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## Coming Together: How a New Global Partnership on Development Cooperation was Forged at the Busan High Level Forum on Aid Effectiveness (ARI)

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**Theme:** Adapting development cooperation to the new aid ecosystem requires an understanding of how new players and new circumstances are changing aid effectiveness.

**Summary:** Over 2,500 participants came to Busan to discuss new directions in development cooperation. The forum concluded with a broadly endorsed outcome document that emphasised the newly important role of south-south cooperation, the implications of the greater willingness of the private sector to invest in a range of developing countries, new approaches towards fragile and post-conflict states and the formation of a new global partnership for effective development cooperation. Several DAC donors made last-gasp efforts to meet commitments made at Accra, especially on transparency, where the US and Canada joined the common standards developed by the International Aid transparency Initiative. The attendance of major political figures, including President Kagame of Rwanda, Secretary Clinton, UN Secretary General Ban Ki-Moon, OECD Secretary General José Ángel Gurría, Queen Rania and President Lee Myung-bak of Korea, helped shift the discussion from technical considerations of aid effectiveness to political issues with improving development effectiveness.

### Analysis:

#### *Introduction*

International development is in flux. On the one hand, development results since 2000 have been the best ever recorded. Growth in emerging and developing countries has been rapid, averaging 7% per capita according to the International Monetary Fund (IMF). The number of low-income countries has fallen from 63 in 2000 to 35. Perhaps 800 million people have been pulled out of poverty since the new millennium and 10 million child deaths have been avoided thanks to innovations like vaccines. The number of polio-endemic countries has been reduced from 125 to four. Even the world's most fragile state, Somalia, was struck from this list in 2003. Over the same period, maternal and neonatal tetanus (MNT) was eliminated from 19 countries, including some of the poorest in the world. Thanks to biometric technologies and mobile telephony, we can today deliver cash transfers to alleviate poverty, with far less risk of corruption, to many targeted areas and beneficiaries where it would have been impossible to reach before: for example, demobilised soldiers in the Democratic Republic of Congo, herder families in Ethiopia and resettled refugees in Afghanistan.

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All this would be reason to celebrate the accomplishments of the development community during the Fourth High Level Forum on Aid Effectiveness that took place in Busan, Republic of Korea on November 29 to December 1, 2011. But the forum instead occurred against a backdrop of impatience with the pace of development and the perceived failures of traditional official development assistance. There are more fragile and conflict-affected countries than ever before, and none of these countries is on track to meet a single Millennium Development Goal. The first major famine of the 21<sup>st</sup> century in the Horn of Africa and the continued problems with reconstruction in Haiti are grim reminders of the exposure of poor people to natural disasters. Worries over climate change, food security, volatile financial markets and global stagnation suggest a new development paradigm may be needed.

The delegations at Busan represented both sides of this debate. Some saw the glass as half-full, encouraging evolutionary change but believing the system is delivering good results and should be strengthened on the margin. Others saw the glass as half empty and called for more revolutionary change, based on new technologies, resources and non-governmental approaches.

Busan built on prior aid-effectiveness forums. It emphasised country ownership, with a greater role for non-executive branch stakeholders, including parliamentarians, the business community and civil society. It also highlighted accountability to citizens, reducing gender inequality, recognising the Istanbul principles and transparency. It equivocated on the issue of rights-based development, endorsing existing UN resolutions, but shying away from more specific concepts of rights as the basis for development. The crowning achievement of Busan was a more inclusive tent, but the price to be paid was the acknowledgement that there are many paths to development that may require alternative models. This led to a softening of global commitments that, in the eyes of some, undermined the final document. Looking ahead, it is more likely that progress will be made by like-minded groups joining together to form building blocks to demonstrate the effectiveness of their ideas and approaches, rather than by generalised global agreements.

#### *New Players, New Challenges, and New Approaches for Development Cooperation*

At Busan, the key issue being debated was how to use aid more effectively to accelerate the pace of sustainable development. The forum occurred against a backdrop of major shifts in global poverty. Today, only 10% of the global poor live in stable, low-income countries; 40% live in fragile and conflict-affected countries and 50% in middle-income countries. Traditional aid strategies, however, have been designed for interventions in stable, low-income countries and cannot be easily adapted to other developing country conditions. Making aid more relevant to poverty reduction today is a key concern.

