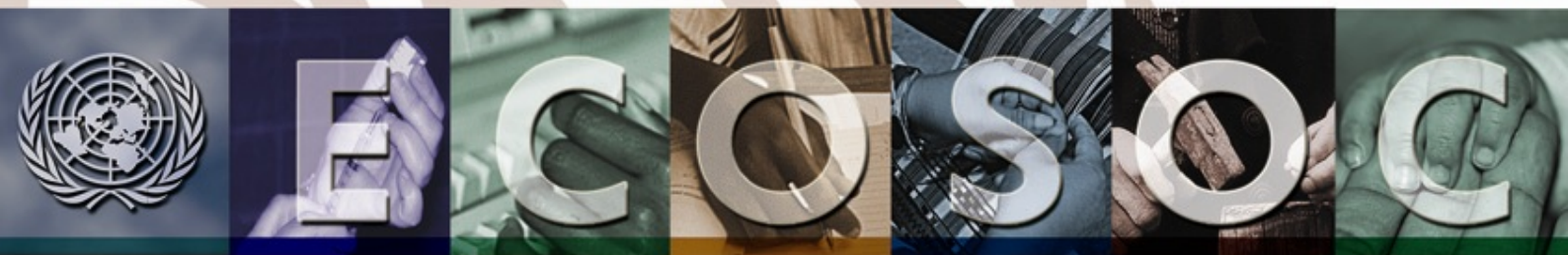


UNITED NATIONS ECONOMIC AND SOCIAL COUNCIL



**Report of the**

**2012 ECOSOC DEVELOPMENT  
COOPERATION FORUM**

**New York, 5 and 6 July 2012**

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## **1. Introduction**

At the 2005 World Summit, world leaders decided that the Economic and Social Council should convene a biennial high-level Development Cooperation Forum to review trends and progress in international development cooperation, promote greater coherence in the development activities of different development partners and strengthen the link between the normative and operational work of the United Nations. The Development Cooperation Forum was also mandated to identify gaps and obstacles in international development cooperation and to make recommendations on practical measures and policy options.

Preparations for the 2012 Development Cooperation Forum involved the analysis of overall trends in development cooperation with a focus on three priority areas: aid allocation and aid quality, mutual accountability and South-South cooperation. In addition, the DCF contributed to major international meetings both through its substantive work and by holding side events at the Fourth High Level Conference on Least Development Countries (LDC IV), the High Level Forum on Aid Effectiveness (HLF-4), and the United Nations Conference on Sustainable Development (Rio+20).

The discussions at the 2012 Forum, summarized in the present report, resulted in a set of innovative recommendations. These will guide the work of the DCF during its 2012-2014 phase. They will also provide an important input to the Rio+20 follow-up process and the discussion on a post-2015 development agenda. Moreover, they will inform the discussions of other major fora in the area of development cooperation, such as the recently launched Global Partnership for Effective Development Cooperation.

The present report is divided into six parts. In the first section, the President of the Economic and Social Council summarizes the substantive recommendations that emerged from the 2012 Forum. The second section offers brief summaries of the keynote addresses delivered at the Forum, while the third section provides a comprehensive account of the seven sessions held during the 2012 DCF. The fourth section provides an overview of the Secretary-General's analytical background report on "Trends in Development Cooperation" prepared for the DCF. The fifth section recaps the main preparatory events, including their key policy messages. .

## **2. Official Summary by the President of the Economic and Social Council**

The third biennial Development Cooperation Forum (DCF) of the Economic and Social Council (ECOSOC) was held on 5 and 6 July 2012 at United Nations Headquarters in New York.

The official summary of the President of the Economic and Social Council highlights some of the key messages that emerged from the 2012 DCF deliberations. The discussion focussed on the following themes: (1) the future of development cooperation, (2) the mobilization and allocation of development assistance (3) mutual accountability, (4) South-South cooperation, (5) the role of private philanthropic organizations and decentralized cooperation, (6) gearing development cooperation towards sustainable development post Rio+20, (7) partnering for the future of development, and (8) the future role of the Development Cooperation Forum.

In addition to Member States, a large number of representatives from civil society, parliaments, local governments and the private sector, and representatives of international organizations and UN agencies participated in the 2012 DCF. The summary reflects the multi-stakeholder nature of these discussions.

## **1. Drivers of change: *what is the future of development cooperation?***

- As the *development landscape* continues to evolve, development cooperation needs to adapt to these changes and respond to current and new challenges. The future development cooperation in some ways will be shaped by (a) the follow-up to the Rio+20 Summit, including the development of Sustainable Development Goals; (b) design of a post-2015 development agenda. While these issues were briefly reviewed at the current session, it was suggested that 2014 DCF would provide an opportunity to discuss the future of development cooperation in light of these specific changes. It was also highlighted that sustainability is likely to be at the centre of the future development agenda with direct implications for development cooperation.
- *Development assistance remains vital*, especially in low-income countries (LICs) and countries emerging from conflict. The gap between aid commitments and disbursements needs to be closed, with development financing provided on a more sustainable and predictable basis. Also, with the Heavily Indebted Poor Countries (HIPC) initiative coming to an end soon, new ways to help countries in severe debt distress need to be identified;
- Looking ahead, development cooperation should continue to focus on ensuring that developing countries secure their own path towards development while reducing their long-term *dependency on aid*. Development cooperation can play a role by helping developing countries mobilize additional domestic and external resources;
- Equally important is the *quality of aid*. Aid which strengthens human and institutional capacity and enables developing countries to catalyse new sources of finance should be encouraged. At the same time, expensive technical cooperation, tied aid, aid-for-trade and micro-managed projects should be gradually phased out;
- The impact of development cooperation should be assessed from the dual perspective of donors and recipients. *Mutual accountability* frameworks and aid management policies can help place developing countries in the driver's seat in the recipient-donor relationship. As the number of actors and the variety of modalities continue to increase, stakeholders should draw on their comparative advantages;
- *South-South cooperation* continues to flourish. It was reaffirmed that South-South cooperation differs from and complements North-South cooperation. It was also reaffirmed that South-South cooperation is based on the principles of mutual respect, equality, national ownership, special cultural ties, non-interference, non-conditionality, and the provision of better and more flexible resources which respond to the needs of developing countries;
- *Gender equality and the empowerment of women* should be at the heart of the emerging development agenda and global partnership for development. Gender equality goes beyond income to encompass access to services, land and resources. Providing equal access to clean water and energy for instance, is essential for inclusive social and economic development;

- Development cooperation actors should strive for greater coherence between (a) sectoral aid allocation policies and (b) aid and non-aid policies, and the beyond aid agenda. Stakeholders called on the DCF to play an active role in promoting *policy coherence* in international cooperation for development.

## 2. Where should development cooperation go and how can it unlock other resources?

### *Can development cooperation be made more equitable, efficient and strategic?*

- The *geography of poverty* is changing. Today, 75 per cent of the world's poorest is estimated to live in middle-income countries (MICs). By 2025, however, the same percentage of the absolute poor is expected to be concentrated once again in LICs and conflict-affected countries;
- The geography of poverty has implications for *aid allocation priorities*. Reducing poverty is no longer only an issue of redistribution of wealth between developed and developing countries but also within MICs;
- Many countries are under-aided, both in terms of needs and performance. Today, less aid is going to MICs countries while more assistance is being provided to LICs. Both groups of countries need continued support. While the LICs require budgetary resources, the MICs can benefit from technical assistance and knowledge-sharing. A *transition strategy* can facilitate smooth transition of LICs;
- Although aid allocation decisions will continue to be influenced by broader political considerations, the provision of more disaggregated information on under-aided countries could improve the effectiveness of the allocation process. Civil society representatives called for a human-rights based framework to allocate aid, and the prioritization of *gender equality and the empowerment of women*;
- Stakeholders also underscored the need to enhance the *quality of aid*, especially to LICs. Policy conditionality should be reduced or abandoned, and predictability and flexibility for resource flows improved. Striking the right balance between short-term gains of citizen's buy-in and the longer-term sustainability of development results remains a challenge in efforts to improve the quality of aid.

