

**ACP/81/067/11 Rev.2**  
**MDFIP/BL/mjn**  
*Or:FR/Rev:AM*

**Brussels, 8 November 2011**

**4<sup>th</sup> HIGH-LEVEL FORUM ON AID EFFECTIVENESS**

**BUSAN, SOUTH KOREA**  
**29 NOVEMBER - 1 DECEMBER 2011**

**ACP GROUP'S POSITION ON AID EFFECTIVENESS**

## Introduction

1. With a view to achieving the Millennium Development Goals (MDGs) and contributing to the growth of developing countries, within the framework of a global partnership for development (MDG 8), developed countries, especially the members of the Development Assistance Committee, agreed to increase the volume of development aid (Monterrey 2002, Gleneagles 2005 and Doha 2008) and other development resources that they had allocated to assist developing countries.
2. Although below target, ODA funding has been steadily increasing in recent years. As a result, in 2010, the OECD Members of the Development Assistance Committee (DAC) recorded total net ODA amounting to 128.7 billion US dollars. Compared to ODA figures for 2009 (119.7), this represents an increase of 6.5% which corresponds to 0.32% of aggregate GNI.
3. If there is a need to increase aid resources to accomplish the Millennium Development Goals, there is also a need to strengthen aid effectiveness in order to support the efforts of partner countries to improve governance and development outcomes.
4. This is owing to the fact that the significant contributions in aid to developing countries have not led to the expected outcomes, in terms of economic growth and achieving the MDGs. Several factors have adversely affected aid effectiveness, including inadequate approaches to aid, insufficient capacity, and divergent views on development strategies.
5. It has therefore become necessary to adopt measures to ensure that aid is optimised and development outcomes are improved. It is clear that aid will never yield the desired results if aid delivery and management modalities are not reformed both in partner countries and in donor agencies and countries.
6. Several studies and high-level forums (Paris in 2005, Accra in 2008) have addressed the issue of aid effectiveness and its impact on development in the interest of lending a new dynamic to the fight against poverty by reforming aid delivery and management modalities.
7. As the development community is preparing for the 4<sup>th</sup> High-Level Forum on Aid Effectiveness to evaluate the commitments made in Paris and Accra, one may wonder, and rightly so, if aid is now being used more effectively, in other words, have the reforms proposed by the Paris Declaration and the Accra recommendations been implemented and have they contributed to development?

8. The participation and role of aid-recipient countries is a determining factor in ensuring that the Busan Forum is a success. For its part, the ACP Group must be more active, at the political level, in expressing its position and priorities as regards the aid effectiveness agenda and the future of development cooperation.
9. This document submits a common ACP Group position on aid effectiveness for the Busan Forum. It assesses the implementation of the Paris Declaration (PD), and the Accra Agenda for Action and makes proposals based on ACP Group concerns regarding aid effectiveness and global issues that are likely to be discussed at Busan.

**I. Progress made in implementing the Paris Declaration and the Accra Agenda for Action**

10. One of the objectives of the Busan Forum is to provide an update on the implementation of the PD and the Accra Agenda for Action (AAA). While highlighting the relevance of the aid effectiveness principles in the Paris Declaration and the Accra Agenda for Action, the report of the 2011 survey of progress in the implementation of the PD and the AAA highlights the progress made, as well as the shortcomings, weighing them against the target indicators and objectives.
11. Generally, several donors and partner countries have made progress towards accomplishing the objectives set for 2010. Nonetheless, few of these objectives have been met. An overall review of the implementation of the Paris Declaration and the Accra Agenda for Action shows, in fact, that many indicators have significant shortcomings.
12. According to the above-mentioned survey report, the only objectives that have been met are those related to contributions in technical cooperation (i.e. the extent to which aid from donors to support the capacity-building objectives of countries gives rise to coordination) and the untying of aid.
13. The untying of aid is a sign of significant progress and should contribute to a much more effective and viable use of aid resources and facilitate the purchase of local goods and services. Donors should continue along this path and move towards a 100% delinking of aid. They ought to abstain from using practices (project size, inaccessible calls for tender, restrictive eligibility criteria) that exclude companies in partner countries from the outset.
14. Although the capacity building target was met through coordinated support, it is important to note, however, that it is supply more than demand that determines this support for capacity building in partner countries, which limits the impact that can be expected.