For the aid community, there are new development partners to integrate into strategies, ranging across non-DAC official donors, private philanthropy, international NGOs, southern civil society and the private business community. There are new challenges to be faced, especially those related to climate change, fragility and capacity development. There are new approaches being tried, with south-south cooperation, scaling up and transparency each having strong advocates. In short, the context at Busan was radically different from the context at previous aid-effectiveness forums.

As the outcome document made clear, the response to this changing context focused largely on building better partnerships and constructing building blocks among like-minded development partners. As development cooperation is a small and declining share of resources for development, it can only hope to accelerate change if it is used as a catalytic agent activating the developmental impact of other resources: private investment, partner country taxes, south-south cooperation and international philanthropy. The practical question at Busan was how to achieve this more systematically and how to move beyond isolated episodes of coordinated programmes between donors to programmatic cooperation where all stakeholders work together to plan, deliver and achieve common development goals.

In practice, such coordination has proved to be very difficult to achieve. The Paris Declaration and Accra Agenda for Action proposed indicators that would move a sub-set of advanced country donors towards greater cooperation with each other, but even among such a like-minded group it has been hard to make progress. After five years of implementing the Paris Declaration, only one of 13 indicators of aid quality was met, although moderate progress was achieved on another seven indicators.

With that as background, the prospects for achieving more effective partnerships between development partners with different approaches and modalities –the task at hand at Busan– are even more daunting. The willingness is there, as evidenced by the high-level participation of delegations at Busan as well as the diversity of development actors, but it is in the operationalisation of a post-Busan framework where the rubber hits the road.

#### *South-South Cooperation*

South-south cooperation has been modest in size compared to official development assistance, but is now estimated at around 10% to 15% of total official aid. That may underestimate the impact of south-south cooperation because the valuation of services delivered in kind tends to reflect the low wages paid in developing countries. Indian teachers or Cuban doctors may provide the same services as contractors from advanced countries at one-tenth of the price. This reinforces the basic perception that south-south cooperation is today a major component of global development cooperation that cannot be ignored as a side-show.

Partner countries have welcomed south-south cooperation as a major new source of development assistance. In some cases, they also applaud the speed and turnkey nature of projects. Countries like China have been willing partners in infrastructure and, more recently, in building industrial parks. By linking aid with commercial credits and investments into natural resources, China has also multiplied its cooperation footprint.

But some development partners worry about the sustainability of south-south cooperation. Infrastructure spending that ignores the domestic resource requirements for operations and maintenance can quickly turn into white elephants. Principles of non-interference can be misused to permit diversion of domestic resources to non-priority needs at the discretion of the recipient governments. Hard-won fiscal space created by DAC donors and multilaterals through debt relief can be rapidly eroded by renewed borrowing on commercial terms from southern businesses. Social and environmental standards may differ across donors, prompting a race to the bottom.

The dialogue with southern aid providers is therefore a mix of finding opportunities for collaboration that take full advantage of southern providers' successful experiences and their low cost of providing development assistance, coupled with a search for mechanisms to coordinate in a way that guards against spill-overs from poorly designed and executed south-south projects onto other development activities. The opportunities are being formalised in memorandums of understanding between advanced country donors and southern donors –called triangular cooperation– while the 'do no harm' discussion is being pursued under the banner of 'common but differentiated responsibilities'.

It is the latter discussion that has been most contentious at Busan. Several southern aid providers, with China the largest, are not willing to join the mechanics of cooperation that advanced countries have established for themselves. DAC donors use transparency on aid reporting, joint dialogue with partner countries on poverty-reduction strategies, budget support and other accountability tools to promote cooperation on the ground. Southern aid providers view south-south cooperation as a bilateral matter to be discussed only among the principals involved. They see little purpose in broadening the accountability frame.

The difficulties in bringing southern providers of development cooperation into the tent were visible in Busan. There was a risk that the outcome document would not be endorsed by all participants and lengthy late-night negotiations were needed to find language acceptable to all. For example, dynamic developing countries sought to include a clause 'on a voluntary basis' to reinforce the concept that southern providers have no formal responsibilities for development cooperation. DAC donors felt this was redundant and pushed for southern providers to provide at least minimal commitments to transparency and other mechanisms of coordination. At the end, suitable language was found and all participants endorsed the document. This constitutes a significant success; it recognises the principle of common but differentiated responsibilities and moves away from a one-size-fits-all approach to development cooperation. But it also points to the grave difficulties in forging a multilateral global partnership when the basic building blocks are bilateral cooperation agreements between nation-states that may have competing national interests.