### *How can development cooperation serve as a catalyst for other sources of development financing?*

- ODA must be deployed more effectively and strategically to maximise its development impact. It should be used to *leverage additional sources of finance*, promoting financial innovation and access to inclusive and stable financial services. The use of aid to leverage other resources should be guided by principles of equal opportunity, sustainability and equality;
- Development cooperation can support the mobilization of *domestic resources* through tax and public financial management reforms, including by strengthening capacity for collection and enforcement. This needs to be accompanied by global efforts to eliminate tax heavens and illicit capital flows. Smarter social protection schemes can replace inefficient subsidies with better targeted measures, such as cash transfers, thereby generating additional fiscal space for social expenditure. Access to inclusive and stable financial systems can also play an important role in reducing poverty;

- By creating and supporting enabling institutions, legislation, good governance and transparency, countries can also *encourage external capital flows*. At the same time, countries should strengthen their capacity to provide effective surveillance of such flows. An instrument to hedge against credit risks should also be put in place.

### **3. Making accountability operational: *practice and perspectives***

#### ***Strengthening capacity and political buy-in for mutual accountability***

- In many countries, development partnerships remain imbalanced. Two-way, balanced, and *inclusive mutual accountability* frameworks can play a critical role in redressing this imbalance. Evidence has shown that mutual accountability frameworks with performance targets for individual providers and partner countries, coupled with regular high-level reviews have resulted in better development results;
- Donors should improve *aid quality* by increasing aid predictability, allowing programme country governments to freely identify national priorities, routing more aid through national systems, reducing conditionality and distributing aid without distorting markets. Partner countries should *strengthen institutional and legal frameworks* and country systems to better identify their needs and to ensure effective, coherent and transparent management and coordination of development cooperation. The national budget should be the central entry point to promote accountability;
- *Domestic accountability* needs to be strengthened by involving parliaments, civil society, the general public, and local beneficiaries in a more meaningful manner in decision-making processes related to development cooperation. Strong parliamentary engagement is critical to connect national and international accountability platforms. The establishment of platforms and disclosure of information, including through better use of information technologies, can help address the lack of transparency. This will require investment in data collection, analysis, interpretation and dissemination;
- The DCF could expand its role as a driver for greater national and global mutual accountability and support the development of a *minimum accountability standard*, e.g. initially for African countries. The DCF could also support individual countries in their efforts to put in place full-fledged mutual accountability mechanisms and dialogue platforms. Building on analytical findings, the DCF could develop a *model aid policy* that countries could use as a template for their own mutual accountability efforts. Member States could also use the DCF to make voluntary presentations on the progress and challenges in mutual accountability with the participation of relevant national stakeholders.

#### ***Mutual accountability in post-conflict countries and countries in vulnerable situations***

- Mutual accountability in post-conflict and fragile situations is context-specific. At the same time, the recommendations on mutual accountability of the Fourth United Nations Conference on Least-Developed Countries and the New Deal for Engagement in Fragile States, adopted at the Busan High-level Forum on Aid Effectiveness provide important pointers on mutual accountability and innovative ways to manage risk.

### ***Mutual accountability and transparency in Africa: progress and challenges***

- An African standard for mutual accountability should be adopted as a base line to promote accountability, peer exchanges and more targeted capacity development. Such a standard should build on the African Peer Review Mechanism (APRM) and the Comprehensive Africa Agriculture Development Programme (CAADP). The development of a regional standard could be complemented by efforts to formulate a *global framework for mutual accountability*, with the involvement of all stakeholders.

### ***Strengthening development cooperation in the Pacific: what can regional compacts contribute?***

- Programme countries should follow their own path and pace to design and implement accountability structures, while building on universal values and analytical findings and experiences from other countries. One successful example is the *Cairns Compact on Strengthening Development Cooperation among the Pacific Islands*.

## **4. Lessons learned from South-South and triangular cooperation**

### ***What can we learn from South-South cooperation?***

- At the 2012 DCF, countries recognized the growth of *South-South and triangular cooperation*, and its complementary role to ODA;
- Like North-South cooperation, South-South cooperation should *respond to the national priorities of programme countries*, be people-centred, and involve all relevant actors, including civil society. The predictability and flexibility of South-South cooperation flows need to be enhanced over time;
- Southern providers highlighted the great speed of delivery, low cost, greater space for sovereignty, and a harmonious approach to development as *key strength of South-South cooperation*;
- Participants agreed that more needs to be done to benefit from the lessons learned and the distinct development experience of Southern providers. There is a need to go beyond case studies in order to better understand the comparative advantage of South-South cooperation;
- One such example with significant multiplier effect is the transfer of skills and appropriate technologies through expert exchanges. The transfer of technology, for example, can help reduce long-term aid dependency by promoting local investment and job creation.

### ***Institutions for South-South development cooperation: emerging trends***

- Institutional structures for South-South cooperation with the participation of all stakeholders can help render South-South cooperation more effective. In this regard, Southern providers should be encouraged and supported to reinforce their institutions to deliver South-South cooperation, and *enhance coordination and evaluation* within their own governments;
- Southern providers need a forum for open dialogue and analysis where they can have a frank *exchange of knowledge, experiences and lessons learned* through horizontal partnerships. Given that much of South-South cooperation is taking place within regions, regional platforms can be particularly helpful in this regard;

- Several Southern providers felt that the DCF and other United Nations forums are best placed to facilitate discussions on how to gradually systematize and optimize South-South development cooperation, promote synergies, and exchange examples of good practices.

## **5. Global development cooperation: *evolving role of private philanthropic organizations and decentralized cooperation***

### ***The evolving role of private philanthropic organizations***

- Private philanthropic organizations (PPOs) can help *pilot new approaches*. Unlike other development cooperation actors, PPOs can introduce innovative approaches, take risks and focus on results more closely. Traditional development actors can help scale-up successful approaches pursued by PPOs;
- As with traditional donors, *accountability and transparency* should be ensured and the development impact of an intervention properly assessed. Moreover, an effective *exit strategy* should be put in place to ensure sustainability of such partnerships;
- Most PPOs have limitations in terms of *funding global public goods*. The establishment of a forum where stakeholders can come together and make multi-year pledges for financing global public goods could possibly help overcome this limitation.

### ***The evolving role of decentralized cooperation***

- Over the past few years, decentralized cooperation has gained importance in global development cooperation. Local governments have a *comparative advantage* in reaching out directly to local communities. Decentralized cooperation can help to better tap into this potential.
- More *detailed statistics, analysis and reporting* on the quality and impact of decentralized development cooperation is needed. The South-South dimension of decentralized development cooperation should also be part of such analysis;
- Engaging local governments at regional and global levels through networks and representatives can help enhance the effectiveness of decentralized development cooperation. Better donor coordination and an improved division of labour can help avoid fragmentation arising from increased number of actors;
- Stakeholders also suggested that the DCF could review more closely how to capitalize on the comparative advantage of decentralized development cooperation in a changing development landscape.

## **6. Gearing global development cooperation towards sustainable development: *where do we go from Rio+20?***

- Participants felt that the Rio+20 outcome document provides a helpful roadmap and has initiated a series of important follow-up processes;
- The establishment of a new *High-level Forum on Sustainable Development* was seen as an opportunity to move towards a more balanced consideration at the intergovernmental level of the three dimensions of sustainable development. The strengthening of UNEP was also welcomed;



- Participants acknowledged the need to move away from a *narrow focus on GDP* and to agree on a broader set of indicators which takes into account all the three dimensions of sustainable development;
- The Monterrey Consensus was seen as a starting point when developing a *sustainable development financing strategy*. Such a strategy should be guided by the *Rio principle of common but differentiated responsibilities*;
- The transition towards a *green economy*, within the overall context of sustainable development and poverty eradication creates a multitude of opportunities but also costs: human and financial. Participants underscored the importance of recognizing this fact including the need to promote a social protection floor and social dialogue to deal with the potential downside effects of the transition;
- Against this backdrop, there is a need to *mobilize additional resources* for the transition towards a green economy, including through innovative sources of development finance and the leveraging of private funds, in view of high upfront costs. Several speakers also highlighted the importance of accelerating the sharing of environmentally sound technologies;
- The DCF can become a key forum to distill *lessons learned* in gearing development cooperation towards sustainable development. Under the auspices of ECOSOC, the DCF can help ensure a more balanced consideration of the three pillars of sustainable development and promote coherence between the sustainable development goals and the post-2015 UN development agenda.

