians and providers of South-South cooperation. HLF4 is set to go one step further by providing a more prominent place at the table to new development partners. However, it remains unclear whether there is sufficient incentive for new development partners to engage and on what basis. It is also unclear what form the architecture will take. This background examines the challenges to achieving an inclusive aid architecture in Busan as well as the possible forms it could take.

### Architectural Challenge

#### *Fragmentation*

The development cooperation system is highly fragmented, involving a range of state and non-state actors that work alone and/or in concert through formal and informal channels. This fragmentation creates challenges for developing countries as they attempt to manage and coordinate various sources of development financing. It is also problematic for aid donors who wish to measure their individual impact.

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This background sheds light on key issues that will be the focus of discussions at the Fourth High Level Meeting on Aid Effectiveness (HLF4) taking place November 2011 in Busan, South Korea. It provides context about aid, those who deliver it and the challenges associated with international development cooperation in a changing global order.

It is part of NSI's ongoing work on the governance of the aid architecture (see <http://www.nsi-ins.ca/english/research/progress/75-1.asp>).



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Some members of the international community have sought to address this challenge through the establishment of aid effectiveness principles aimed at simplifying, harmonizing and coordinating aid flows, as seen in Paris and Accra. These principles also aim to support developing country ownership of development and help yield positive development results. While these efforts have been largely driven by traditional DAC donors, they have yet to foster extensive engagement from all new development partners. Non-DAC donors have been engaging in their own brand of development cooperation – South-South cooperation – for decades. However, their increasing role and influence within the aid architecture has prompted concern over fragmentation; commentators see shared principles and greater inclusion as part of the solution. Some non-DAC donors, such as China and Brazil, have engaged with the OECD led aid effectiveness process while others, such as the Gulf donors, have not. A key challenge for participants in Busan will be how to best include non-DAC donors to ensure coherency and greater aid effectiveness within the international aid and development architecture.

#### *Incentives*

Three questions remain as to whether the current aid effectiveness process offers the right incentives for new development partners to engage. Evaluations of the Paris Declaration have broadly revealed insufficient progress, especially in terms of changing DAC donor behavior. This raises doubts among new and old development partners as to the effectiveness of the Paris process in achieving better aid.

Secondly, non-DAC donors’ are a heterogeneous group whose development cooperation does not differentiate between aid as defined by the DAC and other non-aid components. Their cooperation is based on a history of South-South cooperation and principles such as mutual interest and benefit, as well as sovereignty, non-interference and non-conditionality. The differences between old and new actors have been presented as complementary in the lead up to HLF4 and therefore, as surmountable challenges to cooperation. However, this delicate framing may not survive the debates in Busan.

So far, the third draft outcome document includes commitments to information sharing, as well as mutual learning, which could help development actors overcome some of their differences. Nevertheless, global consensus on aid effectiveness may require some “letting go” of the aid effectiveness

agenda by DAC donors. At the same time however, greater inclusion may come at a cost, especially if it means cutting back on previous commitments to, for example, transparency and untying aid (both priorities for developing countries) in order to accommodate non-DAC donors. This possibility is especially concerning for actors keen on strengthening, broadening and deepening the agenda from aid to development effectiveness.

#### *Legitimacy*

The current forum leading discussions on aid effectiveness is the OECD-DAC hosted Working Party on Aid Effectiveness (WP-EFF), which was launched in 2003 and charged with monitoring progress on aid effectiveness until HLF4. While it is separate from the OECD-DAC, WP-EFF origins are in traditional donor preoccupations with effectiveness, which has raised questions around the legitimacy of the Paris process as a globally shared agenda. Indeed, the Paris Declaration excludes more than half of all aid to developing countries when the contributions of private foundations, NGOs, humanitarian groups and non-DAC donors are taken into consideration (Kharas and Linn 2008, p. 3), although some new development partners have signed on over the years.

Despite attempts by the WP-EFF to include more actors, such as civil society, and give broader representation to developing countries through, for example, North-South co-chairs, the issue of legitimacy has not been lost on members. In the lead up to HLF4, African countries, along with civil society organizations in BetterAid, have called for the establishment of a more “inclusive, compact and strategically-oriented monitoring mechanisms with strong Southern leadership and ownership” and are pushing for reform of global forums to move past “token inclusion of Africa” (NEPAD 2011).

#### **Proposed designs**

Given this context, participants in Busan face two key questions about the future aid architecture: What principles will inform the emerging aid architecture; and under what aegis should future discussions on aid effectiveness take place?

In preparation for the Busan conference, some experts have proposed reframing the organization of aid flows through an aid “ecosystem” approach, suggesting that a single architecture is impossible given the number of actors. They argue for a set of guidelines, responsibilities and accountabilities to

shape interaction among different groups (Kharas, Makino and Jung 2011, p. 15). One proposal is a tiered aid effectiveness system which would be based on the classification of donors according to their willingness to engage with Paris principles (Park 2010).