#### *Role of the Private Business Sector*

A second notable aspect of Busan was the forum on the role of the private sector. The private business sector has not always been viewed as a positive force for sustainable development, thanks to past business practices that have condoned bribery, labour exploitation and lack of attention to environmental regulations and standards. But a growing body of self-regulations and adoption of soft norms on good practice has started to change that view. The private sector has willingly embraced these norms in the belief that faster development and the emergence of new markets is the best way for them to increase long-term profits. The private business sector approach to development has shifted from a narrow focus on corporate social responsibility, often limited to immediate employees or neighbouring communities surrounding private plants and factories, to a broader focus that is commonly labelled as 'shared values'. Coalitions of large multinationals now see it as in their core interest to promote development. Busan was the first major international development forum to acknowledge and formalise this role for business.

The US is among the leaders of the movement to elevate the role of the private business community. This is consistent with their vision of aid as an investment in the global economy, rather than as a means for social welfare and human rights. The latter is a more

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European perspective on aid. Yet both sides find some common ground in engaging with the private sector. The experience of global partnerships in health is one example of a public-private partnership around a social sector. In that case, as presented at Busan, private financing and research has combined with official aid to provide dramatically improved services for diseases relevant to developing countries (like malaria).

The issue is how to extend such collaboration to other sectors. The private sector role in agriculture is important, especially in incorporating small farmers into domestic, regional and global value chains. Agencies like the International Fund for Agricultural Development debated how to build effective partnerships with the private sector. Infrastructure is another sector with good potential. But finance, the accounting profession, management consultants, oil and mineral firms, and consumer industries also have important roles to play, so sectoral approaches need to be complemented with cross-sectoral lessons on the effective organisation of partnerships.

At Busan, new public-private partnerships were differentiated in terms of finance and outcome delivery. On finance, the key issue is how to combine official and private capital in the most effective ways. Sometimes it is a matter of leverage or innovative financing, like the advanced market commitments for vaccines. Sometimes it is in terms of use of guarantees, first loss funding, challenge accounts or other ways of allocating risks and rewards between the private and public sectors in a more efficient way.

Some partnerships focus on joint delivery of key outcomes. For example, the Global Alliance for Improved Nutrition has promoted joint ventures between official aid providers and private businesses to increase access to missing nutrients in the diets of poor people in developing countries. The goal is to reach over a billion people with fortified food such as iodised salt.

There is considerable support in DAC countries for new public-private partnerships to leverage resources, and for building networking and dialogue platforms at country and global levels. But this is new terrain for both the aid community and the business sector. The people skills, the communication and the shared values that are critical for successful long-term partnerships are in short supply. One further complication: the private sector is used to a competitive environment, domestically and abroad, and may try and use partnerships to gain a competitive edge, especially if a firm is state-owned and opaque in its business practices. The development community and partner countries are trying to leverage resources and increase investment while encouraging broad-based competition rather than favouring specific firms. Reconciling these positions can divide donors and firms from different countries and reduce their willingness to collaborate. Busan should thus be considered as the start of a new process for engagement with the private sector in a learning process that has still to mature.

Civil society groups at Busan were far more sceptical about the role of the private sector and several held fast to the notion that profitability and sustainable development were separate concepts that made for uneasy bed-fellows. As was the case for south-south cooperation, the broadening of the tent in Busan to include more players also revealed the fissures and tensions between groups with different approaches to development cooperation.

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### *Fragile States*

A third innovation in Busan was the explicit focus on fragility and the need to pay more attention to peace-building and state-building. In fragile states, goals such as reducing violence, creating jobs and securing justice are now being elevated along with traditional development goals of public service delivery and poverty reduction.

Several countries, including the UK and the US, have started to refocus their aid on fragile states, in the hope that a coherent investment of development, diplomacy and defence resources can make a material difference in some of the most intractable countries. This approach, however, is controversial; some in the development community worry that development aid cannot be successful and sustainable in countries before security is assured and they worry about the high unit cost of development activities in fragile state environments. They are concerned that aid might be diverted from proved programmes elsewhere. But given the large numbers of poor now living in fragile states, a proportion that is only likely to grow, the arguments to avoid engagement in fragile states are losing strength.