## **7. Forging ahead: *partnering for the future of development***

- Participants called for a *post-2015 UN development agenda*, which responds to the challenges of today and recognizes the changes in the international development landscape. It should be inspired by the values of the Millennium Declaration, be rooted in the Universal Declaration on Human Rights and a human rights-based approach to development;
- While a future agenda should apply to both developed and developing countries, it should be based on the Rio principle of *common but differentiated responsibilities* and build on the strengths of the MDGs. Participants also stressed that it should be developed around a realistic set of goals and continue to have poverty eradication at its core;
- A post-2015 development agenda should take into consideration the new capabilities of *emerging donors* and the increasingly important role of *non-executive stakeholders* in development cooperation, finding ways to include them more effectively in international development efforts;
- Convergence should be promoted between the work on a post-2015 UN development agenda and the General Assembly process of establishing *sustainable development goals*. In addition to Rio+20, the outcomes of other major UN review conferences should also be taken into account when developing a post-2015 development agenda;
- Ongoing efforts to develop a post-2015 development agenda should be brought together at the United Nations while ensuring *complementarity* with the work of other major forums, including the Group of 20 and the recently launched Global Partnership for Effective Development Cooperation;

- There is a need to reflect on the kind of development cooperation required to realize the “Future We Want” post-Rio. The DCF can play an important role in helping stakeholders reflect on the implications of putting sustainable development at the heart of a future development agenda.

## **8. The future role of the Development Cooperation Forum**

- Stakeholders felt that the DCF should continue to serve as a *universal forum* for policy dialogue and a platform for knowledge and information sharing of best practices. The Forum should develop *best practice standards* on key development cooperation issues which can be adapted and applied to different country contexts;
- Participants also called upon the DCF to build on its strong *multi-stakeholder nature*. The review of resolution 61/16 on the “*Strengthening of the Economic and Social Council*” was seen as an opportunity to review the relationship of the Council with non-executive actors. The need to secure sufficient funding to enable developing countries and non-executive stakeholders to participate in the DCF was also highlighted;
- Several speakers stressed that the DCF should evolve into an apex body for global development cooperation working more closely with other major development forums, including the Group of 20 and the Global Partnership for Effective Development Cooperation with a view to promoting synergies and prevent overlaps. This could include holding meetings of the Global Partnership for Effective Development Cooperation back-to-back with DCF-related events.

## **3. 2012 Development Cooperation Forum**

### *Opening statements*

#### **H.E. Mr. Miloš Koterec, President of the Economic and Social Council**

The ECOSOC President called on all participants to join forces for achieving poverty reduction and responding to new challenges in a rapidly evolving development landscape. He stressed that the DCF offered a unique opportunity to build strong and more balanced multi-stakeholder partnerships based on mutual accountability and trust. He encouraged participants to reflect on the future of development cooperation in response to Rio+20 and in view of a post-2015 development agenda, identifying the role and possible deliverables for the DCF. In particular, he asked that participants build on the momentum generated by the 2010 DCF to continue working together and draw lessons from country experience. The President also underscored the important role of the ECOSOC in forging a more integrated and coherent post-2015 development framework.

#### **Mr. Ban Ki-moon, Secretary-General, United Nations**

The Secretary-General recognized the Forum’s important role in giving a voice to all the actors involved in development cooperation. He saw collaboration, coherence and partnerships as critical to the achievement of development goals, particularly in the face of mounting challenges, such as high food and energy prices, climate change, and rising inequalities. The way development cooperation is designed and delivered needs to respond to the multiplicity of actors. To fully reap the benefits of the new diversity,

actors need to capitalize on their comparative advantages. The changing aid architecture is also an opportunity to address the shortcomings of the current system. The Secretary-General highlighted five key action areas: (1) accelerating efforts to achieve the MDGs and honouring commitments, even in time of fiscal austerity; (2) directing development assistance to countries and sectors most in need; (3) eliminating aid conditionality, which undermines national autonomy and leads to distortions in aid allocation; (4) strengthening mutual accountability and transparency for development results to better align development cooperation with the priorities of recipient countries; and (5) building on the commitment for sustainability to strike a balance between the economic, social and environmental pillars.

**Mr. Sha Zukang, Under Secretary-General for Economic and Social Affairs, United Nations**

Mr. Sha presented the key findings of the report of the Secretary-General for the 2012 DCF. He highlighted challenges in the areas of development finance, policy coherence, South-South cooperation, accountability and effectiveness of development cooperation, and sustainable development. In particular, he stressed that the gap between promised and delivered commitments continued to widen, amounting to \$167 billion per year; that seven of the 32 countries receiving debt relief under the HIPC initiative remained at high risk of debt distress with another 12 at moderate risk, and called for new ways to help countries in severe debt distress as the HIPC comes to an end. He urged further efforts to align development assistance with national priorities and noted that policy coherence continues to be a challenge. In terms of predictability and the impact of development cooperation, he called for improvements through better disbursement forecasts and effective allocation as well as a strengthening of mutual accountability through greater transparency and participation of all development partners. On South-South cooperation, the Under Secretary-General urged countries to learn from past experience and best practices. Finally, he reiterated the centrality of sustainable development for the future of UN development agenda.

**H.E. Senator Bob Carr, Minister for Foreign Affairs, Australia**

H.E. Mr. Bob Carr reiterated the need for cooperation to achieve the MDGs by 2015. He considered the DCF well placed to find new ways to make cooperation work better, emphasizing the following measures: (1) ensure sustained and predictable finance, especially for highly aid dependent countries, despite fiscal austerity; (2) draw lessons from experience, which suggests that broad partnership and joint action can reduce risks for disasters and build countries' resilience; and (3) support different types of cooperation with complementary sources of expertise, including South-South cooperation, so as to make sustainable development a reality. He noted that these themes were also discussed at the DCF High Level Symposium held in Brisbane, Australia, in May 2012. They were also reflected in the Rio+20 Outcome, which provides an important platform for action. He emphasized that the DCF had the right people around the table to continue the discussions started at the Australia High Level Symposium and at Rio+20.

**H.E. Ms. Marie-Josée Jacobs, Minister for Development Cooperation and Humanitarian Affairs, Luxembourg**

H.E. Ms. Marie-Josée Jacobs stressed that tackling global challenges requires a global coalition which includes traditional and new donor countries as well as non state actors, building on the capacities and comparative advantages of each. She underscored that development assistance will continue to be essential to finance development, but that it needs to be used more effectively and strategically to leverage other financial flows. She highlighted the important role of inclusive finance (e.g. through micro-credit, micro-savings, micro-insurance and cash transfer) in poverty reduction. Public-private partnerships, under specific conditions, can also have enormous potential for development cooperation and sustainable development. In closing, she noted that a collective response should promote equitable sustainable development as an investment in a common sustainable future, while recognizing countries' different realities at different stages of development.

**H.E. Mr. Nhlanhla Nene, Deputy Minister of Finance, South Africa**

H.E. Mr. Nhlanhla Nene said that development cooperation will continue to be necessary because poverty had not yet been eradicated. He observed that in an interconnected world, development, peace and security had become interrelated global issues. The responsibility for development is broader with non-traditional providers taking on a greater role. While other actors have taken on a greater role, the principles of the Paris Declaration must remain the gold standard for development cooperation of traditional donors. Aid independence and the welcome transition from aid effectiveness to development effectiveness should be guided by the Paris Declaration principles. He identified an urgent need to refocus on real aid, one in which aid dependency would be reduced and development results achieved. He called for a Marshall Plan to face current global challenges as well as for new and inclusive global multi-stakeholder partnerships for sustainable development, and a new balance of power.

**H.E. Mr. Li Baodong, Permanent Representative of the People's Republic of China to the United Nations**

H.E. Li Baodong reiterated that achieving the MDGs by 2015 remained a critical goal, which requires sustainable and balanced growth and an effort from all sides to put the Monterrey Consensus into practice. He said that China supports current efforts to increase aid effectiveness, but that the provision of adequate, predictable and stable core resources needs to remain at the heart of development cooperation. With regard to South-South cooperation, he highlighted that by enhancing trade capacity and opening up markets for developing country exports, South-South cooperation has an important impact on development. It also helps countries generate self-sustained growth by cultivating local talents and building capacity. South-South cooperation is not a substitute for traditional cooperation. As clearly stated in the Busan outcome document, it differs from North-South cooperation; thus the Paris Declaration principles do not apply. According to Mr. Li, South-South cooperation is based on principles of mutual respect, equality, national ownership, special cultural ties, non-interference, non-conditionality, and a more flexible response to the needs of developing countries. Some of these principles were also spelled out in the Chinese White Paper on Foreign Aid. In closing, he assured participants that China remains committed to play a role in South-South cooperation and further increase its foreign aid expenditure. At the same

time, he pointed out that China is still a developing country, ranked No. 87 in terms of per capita income.