The approach taken in the third draft Busan outcome document however, is much less systematic. The draft document emphasizes common principles shared by old and new actors alongside diverse approaches to development cooperation. The common principles are ownership, focus on results, inclusive partnerships and accountability to citizens and each other. Rather than clearly define different constituencies and their respective commitments, the third draft outcome document employs language such as “those of us that committed to” and “those of us that endorsed” the Paris Declaration and Accra Agenda for Action to differentiate between groups where necessary (DCD/DAC/EFF 2011b). This language is still being debated in the lead up to Busan, especially in places where commitments reference “we.” At this point, it seems unlikely that the final Busan outcome document will include a clear articulation of principles and commitments based on clearly defined and differentiated groups.

A second approach proposed for the aid architecture is the establishment of a global partnership. While members of the WP-EFF support nationally led mechanisms “with a streamlined and rationalized global structure” (DCD/DAC 2011, p.6), they have yet to agree on what form the global partnership should entail. Some members are open to the idea of establishing a new forum while others argue that the global partnership should build on existing structures, such as those within the UN, the World Bank, IMF, the OECD-DAC and/or a continued but reformed WP-EFF.

An informal working group struck by the WP-EFF in 2011 recommends a new global partnership that draws on existing development partnerships, such as the International Health Partnership and the G7+ group on fragile states. It would be overseen by a multi-stakeholder ministerial steering committee, which would also include private sector and civil society representation (DCD/DAC/EFF 2011a). The steering committee would “draw together best practices and norms and [seek] horizontal linkages to key international processes” such as the G20 agenda and the UN Development Cooperation Forum (UN DCF) (DCD/DAC/EFF 2011a, p. 7).

The working group recommended that the WP-EFF be responsible for defining the parameters of the steering committee, which would represent old and new development partners. It suggests that monitoring and evaluation could build on the competencies of the DAC secretariat.

Others have suggested that the new architecture could build on existing structures by providing the UN with a stronger role in aid effectiveness discussions. BetterAid, which represents over 900 civil society organizations in the WP-EFF, suggests that HLF4 could be innovative in developing inter-institutional arrangements between WP-EFF and UN mechanisms that will begin to construct a new architecture that is legitimate and inclusive (BetterAid 2011, p. 6). Although potential UN involvement is still being debated, some actors have suggested the UN DCF, which addresses development cooperation dynamics beyond aid, may be well placed to take on this role.

The UN DCF, which held its first biennial meeting in June 2008, engages bilateral, multilateral, non-governmental and civil society organizations as well as international financial institutions, the private sector and developing country representatives in a dialogue on development cooperation. For those concerned with enlarging the tent, the UN DCF already encompasses the new development partners, although it faces challenges in substantively involving civil society. Nevertheless, emerging powers such as South Africa, Brazil, China and India, as well as developing countries, tend to view the UN as a legitimate decision-making forum (South Centre 2008).

Nikhil Seth, Director of the Office for ECOSOC Support and Coordination at UN Department for Economic and Social Affairs, has suggested that the UN DCF “could ensure an inclusive political decision making process on development cooperation [...and] set standards and targets based on discussion among all actors” while the WP-EFF “could deepen and broaden its detailed technical and monitoring work” (Seth 2010, p. 4). While this approach might serve as a good compromise between legitimacy and effectiveness, doubts remain regarding the effectiveness of the UN DCF and on the willingness of DAC-donors to re-launch aid effectiveness discussions within the UN, which would greatly reduce their power. Moreover, it is unclear if such an arrangement would be enough to entice non-DAC donors to fully engage with the aid effectiveness agenda.

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### HLF4 and the Emerging Aid Architecture

Despite the challenges articulated above, HLF4 will, at the very least, lay the groundwork for a new global partnership on development cooperation. It remains to be seen how ‘global’ it will actually be in terms of membership. Nevertheless, in preparing the groundwork, policymakers should be cognisant of, inter alia, four factors:

1. enlarging the tent may mean a change of venue and leadership for future aid discussions from the current OECD-DAC led processes;
2. the partnership should build on lessons learned in the WP-EFF to ensure maximum efficiency and participation by all parties in the execution of future aid agreements
3. the partnership that emerges should reflect developing country demands for more ownership over and equal partnership in governance arrangements; and importantly,
4. an effective aid architecture requires political will of all actors to implement their respective commitments at the country level.

Establishing a more inclusive architecture in Busan is no easy task. Nevertheless, the architecture that emerges must not only be effective at generating legitimate agreements on issues relating to aid and development, but inclusive with a high degree of buy-in from new and old development actors. 

*This backgrounder was written by Shannon Kindornay, Researcher at The North-South Institute. It draws on her work in preparation for Busan. Following HLF4, NSI will publish a working paper assessing the outcomes of the meeting and how they will impact the international aid architecture.*

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