In the end, the key discussions will be about modalities of intervention. Fragile states are risky environments and although there is much talk about risk mitigation measures, the reality is that most donors have implicit incentives to avoid risk. Similarly, results may be hard to demonstrate in fragile states. Even if they are achieved in reality, the statistical base to measure and report on development results is very poor. At the same time, donors are pushing hard for a stronger results orientation. Reconciling these opposing forces needs patience and more experience about what can realistically be achieved.

There was general agreement in Busan about the need for country-led development and the use of country systems. At one level, this would seem to put more control in the hands of the state or a ruling elite, but at a different level, the outcome document broadens the notion of 'country-led' to include civil society and other groups. Clearly if all parties see eye-to-eye and agree on the way forward, there is no tension between a top-down or bottom-up approach, but that is more likely to be the exception than the norm. Busan did not provide much guidance for how to resolve such tensions in practice.

### *The International Architecture of the Development Governance System*

Usually, when a major problem is identified in an international forum, there is a proposal to create a new multilateral organisation to help deal with the issue. In this, Busan is like other forums. It calls for the establishment of a new Global Partnership for Effective Development Cooperation. What was highly unusual, and a major accomplishment, was that the Busan outcome document also closed the books on an existing multilateral forum, the Working Party on aid effectiveness, that had been set up to monitor and implement the Paris Declaration. Along with the Working Party, the various clusters and work-streams that had grown up to support it will also be abolished. Given that most of the Paris targets had not been met, it would not have been unthinkable to simply extend the mandate of the Working Party until such time as all commitments were fulfilled. That would have been the standard bureaucratic procedure. By being far bolder, Busan has provided a true break from the past and created an opportunity to forge a new partnership that better reflects the realities of the global poverty reduction challenge today.

The precise shape of this new Global Partnership is still to be determined. At Busan, there was an agreement that it be established by June 2012, along with specific indicators and a monitoring framework to assess progress. A small Executive or Steering Committee

would be helpful in giving shape to the new partnership. 'Global light, country heavy' is the spirit that was endorsed, meaning that the main emphasis will be on forming partnerships at the country level, with the global partnership playing a supporting role, providing political momentum, lessons learned and a monitoring apparatus to help country platforms. The UNDP and the OECD would continue to provide secretariat support.

By involving the UNDP as a full partner, the Busan forum has helped give greater legitimacy to the new partnership. After all, one problem with the Working Party is that it was still seen as a committee of the OECD, an informal club, even though its membership went way beyond the OECD. That feature made some countries reluctant to fully participate. By contrast, as a UN sponsored entity, the new Global Partnership should enjoy far more widespread support. It must still prove its effectiveness in including the private business community and civil society groups into the process, but a good start has been made.

The fact that the drafting committee for the Busan outcome document was able to overcome the political tensions between countries and construct suitable compromise language bodes well for the new Global Partnership. It indicates that a small group of important stakeholders can come together and drive the development effectiveness agenda forward. That same spirit will be needed in fleshing out the details of the new Global Partnership and the monitoring framework.

**Conclusion:** Busan successfully brought together a number of diverse stakeholders in development. It has introduced new language that has changed the debate from aid effectiveness, a donor issue and concern, into development effectiveness, a global concern. It also demonstrated the value of evidence-based decision making. Indeed, a highlight of Busan was the background of solid working papers and evaluations that provided context and information to all participants. That is an important turning point for an international forum on aid effectiveness. Busan may risk being forced to a lowest-common denominator without bite or focus by becoming more general and inclusive, but the alternative of staying with the previous aid effectiveness agenda would have been to doom it to insignificance. Aid is no longer the driver of development that it once was, and speaker after speaker called for a new paradigm of aid as a catalyst for development.

The hard work of shaping a new framework by constructing detailed indicators and a time-bound monitoring programme that reflects 'common but differentiated' responsibilities remains to be done during the next six months. This will be an intensive period for global development, coinciding with the Mexican G20 Leaders Summit that will also consider selected development topics and the Rio+20 forum on sustainable development that will deliberate on post-MDG global targets. Busan demonstrated that with the right spirit, determination and political will, progress can be made.

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