**Ms. Michelle Bachelet, Executive Director, UNWOMEN**

Ms. Michelle Bachelet stressed the importance of the MDGs as a majority of humanity still lived in precarious conditions. She stated that promoting employment and economic growth is critical to accelerate progress towards the MDGs and reduce inequalities. In doing so, the United Nations should recognize that the geography of poverty has changed and should re-engage in middle income countries (MICs) where the majority of the poor now live. She also recognized that the development cooperation architecture has changed with the emergence of new actors, new partnerships and new cooperation modalities. This requires greater coordination and accountability from a broader range of development partners as well as greater policy coherence and better models of doing business. With regard to the role of the DCF, Ms. Bachelet observed that its multi-stakeholder nature has turned it into an important venue to discuss new approaches to development cooperation in a changing development landscape. She also saw the 2012 DCF, placed between Rio+20 and the post-2015 debate, as an opportunity to mainstream sustainable development in a post-2015 development agenda and ensure that it is people- and women-centred. She underscored that citizen's engagement should be a critical driver of the new agenda and noted that since gender equality is beneficial for development, not just for women, it should be at the centre of the future development agenda and global partnership for development, lamenting the fact that, only 6 per cent of development assistance is currently addressed to this priority.

## *Detailed summaries of DCF sessions*

### **Drivers of change: What is the future of development cooperation?**

*The session was moderated by Joanna Kerr, Chief Executive of ActionAid International. Speakers were Heikki Holmås, Minister of International Development, Norway and Supachai Panitchpakdi, Secretary-General, UNCTAD.*

**Development cooperation should work towards aid independence.** Development cooperation should focus on reducing aid dependence and putting developing countries on their own path to development. Developing countries need to commit to end aid dependency. Donors need to design their programmes with an exit strategy in mind. To ensure that partner countries are in the driver's seat, mutual accountability frameworks and aid management policies should be developed.

**Quality aid can make an important contribution to long term aid independence.** Development cooperation has an important role to play in reducing aid dependence. Quality assistance which supports capacity building and strengthens a country's ability to mobilize domestic resource can help pave the way towards aid independence. On the other hand, "bad aid", such as expensive technical cooperation, tied aid, aid-for-trade and micro-managed projects, makes a much smaller contribution to self reliance.

**Donors must honour their aid commitments. Partner countries must strengthen the capacity to mobilize domestic resources.** Donors need to honour past commitments. In addition, innovative ways need to be explored to mobilize additional sources of development finance. Reducing aid dependence also requires partner countries to strengthen domestic revenue mobilization, including by enhancing revenue administration and public financial management. Efforts by partner countries need to be complemented by collective action against tax havens, tax avoidance and all forms of capital flight. Participants noted that capital outflows from developing countries are ten times higher than ODA due to capital flight, illicit financial flows, shadow flows, corruption and crime, a trend that needs to be reversed.

**There is a need for a new development agenda underpinned by a new global partnership for development.** There is a need for a new development agenda which addresses new and emerging challenges in a changing development landscape. Rio+20 is a starting point to establish sustainable development goals (SDGs) that integrate the three pillars of sustainable development. Moving forward, how to best integrate the SDGs into the MDGs needs to be closely examined. A post-2015 development agenda should provide actors with the appropriate tools to address the challenges ahead. The agenda should be underpinned by a new global partnership for development. Such a global partnership should remain true to the principle of national ownership.

**Achieving food security, ensuring access to clean energy, and promoting gender equality and the empowerment of women should be at the top of a future development agenda.** Achieving food security is essential to eradicate poverty and make progress on all other MDGs. Ensuring access to clean energy is a prerequisite for so-

cial and economic development and should be at the core of sustainable development. Promoting gender equality and the empowerment of women is critical not only to promote human rights but also to unlock an enormous economic potential. Women's reproductive health and education, as well as family planning, are especially critical in this regard.

**More needs to be done to strengthen coherence.** There is a need to ensure greater coherence between sectoral aid allocation policies. For example, aid allocation decisions in favour of social sectors should be mindful of their implications on the economy and the environment. Greater coherence will also be required between aid policies and non-aid policies that have a development dimension, such as technology transfer and capacity building. For instance, lack of policy coherence in the context of sustainable development might lead to climate change policies that promote green protectionism.

**What does talking about development effectiveness mean and how can it be achieved?** Today, the term development effectiveness means different things to different people. Some more clarity is needed on what is meant by development effectiveness and how it can be best achieved. Development effectiveness should be measured both from the perspective of donors and recipient countries.

**The DCF can help to facilitate dialogue and hold stakeholders accountable.** Placed between Rio+20 and the post-2015 debate, the 2014 DCF has an opportunity to further mainstream sustainable development in a post-2015 UN development agenda. It was proposed that the DCF's role vis-à-vis a new development agenda should be to hold development partners accountable for addressing all three pillars of sustainable development. It was also suggested that the DCF should help to promote greater policy coherence between aid and non-aid policies of donors as well as within developing countries.

<p><b>Where should development cooperation go and how can it unlock other resources?</b></p>
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*Special Policy Dialogue A – Can development cooperation be more equitable, efficient and strategic?*

*The dialogue was moderated by Helen, Clark, Administrator of UNDP and Chair, United Nations Development Group. Somchith Inthamith, Deputy Minister of Planning and Investment, Lao PDR; Jon Lomøy, Director, Development Cooperation Directorate, OECD/DAC; Lydia Alpízar Durán, Executive Director, Association for Women's Rights in Development (AWID) made introductory remarks.*

**The geography of poverty is changing.** Today, 75 per cent of the world's poorest live in middle income countries. Reducing poverty is therefore no longer only about redistributing wealth between the North and the global South but also increasingly a question of redistribution of wealth within MIC, many of whom are plagued by rapidly rising inequalities.

**Less aid is going to middle income countries while more assistance is being provided to least developed countries.** Over the past years, there has been a reallocation of development assistance. Today, less aid is going to middle income countries while more assistance is being provided to low income countries. Aid is also increasingly weighted to countries emerging from conflict. Aid allocation is based both on needs and performance, with the UN putting greater emphasis on needs and regional development banks putting a greater emphasis on performance. Civil society has questioned the use of per capita as a benchmark for allocating aid. It has called for a human-rights based framework to allocate aid, given the universal commitment to meet human rights obligations.

**Better information on countries that are under-aided could result in better aid allocation.** There is no global aid allocation mechanism. As a result, several countries are still under-aided, both in terms of needs and performance. While aid allocation decisions will continue to be taken in a decentralized manner, influenced by broader political considerations, better information on countries that are under-aided could result in better aid allocation. Civil society representatives underscored that more attention should be paid to gender equality and empowerment of women when aid allocation decisions are being taken. Adopting a human rights based approach, which include the rights of women, is a better approach than tying aid to ensure that more assistance is devoted to the empowerment of women.

**Both least - developed countries and middle - income countries need continued support but the kind of support needed differs.** Both low - income countries and middle - income countries will need continued support. Low - income countries, many of whom remain heavily aid dependent, will require aid as resource transfers. Middle - income countries on the other hand will primarily require capacity building and knowledge sharing to help them improve their national policies and capabilities, which in turn will enable them to better mobilize domestic resources. The panel discussion illustrated that the allocation of aid between least - developed countries and middle - income countries remains an open question, suggesting it as a topic for one of the next DCF High Level Symposia.

**A transition strategy can help to ensure a smooth transition from the least - developed countries status.** Several least - developed countries expressed concern about the graduation process from the LDC status. While the transition from least - developed status is a positive step, reducing aid dependence and providing greater policy space, it can be a challenge and should be adequately planned for.

**Not only the quality of aid but also the quantity of aid provided matters.** While aid to least - developed countries has increased over the past years, the quality of aid going to least developed countries has been lower than the quality of aid received by other countries. This was the finding of a [DCF background](#) study on “Trends in International Financial Cooperation for LDCs” prepared for the DCF High Level Symposium in Mali on “Gearing development cooperation towards the MDGs: Effectiveness and Results”. Participants therefore agreed that more efforts are needed to enhance predictability, reduce fragmentation, untie aid and increasingly use budget support. On the issue of aid quality it was noted that the right balance needed to be found between short term and long term approaches to secure citizen buy in while ensuring the sustainability of development results.