15. According to the survey report, the targets for other indicators have not been met. Significant progress has certainly been noted, but an overall view of progress made reveals a rather disparate situation, both at the level of the indicators requiring efforts from partner countries and those of donors.
16. Policy ownership by partner countries has increased over time. The number of countries with national development strategies that include a prioritisation of development strategies has greatly increased. Increasingly, national parliaments, local organisations and non-state actors (NSO, private sector) are consulted on the various development strategies and their working environment is gradually improving.
17. The quality of public finance management systems is evolving at an uneven pace. While it may have improved in some countries, it has declined in others. As regards the use of partner country national systems by donors, progress remains relatively slow. More specifically, donors do not systematically use national systems in the countries where these systems are becoming more reliable. This reluctance tends to block the system. While the number of parallel units for implementing projects by country has decreased, there is still a significant shortfall in relation to the target objective.
18. In terms of mutual responsibility, the 2011 survey report indicates progress for certain countries where performance evaluations are carried out jointly with the donors. Similarly, results-driven systems that have been set up are progressively improving in quality in many partner countries. However, these good practices are still marginal.
19. Finally, it must be strongly stated that a number of objectives pertaining to donors have shown either very little or no progress at all. These objectives relate to the coordination of missions and analytical work, reducing aid fragmentation and medium-term aid predictability.
20. The results of the survey are especially important, not only for the Busan Forum, but also, and above all, for monitoring aid effectiveness after Busan. They should serve as a basis for discussions, assisting in determining priorities and facilitating the search for a consensus on ways of ensuring that aid continues to deliver development outcomes beyond the Busan meeting.

## II. Busan-specific proposals

21. The ACP Group is one of the main recipients of development aid. The 2<sup>nd</sup> revision of the Cotonou Agreement, signed in 2010, fully subscribing to the aid effectiveness agenda, in accordance with the Paris Declaration and the Accra Agenda for Action, shows the Group's interest in the aid effectiveness issue.
22. At their 9<sup>th</sup> Ministerial Meeting at ACP House, in April 2011, the ACP National and Regional Authorising Officers emphasised the following issues which are pertinent to the aid effectiveness :
  - Predictability, transparency and flexibility of Aid;
  - Using national systems;
  - Abolishing policy conditionalities;
  - Capacity building;
  - Reducing transaction costs;
  - The regional dimension of aid effectiveness;
  - Development effectiveness.
23. Other issues, of a more political nature, will also be raised at the Busan Forum and the Group should be able to express an opinion on them. Extending the Paris Declaration to new donors and other development stakeholders, South-South cooperation and triangular cooperation and the governance of aid effectiveness after Busan, are all issues that are fundamental to the future of international development cooperation.
  - Aid predictability and transparency
24. Aid predictability is necessary for budgetary planning to support development policies. The multiannual approach ensures that resources are stable and facilitates medium-term planning and financial programming for development programmes that generally extend beyond a year. If aid delivery becomes irregular and is either unexpectedly reduced or delayed, the consequences are often disastrous for the implementation of development programmes. Without predictability, there can be no efficient planning or budget programming, both of which are required to ensure that programmes are properly implemented.
25. The availability of information is essential to this issue. As a rule, donor information on their aid contributions to partner governments should be reliable and transparent. The ACP Group stresses the following:
  - Increased predictability of aid in the medium term;
  - Transparency of aid through the supplying of information by donors on the resources that they can provide to the partner countries;
  - Respect for the disbursement schedules agreed.

- Using national systems and procedures

26. Using national systems and procedures helps to increase aid effectiveness by sustainably building the capacity of partner countries to develop and implement policies and to be accountable to populations and parliaments. It also helps to improve aid absorption in partner countries.

27. Despite the progress made by partner countries in reforming national systems, donors do not systematically use them, and are often reluctant to do so. It is clear that the use of national systems contributes to strengthening aid ownership in partner countries, opens the way to full accountability and increases the economic and social impact of aid in countries. The ACP Group stresses the need to use national systems, particularly in those cases where they have proven to be reliable. This facilitates integrating aid into national budgets. Reforming national systems and procedures is a long and complex process. As such, donors must adopt a dynamic approach to the issue and take into account the prospects for improvement currently underway.

- Capacity building

28. Policy ownership, consolidation of national systems, results-based planning and management, all point to sound capacities both at the institutional and technical levels. Without this, partner countries will be unable to take full ownership of the development process.

29. More than any other factor, limited capacity is a major handicap which complicates the implementation of aid reforms and programmes.

30. Donor support for capacity building is therefore essential, but must be based on demand in the partner countries. The ACP Group insists on a capacity-building approach based on the needs of the partner countries by taking account of national consultants. Such an approach implies that partner countries must actually possess related strategies and priorities. Another aspect of considerable importance is the rational use of available capacities.

- Reducing transaction costs

31. The fragmenting and proliferation of donors have led to an increase in transaction costs, thereby compromising aid effectiveness. In order to reduce these costs, donors need to improve collaboration among themselves whereas partner countries need to strengthen aid coordination.