***Special Policy Dialogue B – How can development cooperation serve as a catalyst for other sources of development financing?***

*The policy dialogue was moderated by Pitchette Kampeta Sayinzoga, Permanent Secretary and Secretary to the Treasury, Rwanda; Anne Sipiläinen, Under-Secretary of State, Development Policy and Development Cooperation, Ministry for Foreign Affairs, Finland; Min Zhu, Deputy Managing Director, International Monetary Fund (IMF); and Jesse Griffiths, Director, EURODAD made presentations.*

**Aid remains necessary but must be used more strategically and effectively to help to mobilize other sources of development finance.** The discussion highlighted that aid will continue to be necessary, especially in LDCs. At the same time, it was stressed that aid needs to be used more strategically and effectively. In an economic climate marked by fiscal austerity, using aid as a catalyst for mobilizing alternative sources of development finance - both domestic and external - assumes an even greater importance.

**Used effectively, aid can help reduce aid dependency.** By creating and supporting enabling institutions, legislation, good governance, and transparency, aid can help developing countries attract external capital flows. It has been proposed that the DCF could explore the open question of how to allocate aid between countries at different stages of development; how development cooperation can effectively catalyse other sources of finance to reduce long-term aid dependency; and how to use development cooperation to promote gender equality and the empowerment of women. The catalytic role of aid should be guided by principles of equal opportunity, sustainability and equality.

**Private capital needs to be managed properly to ensure that it contributes towards a country's development.** By creating and supporting enabling institutions, legislation, good governance and transparency, countries can encourage external capital flows. Currently, the majority of capital flows go from developing to developed countries. This trend should be reversed. Moreover, private capital flows should be properly managed to reduce volatility and to ensure that private flows serve the purpose of development. An instrument to hedge against credit risks should also be put in place. To promote private investment, development cooperation could also encompass other instruments to guarantee risks, including public-private, and private-private partnership.

**A reform of tax and custom systems together with global efforts to eliminate tax havens and illicit capital flows are central to enhanced domestic resource mobilizations.** The mobilization of domestic resources is critical to reduce aid dependency in developing countries. At the country level, doing so will require tax policy reform and strengthened institutional capacity in revenue administration and public financial management. The tax base needs to be broadened by reducing tax evasion/avoidance. Such steps should be accompanied by global efforts to eliminate tax havens and illicit capital flows.

**Mobilize domestic resources through financial inclusion and the phasing out of inefficient subsidies.** Supportive measures need to be adopted to transform domestic financial markets and to promote greater financial inclusion. This could include developing local financial institutions, domestic bond markets, and improving access to

household savings. Smarter social protection schemes can replace inefficient subsidies with better targeted measures, such as cash transfers, thereby generating additional fiscal space for social expenditure. Access to inclusive and stable financial systems can also play an important role in reducing poverty.

## Making accountability operational: practice and perspectives

*Key findings of the DCF survey on mutual accountability (Sha Zukang, Under Secretary-General for Economic and Social Affairs, United Nations)*

**Addressing power imbalances in development cooperation is an important prerequisite for more effective, trust-based development partnerships.** Political leaders regularly promise the transparent delivery and use of aid. Yet in practice, many commitments remain unfulfilled. In particular, countries heavily dependent on aid are often at a disadvantage in holding donor countries to account on aid issues. As a result, issues such as conditionality, tied aid or predictability are not fully addressed. Civil society and parliamentarians generally remain excluded from the oversight and decision-making process.

**Mutual accountability helps to enhance the effectiveness of the development cooperation by strengthening partnerships between recipient and donor countries.** Mutual accountability has to be a two-way, balanced and inclusive process. Donors have to become more responsive to needs of partner countries. Partner countries need to investment in the development of management capacities to reduce corruption and fiduciary risks. A further strengthening of mutual accountability mechanisms and a more systematic inclusion of all actors will lead to more balanced partnerships between recipients and donor countries and strengthened domestic ownership.

**Lack of transparency is a major obstacle. Global initiatives can serve as a meaningful remedy.** The lack of transparency can be traced back to the reluctance to disclose information that may lead to negative exposure as well as the lack of adequate platforms. Global initiatives for common transparency standards provide a meaningful remedy. Principles of accountability and ownership must be designed as values and goals, enshrined in national development strategies and equally applied to all actors. Independent evaluation and assessments and arbitration/mediation can be helpful in ensuring transparency in case accountability fails.

**There is no blueprint for an effective mutual accountability mechanism. Nevertheless, successful mechanisms often share similar characteristics.** The national and local contexts must be the starting point to achieve sustainable development results. Each programme country must follow its own path and pace to design and implement accountability structures. At the same time, universal values and analytical findings and experiences hold some valuable lessons which should be considered.

**Five key elements of effective mutual accountability frameworks.** A UN survey prepared for the DCF identified five key elements of effective mutual accountability mechanisms: (a) an agreed national policy that spells out how aid should be delivered, allocated and monitored with a clear description of related governance processes, such as charring and reporting arrangements for sectoral working groups and national level discussion fora; (b) a locally-driven framework with performance targets for individu-

al providers and the government to monitor quality and results; (c) a yearly analysis of progress towards these results and a high-level setting to discuss them; (d) meaningful participation of parliamentarians and national civil society; and (e) comprehensive information on the quantity and quality of development cooperation. Efforts to enhance accountability between countries are only legitimate if they build on strong and inclusive ownership.

**The DCF was urged to set in motion a process to review progress on accountability and transparency made at national, regional and global levels.** The 2008 DCF called for a strengthening of mutual accountability processes at the country-level through the sharing of good practices and the further strengthening of national capacity and leadership. Stakeholders have also called for (a) capacity development and empowerment of institutions responsible for mutual accountability; (b) transparent and accessible aid information; and (c) the promotion of exchange of experiences and peer learning. The call for a strengthening of national mutual accountability processes was reiterated both at the 2010 and during the preparations for the 2012 DCF.

### *Interactive Debate*

*The interactive debate was moderated by Sigrid Kaag, Assistant Secretary-General, Bureau for External Relations and Advocacy, UNDP. Panellists included Oburu Oginga, Assistant Minister for Finance, Kenya; Gisela Hammerschmidt, Deputy Director-General, Federal Ministry for Economic Cooperation and Development, Germany; Saber Hossain Chowdhury, Member of Parliament, Bangladesh; and Meja Vitalice, Development Policy Analyst, Reality of Aid Africa.*

**A global framework for mutual accountability should be established to promote progress on the ground.** The ongoing shift away from a narrow technical debate on aid effectiveness to one on development results is encouraging. Today, we have a much better understanding from UN surveys and other evidence of what is needed to advance mutual accountability. National accountability frameworks must take these findings and the development context of a given country into account. The DCF can serve as platform for exchange on accountability frameworks to enable countries to better understand what works and what does not.

**Mutual accountability mechanisms must involve all actors, beyond the executive branch of government.** Accountability mechanisms should be designed to ensure that governments are primarily answerable and responsive to their citizens. This goes beyond financial accountability. It also requires that civil society actors are given sufficient policy space.

**Strong parliamentary engagement is key to promote and connect national and international accountability.** Without national aid policies that include specific performance targets in line with national development priorities, parliaments will not be able to carry out their oversight function. There is a 'healthy tension' between the executive and legislative branches of government, but limited resources and capacity, lack of access to information and legal barriers to review loan agreements all make it difficult for parliaments to exercise their oversight role. To rectify this, Members of Parliament, participating in the DCF, encouraged donors to also make development cooperation agreements available to them.

**The national budget should be the central entry point to promote accountability.** Evidence shows that a transparent and more inclusive national budget process enhances ownership, transparency and accountability. Empowering different government entities to negotiate directly with providers can reduce transaction costs and layers of bureaucracy. It does, however, require the existence of an integrated financial management system. To strengthen country ownership and leadership, providers should use national, rather than their own parallel implementation units, and report all aid on budget to avoid misappropriation.

**The DCF should expand on its role as a driver for greater national and global mutual accountability.** Member States could use the DCF and its various preparatory events to present progress and challenges in implementing inclusive and balanced mutual accountability. Some suggested that the Forum could particularly serve to foster learning among developing countries. It was suggested that the DCF should support individual countries in their efforts to create or strengthen mechanisms and platforms for dialogue. It was also proposed that the DCF could develop a model aid policy that countries would use as a template for their own efforts.

#### **Workshop A: Post-conflict countries and countries in vulnerable situations**

*The workshop was moderated by Peter Moors, Director-General for Development Cooperation, Ministry of Foreign Affairs, Foreign Trade and Development Cooperation, Belgium. It included interventions by Abdou Karim Meckassoua, Minister of Planning and Economy, Central African Republic; Elisabetta Belloni, Director General for Development Cooperation, Ministry of Foreign Affairs, Italy; Maureen Quinn, Senior Advisor, International Peace Institute; Yoka Brandt, Deputy Executive Director, UNICEF; and Conrad Sauvé, Secretary-General and CEO, Canadian Red Cross, International Federation of Red Cross and Red Crescent Societies.*

**Advancing mutual accountability in post-conflict and vulnerable situations has proven particularly challenging.** The lack of confidence and trust among stakeholders and weak institutional capacity make it especially difficult to make progress on mutual accountability in post conflict countries. Post conflict countries must find the right balance between supporting long-term sustainable development while providing an immediate response to ongoing crises.

**Inclusive domestic and international accountability mechanisms can serve as catalysts for development.** By strengthening national ownership and leadership, mutual accountability mechanisms can serve as powerful vehicles to advance development. Accountability must go beyond government-to-government partnerships. Domestic accountability mechanisms should empower parliaments, civil society, and the general public to hold their government to account.

**While overall progress has been disappointing, there are some welcome signs of progress on mutual accountability.** Donors are willing to be more transparent about the aid they provide. Programme countries are making further efforts to strengthen national institutions of accountability. Multilateral institutions have made an effort to ensure greater accountability to governments and citizens for their work. Capacity development remains the top priority to strengthen resilience national institutions in the short and medium run.

**The growing risk aversion by donors is adding pressure on beneficiaries to address fiduciary issues and corruption.** Participants identified as the greatest risk in action in post conflict countries due to concerns over aid effectiveness. They called upon providers to rally public opinion in support of innovative ways to manage risk rather than retreat from crisis and post-conflict situations. Effective accountability mechanisms can help fight the perception that donors are favouring one conflict party over the other which could potentially undermine the process of rebuilding and reconciliation.

**Mutual accountability in post-conflict and fragile situations is highly context-specific.** Compacts have proven useful in some circumstances by helping to build confidence among stakeholders. However, they have produced weak results in other countries. The workshop emphasised the importance of being realistic in this regard and recognizing that aspirations can easily exceed what is achievable in a complex post conflict environment.

**The Fourth United Nations Conference on Least-Developed Countries and the New Deal for Engagement in Fragile States provide important pointers.** The recommendations of the Fourth United Nations Conference on Least-Developed Countries and the New Deal for Engagement in Fragile States, adopted at the Busan High-level Forum on Aid Effectiveness, provide relevant guidance to implement mutual accountability. However, to date, progress remains uneven and heavily dependent on country contexts.

#### ***Workshop B: Mutual accountability and transparency in Africa: progress and challenges***

*The workshop was moderated by Samura Kamara, Minister of Finance, Sierra Leone. The panel featured four presentations by Pacharo Ralph Jooma MP, Deputy Minister of Finance, Malawi; Ekanya Geofrey, Member of Parliament, Uganda; Collins Magalasi, Executive Director, AFRODAD; and Namhla Mniki-Mangaliso, Director, African Monitor.*

**The challenge in Africa is one of implementation.** Progress on mutual accountability has been slow and uneven. However, efforts to promote accountability and transparency are accelerating in Africa. While the building blocks for accountability are widely known, the main challenge is one of implementation.

**Working towards more balanced development partnerships remains a major challenge.** The unequal status among development cooperation actors is a matter of concern. This is especially the case for highly aid dependent countries, which struggle to hold donors accountable. Donors should increase aid predictability, empower programme countries to identify national priorities, distribute aid without distorting markets and without conditionality. Programme countries should break out of their role as agents of providers. Mechanisms need to be put in place to ensure that aid decisions are primarily taken based on needs rather than geopolitical or commercial interests.

**An increased use of country systems can help address imbalances in development partnerships.** To strengthen national ownership and leadership, donors should route more of their assistance through national systems. At the same time, African governments will need to step up their efforts in strengthening institutional and legal frame-

works and country systems to ensure the efficient, coherent, and transparent management and coordination of development cooperation.

**Policy makers should make strengthening domestic accountability a priority.**

**There are many positive examples.** Domestic accountability relationships should go beyond external assistance and cover all domestic resources allocated to development. Active citizen engagement at the local level leads to better development results by promoting democratic ownership and an efficient and targeted use of development assistance. Specific tools which have proven particularly successful include “poverty hearings” with local government or accountability screenings in the education sector. “Green accountability” – improving environmental accountability to future generations – is a growing concern that must be better addressed.

**Advancing mutual accountability will require heavy investment, including in modern technologies.**

A strong statistical evidence base is essential for developing countries to define national priorities and engage as equal partners in negotiations with donors. Africa needs to invest heavily in data collection, analysis and interpretation to equip all actors with the necessary tools for greater accountability. Countries also should make better use of modern technologies to pass on relevant results of evaluations and assessments, especially to local governments. The private sector could be a useful partner in this respect.

**Encouraging examples of mutual accountability exist and should be shared more widely.**

In countries with effective mechanisms, donors are “named” and encouraged to change their behaviour – with very positive and quick responses in most cases. This demonstrates how an enabling environment for accountability is critical for putting development partnerships on an equal footing.

**A minimum African standard for mutual accountability should be adopted.**

Such a standard can promote accountability, peer exchanges and better targeted capacity development. Regional mechanisms, such as the African Peer Review Mechanism (APRM) and the Comprehensive Africa Agriculture Development Program (CAADP) are effective processes which have generated valuable lessons on how to promote mutual and responsible commitments on the continent.

**The DCF should support the development of a minimum African Mutual Accountability standard.**

It should continue to monitor development cooperation commitments to the continent, share good practices and promote the implementation of full-fledged mutual accountability mechanisms. An African standard can provide the basis for independent assessments of progress of all actors in different country contexts. This will also enable the region as a whole to better address the behaviour of individual providers.

***Workshop C: Strengthening development cooperation in the Pacific: what can regional compacts contribute?***

*The workshop was chaired by Desra Percaya, Vice President of ECOSOC and Permanent Representative of Indonesia to the United Nations and moderated by Feleti Teo, Deputy Secretary-General, Pacific Island Forum Secretariat. Speakers included Amanda Ellis, Deputy-Secretary International Development, Head of the New Zea-*

*land Aid Programme, Ministry of Foreign Affairs and Trade, New Zealand and Noumea Simi, Assistant Chief Executive Officer, Ministry of Finance, Samoa.*

**Despite the highest per capita ODA worldwide, Pacific Islands are lagging way behind in terms of MDG achievement.** The Pacific Islands, in spite of receiving the highest per capita ODA worldwide, have made the least progress in development and remain the second least likely region to meet the MDGs by 2015. This is sometimes referred to as the “Pacific Paradox”.

**The Cairns Compact has enabled a quantum leap in strengthening mutual accountability.** The Cairns Compact on Strengthening Development Cooperation between the Pacific Islands and multiple providers was considered a quantum leap towards mutual accountability and the tracking of aid allocation. The regional compact takes into account elements of both national and global initiatives. The Pacific Islands Forum promotes good practices, with donors and recipients as equal partners.

**Aid quality and coordinated partnerships have advanced since the creation of the Cairns Compact.** All Pacific Island countries have developed national strategic frameworks to reform public financial management, promote transparency charters and strengthen inclusive approaches, adjusting global recommendations to strengthen mutual accountability in a regional context.

**A better division of labour between donors has helped to lighten the administrative burden.** To minimize the burden for donors and to better respond to country priorities, donors delegated the authority for aid decisions to the country level. Building on a set of “joint partnership commitments”, Pacific Island countries can flag gaps in capacity development and can request specific donor countries for assistance.

**Great emphasis is being placed on country ownership and leadership.** The Pacific Island Forum relies on countries to define their own development priorities and to highlight their current development needs. Based on countries’ needs and priorities, the Forum assists with the development of policy matrices that spell out the roles of all development cooperation actors. The overall objective is to develop a harmonized systematic matrix for the entire region.

**The peer review is a hallmark of the Compact’s success.** Currently, 14 countries in the region are voluntarily signed up to participate in peer review teams. While these rely heavily on country ownership and leadership, the countries review each other’s performance, in an example of South-South Cooperation.

**The participation of non-executive stakeholders and the promotion of public-private partnerships are key priorities for the Compact.** Participants welcomed the annual high-level dialogue organized by the Forum and the voice that it gives to non-executive stakeholders. They also noted that public-private partnerships have expanded since the Compact was established. Participants concluded the discussion by reaffirming the need for greater commitment to results-based outcomes, commenting on the quarterly consultations set up with providers and joint annual sector reviews.