32. Cost reduction efforts must be intensified. The ACP Group calls for better coordination and harmonisation of donor actions. ACP Member States must also display a greater capacity to define and direct as best as possible, the role of donors, by sector, based on comparative advantages. These reforms which are aimed at reducing transaction costs should not impact negatively on the volume of aid provided.
- Abolishing policy conditionalities
33. The setting of aid conditionalities by donors, consisting in implementing any given policy, goes against the principle of ownership, which quite simply becomes impossible to apply.
34. If conditionality seems unavoidable, in some form or other, it must be compatible with the aid effectiveness agenda as defined by the Accra Agenda for Action and highlight the outcomes.
35. Based on the ownership principle which indicates that policy choices are the responsibility of partner countries, the ACP Group calls for the abolition of policy conditionalities.
- Regional Dimension of Aid Effectiveness
36. The ACP Group believes that the aid effectiveness agenda does not sufficiently reflect the regional dimension of development cooperation. At the regional level, development financing should be aligned with regional development strategies, in accordance with the Paris Declaration, in order to increase regional investments, notably by:.
- Developing sub-regional infrastructures
  - building production capacities with a view to enhancing competitiveness
  - Developing regional and intra-ACP trade
37. However, in order for the Paris Declaration to be applied to regional organisations, there is need to define the relevant modalities, namely, the application systems and procedures.
- Development effectiveness
38. The development effectiveness approach focuses on the capacity of aid to act as a catalyst and to supplement the other development resources, local resources and innovative funding. A more holistic approach such as this focuses on the national scene and takes stock of all the factors affecting development and the processes through which expected outcomes are determined and achieved.

39. The Busan Forum should establish the basis for transitioning from aid effectiveness to development effectiveness. Nonetheless, this new development paradigm must be better defined to enable full understanding.
  - Scope of the Paris Declaration: extending to include new donors, South-South cooperation and other development actors
40. The international aid architecture is undergoing significant change marked by the emergence of donors who are non-DAC members (Brazil, Russia, India, China, South Africa (BRICS), the Arab Fund, vertical funds), not parties to the Paris Declaration, as well as by South-South cooperation and triangular cooperation.
41. South-South cooperation is a tangible reality that broadens development cooperation spaces for ACP countries. In this framework, emerging economies (BRICS) play an increasing role in supporting partner countries in the South.
42. The contribution of aid and cooperation in general to development outcomes is essential and must be the primary objective of all the actors participating in the relevant financing. Participants should use the Busan Forum to their advantage to strengthen global partnership by learning from the different experiences and approaches. There is a need to seek an inclusive and policy-driven approach with emerging partners to ensure a global and transparent dynamic in development cooperation, governed by aid effectiveness based on the Paris Declaration, and by development effectiveness, while preserving the comparative advantages and features peculiar to South-South cooperation.
43. The Busan Forum ought to confirm that South-South cooperation (SSC) and triangular cooperation (TrC) are recognised as factors leading to development effectiveness including learning among peers, shared development experiences, etc. The Task Team on SSC and the working group on TrC must intensify its efforts after the Busan Forum to define a clear horizontal partnership agenda that includes transparent criteria and implementation modalities.
44. At the same time, discussions on development policies include other actors (parliaments, civil society organisations, private sector) where the contribution to development has intensified and cannot be ignored.
45. The private sector, in particular, is playing an increasingly important role in development cooperation. The emergence of private sector actors is creating new cooperation possibilities. The combination of subsidy loans, public/private partnerships, as well as innovative financial instruments, must be encouraged.



46. However, the role of the private sector in development financing becomes a challenge when there is need to ensure that development efforts are consistent. There is a need to clarify the role and the responsibility that the private sector could and should play and link it to the achievement of country development goals.
  - Institutional system to monitor post-Busan aid effectiveness
47. The Busan Forum is taking place in a changing international environment characterised by the rise of the emerging economies with the political will to join the aid effectiveness effort. In fact, one of the main conclusions of the evaluation report was that the insufficient progress in the implementation of the Paris Declaration had been sometimes due to a lack of political will.
48. While learning lessons from the current aid effectiveness system, post-Busan governance, no matter the form, must link legitimacy to effectiveness. There is a need to strive for more inclusive and results-based development cooperation.
49. In practical terms, there is a need to step up implementation of the Declaration at the partner country level. Progress monitoring and assessment, led by the partner countries, needs to be done in a shorter space of time, based on a schedule and reliable indicators, with realistic target objectives. This should also be the fruit of an independent effort so as to identify shortcomings and take the necessary corrective measures.
50. International coordination is also required to guide development cooperation policies. This can take the form of a global partnership for development by combining the efforts made by the OECD, the G20 and the UN and involving all the stakeholders in development cooperation.

## **Conclusion**

51. Aid effectiveness remains one of the major aspects of the problems associated with official development aid. The 4<sup>th</sup> High-Level Forum on Aid Effectiveness in Busan offers an opportunity, not only to assess the progress made in terms of implementation of the Paris Declaration and the Accra Agenda for Action, but also to guide the aid reform efforts to better optimise the support given to the world's poorest countries and peoples.

52. To this end, the Forum must remove the barriers to change and push forward the necessary reforms that must focus on the commitments made in Paris and Accra which generate the most impact in terms of aid effectiveness. It should send a strong political message to donor and partner countries so that the necessary decisions can be made to drive the implementation of aid effectiveness commitments.
53. Development cooperation is now at a crossroad. The international architecture of aid, which is increasingly diverse and complex, implies the need for an inclusive, results-oriented reform, based on the Paris Declaration and the Accra Agenda for Action.
54. Beyond aid effectiveness, in the long run, there is need to adopt a functional approach to development effectiveness that gives priority to overall development outcomes and includes coherent development-focused policies.