## South-South and triangular cooperation

### ***Interactive debate – Good practices and lessons learned in South-South and triangular cooperation***

*The interactive debate was moderated by Deborah Brautigam, Director of the International Development Programme, Johns Hopkins University, SAIS, Washington, D.C. with introductory presentations by Ahmed Shide, State Minister of Finance and Economic Development, Ethiopia; Nguyen The Phuong, Vice Minister of Planning and Investment, Viet Nam; Miles Sampa, Deputy Minister for Finance and National Planning, Zambia; Petko Draganov, Deputy Secretary-General, UNCTAD; Birama Sidibe, Vice President Operations, Islamic Development Bank.*

**South-South cooperation, with its own modalities, is a useful complement to traditional development cooperation.** South-South cooperation is a useful complement to traditional North South cooperation, which remains the mainstay for many developing countries. Southern providers have repeatedly pointed out that South-South cooperation is not governed by the same rules as traditional aid, as it has its own modalities.

**South-South cooperation provides developing countries with additional options.** South-South cooperation is seen as an opportunity to gain greater independence from a limited number of donors. This is of particular value in times of fiscal austerity when donors slash their aid budgets. With its focus on infrastructure, South-South cooperation broadens the availability of development assistance, which in recent years, was focused increasingly on social issues in support of the MDGs.

**South-South cooperation between countries at similar stages of development seems particularly promising.** Unlike North-South cooperation, South-South cooperation is seen as a partnership among equals. Partnerships with neighbouring countries at a similar level of development seem particularly beneficial. South-South cooperation is particularly valued for its large multiplier effect. Experts pass on technical and management skills to their counterparts and transfer applicable and relevant technology. It is also seen as a catalyst for local investment and job creation.

**The comparative strengths of South-South cooperation need to be further studied.** Unlike the decades of research on the effectiveness of ODA, the effectiveness of South-South cooperation is less well studied. Little is known, other than a few stylised facts such as its faster speed of delivery, greater space for sovereignty, the transfer of appropriate technologies and a more harmonious approach to development. Evidence beyond anecdotal case studies is needed.

**South-South cooperation should build on its comparative advantages.** To fully reap the potential of South-South cooperation, the comparative advantages of South-South cooperation and traditional development cooperation should be further examined. As with traditional development assistance, it is important that South-South cooperation is demand driven and responds to the development needs of the recipient country. Once the specific development objective has been established, the appropriate form of South-South cooperation, such as technical cooperation, the exchange of experts or the provision of co-financing can be determined.



**It should also be acknowledged that South-South cooperation has its limitations.** While South-South cooperation has many comparative advantages, some have questioned its contribution to poverty reduction. Some participants pointed out that additional efforts were needed with regard to transparency, incorporating projects within national programming, establishing an effective dialogue with civil society, carrying out a thorough evaluation of results, and promoting effective technology transfer and diffusion. Concerns relating to the extraction of raw materials and commodity prices, were raised, given the importance of the primary sector's role in developing countries.

**South-South cooperation can be traced back to strong trade relations and monetary and financial cooperation.** Panellists underscored the role of trade relations as the driving force behind Southern integration. Trade between southern partners increased by 12 per cent per year over the last twelve years and now accounts for 20 per cent of global trade. Trade flows between southern partners are often driven by vertical production chains that serve northern markets, and to a lesser extent regional production strategies. What is less clear is the extent to which South-South trade is contributing to a strengthening of developing countries' productive capacity. Trade has also been a driving force behind monetary and financial cooperation, such as the Chiang Mai reserve pooling initiative.

**Regional and multilateral organizations can serve as facilitators of South-South cooperation.** Discussions highlighted the role of multilateral organizations, such as the Islamic Development Bank (with a membership that includes both providers and recipients) as a helpful platform. It provides both South-South cooperation as well as traditional development cooperation. One of the Bank's flagship programmes, the reverse linkage initiative, provides a framework for member countries to exchange expertise and knowledge, provide investment, and learn from success stories.

***Interactive debate: Institutions for South-South development cooperation – emerging trends***

*The second part of the interactive debate on South-South development cooperation discussed the experiences of Southern contributors in establishing development cooperation agencies. Panellists included Serdar Çam, President, Turkish International Development and Cooperation Agency; Masato Watanabe, Vice President, Japan International Cooperation Agency; and Martín Rivero, Executive Director of the Uruguayan Agency for International Cooperation.*

**Southern providers place great emphasis on a frank exchange of knowledge, experiences and lessons learned through horizontal partnerships.** As a dynamic form of cooperation with many new opportunities, the effectiveness of South-South cooperation depends on comprehensive, timely data and a qualitative analysis of the reality on the ground. Open dialogue is particularly relevant for developing stronger institutions and capacities for South-South cooperation. For example, partners can benefit from learning how to strengthen their statistical capacities from “champions” in the region. Regional platforms are vital to identify priorities, address specific regional challenges to South-South Cooperation and promote effective triangular development cooperation.

**South-South cooperation agencies should respond to demands from programme countries and be people-centred.** In the spirit of national ownership and leadership, it was argued that programme countries must be able to take autonomous decisions on the best possible use of external assistance. South-South cooperation providers emphasized the importance of grounding efforts in targeted solutions that are sustainable and involve the right target groups and local partners. South-South cooperation agencies have to strike a balance between filling gaps that may include high risk investments and their ambition to become visible as global players in development cooperation. This is especially the case in post-conflict and vulnerable situations where it is important to reinstate trust in the government.

**Harmonized institutional arrangements are key to systematize and optimize South-South development cooperation procedures. The DCF can play a role at the global level.** Participants reaffirmed the relevance of an effective institutional structure for South-South cooperation. Triangular cooperation actors emphasized their advantage in brokering between all providers to develop a new global development partnership. Any such global arrangement should involve all relevant actors in provider and programme countries, be supported by a specialized set of legal rules, and adequate funding, for example in the form of a specialized fund or seed funding for triangular development cooperation. Such global arrangements could also help recipient countries to better coordinate among different actors and maximize synergies in their partnerships. The DCF and other United Nations fora are best placed to facilitate discussions on how to systematize South-South development cooperation, promote synergies and exchange good practices.

<p><b>Global development cooperation: the evolving role of private philanthropic organisations and decentralised cooperation</b></p>
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*Round Table A: Private philanthropic organizations*

*The session was moderated by Ron Bruder, Founder and Chairman of the Board, Education for Employment, New York with the participation of Iqbal Noor Ali, Senior Advisor, Aga Khan Development Network; Heather Grady, Vice President Foundations Initiatives, Rockefeller Foundation; and Klaus Leisinger, President and Managing Director, Novartis Foundation for Sustainable Development.*

**Unlike other actors, private philanthropic organizations can pilot innovative approaches and take risks.** Private philanthropic organizations can take on greater risks, including failure. This allows them to fill gaps in traditional approaches by piloting innovative approaches. Private philanthropic organizations also tend to have a comparative advantage in working across sectors and disciplines. The post-2015 framework and the follow-up to Rio+20 will provide important opportunities to involve private philanthropic organizations more systematically in development cooperation.

**By engaging in multistakeholder partnerships private philanthropic foundations can help scale-up successful projects.** As in the case of traditional development cooperation, assistance of private philanthropic foundations should be country-owned and should address the country's development needs. While foundations can help to

build expertise and provide appropriate technology, their efforts should be rooted in local knowledge. Private philanthropic organizations can also contribute to triangular cooperation and Aid for Trade.

**The development impact of private philanthropic organizations should be assessed and an effective exit strategy should be put in place.** Accountability mechanisms can help to ensure that philanthropic activities meet the needs of recipients. Accountability should be embedded through a cooperative approach which includes all major stakeholders. Planning, monitoring and evaluation, as well as transparency are important in the different phases of the project. From the outset, it is important to define an exit strategy to ensure the sustainability of the project without continued external assistance.

**There are limits to what philanthropic organizations can deliver.** Private resources are not a panacea. There are several issues which private philanthropic organizations will not be able to tackle on their own. However, if governments provide the right framework, they can make important contributions. One such example is that of global public goods. Here a platform through which private philanthropic organizations could make a contribution to multistakeholder coalitions would be helpful. Private philanthropic organizations might also face limitations in situations of political instability or severe recession.

**The DCF can provide a platform for the more systematic inclusion of private philanthropic organizations in international development cooperation.** The DCF was welcomed as a place for frank discussion where different stakeholders can compare notes and offer practical recommendations on how private philanthropic organizations can maximize their comparative advantages. The DCF's inclusive discussions help foster consensus and collaborative solutions. The DCF can also facilitate a discussion on enhancing the inclusion of private philanthropic organizations in mutual accountability mechanisms.

### ***Round Table (B) Decentralised development cooperation***

*The round table discussion was moderated by Monica Paez, Technical Coordinator of the Technical Secretariat for International Cooperation (SETECI), Ecuador. Panelists included Carles Llorens Vila, Director-General for International Cooperation, Government of Catalonia, Spain and representative of FOGAR; Jürgen Nimptsch, Lord Mayor of Bonn, Anthony Egyir Aikins, Mayor of Cape Coast, Ghana; Patricia Ayala, Intendente of the Uruguayan Department of Artigas, Uruguay; and Berry Vrbanovich, President of the Federation of Canadian Municipalities, Co-Chair of the Decentralised Cooperation Committee of United Cities and Local Governments (UCLG).*

**Strategic alliances among local governments and municipalities are a vital pillar of international development cooperation.** Decentralized development cooperation among local governments has a long tradition, beginning among cities in Europe and later spreading to the global South. Many donors continue to support decentralized development cooperation. Partnerships between local actors in the North and South constitute a vibrant sector of development cooperation as it occurs “on the ground”. Most notably, they tend to be long-term and frequently continue over different legislative periods. They are often characterized by strong personal investment and respon-

sibility of mayors or local community leaders. One example of successful decentralised development cooperation was the city twinning project presented by Juergen Nimptsch, Lord Mayor of Bonn, and Mr. Anthony Egyir Aikings, Mayor of Cape Coast, Ghana, during the session.

**The comparative advantages of local governments must be better harnessed, especially as they face new developmental challenges.** With their extensive knowledge of development context, settings and challenges, local governments are often best placed to detect new obstacles and identify targeted and innovative solutions, including through partnerships with private sector and citizens. In many cases, local governments must directly account for their action to citizens, making them the most accessible and democratic interface with the government. Spurred by multiple constraints caused by economic and other crises and shocks, climate change and urbanization, actors at the local level tend to be most concerned with job creation, strengthening of infrastructure and improvements in education and health systems. Participants reaffirmed the relevance of addressing development challenges in an integrated manner. Rio+20 recognized the importance of local governments in this regard.

**Decentralized development cooperation can be an excellent catalyst to identify developmental priorities, but more capacity development is needed.** Examples show that a common vision for local development, enshrined in a plan for action, can boost activities at the local level. This is one solution for developing and strengthening local capacities to address citizens' needs. Yet, increased and more direct financial support is key to building capacities and encouraging greater engagement of local government actors. The example presented by Patricia Ayala, Intendente of the Uruguayan Department of Artigas, Uruguay illustrated that with the necessary support from the central government and external funding, sub-national entities can greatly help advance development.

**Active engagement of local governments at regional and global levels through networks and representatives is critical to promote the effectiveness of decentralized development cooperation.** With increasing urbanization, the role of local governments as a catalyst for local development has gained greater recognition. To improve the quality of decentralized development cooperation, in line with international standards and benchmarks, their engagement through multilateral frameworks will be critical. Relevant aspects include coordination among different local actors and objectives as well as their accountability. These fora are also relevant to help replicate and expand successful experiences of local level actors and to continue strengthening strategic alliances.

**Attention has shifted towards the South-South dimension of decentralized development cooperation.** There has been a trend more recently of increasing development cooperation between cities in lower middle income countries. Since they often share common challenges, they benefit from structured exchange of experiences, with support from global or regional networks.

## **Gearing global development cooperation towards sustainable development – where do we go from Rio+20?**

*The session entitled “Gearing global development cooperation towards sustainable development – where do we go from Rio+20?” was moderated by Luis Alfonso de Alba, Permanent Representative of Mexico to the United Nations in New York. Sha Zukang, Under Secretary-General for Economic and Social Affairs and Secretary-General of Rio+20 conference, Jean-Baptiste Mattei, Director General of Global Affairs, Ministry of Foreign Affairs, France, Roberto Bissio, Coordinator, Social Watch, and Juan Somavia, Director General, ILO made introductory presentations.*

**Although a more ambitious outcome would have been preferred, Rio+20 provides a helpful roadmap for global development cooperation.** A clear message emerged from all stakeholders that they would have liked to see a more ambitious outcome for Rio+20. At the same time, several speakers noted that Rio+20 provided a useful roadmap by initiating a series of important follow-up processes. A key concern, emphasized by developing countries, was the lack of financial commitments to implement the outcome document. Integration, coherence and implementation were reiterated as critical for the implementation of Rio+20.

**The world needs an institutional framework for sustainable development that is commensurate to the challenges at hand.** Stakeholders agreed that there is a need to strengthen the institutional framework for sustainable development. The establishment of a new universal forum at a high level was seen as an opportunity to overcome the environmental bias of the work of the Commission for Sustainable Development and as an opportunity to create a new, more balanced global compact. In this regard, the potential of ECOSOC to secure a balanced consideration of the three dimensions of sustainable development was highlighted.

**Putting the world on a more sustainable development path implies a new way of looking at development progress.** Rio+20 recognized the need to move away from the current use of economic indicators, in particular a narrow focus on GDP. Participants agreed that there is a need for a new set of indicators which takes into account all three dimensions of sustainable development, within the reality of planetary boundaries.

**The transition to the green economy entails costs as well as opportunities.** The transition towards a green economy creates many opportunities. But it also creates costs – both human and financial. The promotion of social protection floors and social dialogue between workers and employers is crucial to deal with the downside effects of the transition.

**Transitioning towards a green economy will require additional financial resources, in particular for financing its high upfront costs.** The instruments of the Monterrey Consensus should serve as a starting point when developing a sustainable development finance strategy. Innovative sources of development finance and the leveraging of private funds can help mobilize much needed additional resources. The Rio principle of common but differentiated responsibilities remains valid today. At the same time, several emerging economies expressed their readiness to make an increased contribution in line with their enhanced capabilities. It was also pointed out

that the sharing of environmentally sound technologies is a component of any successful transition towards a green economy.

**To remain relevant, the United Nations needs a development agenda which responds to current and future challenges.** A post-2015 UN development agenda needs to respond to the ongoing multiple crises, recognize the changes in the international development landscape and address concerns raised by social movements around the world. A post-2015 UN development agenda, while based on the Rio principle of common but differentiated responsibilities, should be universal - applying to both developed and developing countries. It should be rooted in the Universal Declaration on Human Rights and continue to strive for poverty eradication at its core. The work on a post-2015 UN development agenda and the General Assembly process of establishing the sustainable development goals (SDGs) should converge. The outcomes of other major UN processes such as the Copenhagen, Beijing and Cairo reviews will also need to be taken into consideration when developing a post-2015 UN development agenda. A post-2015 development agenda must also recognize other developments, for instance, the work of the Global Partnership for Effective Development Cooperation recently launched at the meeting of the Working Party on Aid Effectiveness in July 2012.

**With its universal membership, the UN is the right forum to define a global post 2015 development agenda.** Panellists and participants felt that ECOSOC in general and the DCF in particular, can play an important role in the development of a post-2015 UN development agenda. They recommended strengthening ECOSOC by bringing discussions to the Council on which it can add value, instead of focusing on a sterile discussion on ECOSOC's institutional reform. The DCF was cited as a positive example of how bringing substance to the Council has added to its vibrancy. Time-bound ad hoc working groups with multistakeholder participation were proposed as one way to ensure the relevance and to add dynamism to the discussions. It was also noted that a review of the relationship of the Council with non-executive actors other than civil society was overdue.

### **“Forging ahead” partnering for the future of development**

*Session 7 was moderated by Bruce Jones, Director, Centre on International Cooperation, NYU. Kim Bong-hyun, Deputy Minister of Multilateral and Global Affairs, Republic of Korea; Rogelio Granguillome, Executive Director of the Mexican Agency for International Development Cooperation; Katsuji Imata, Acting Secretary-General, CIVICUS; Talaat Abdel Malek, Co-chair, OECD/DAC Working Party on Aid Effectiveness and Economic Advisor to the Minister of International Cooperation, Egypt made introductory presentations.*

**A post-2015 development agenda must respond to prevailing challenges and reflect the changing development landscape.** A post-2015 development agenda needs to recognize the new conditions and respond to the crises which the world currently faces. It is a world where the impact of the economic and financial crisis is lingering and where the impact of climate change is increasingly being felt. The development cooperation landscape is also in flux.

**It should also reflect the ongoing shift in the development mindset from traditional donor/recipient notions to more balanced partnerships.** This will require a continued focus on strong country ownership and leadership on the side of recipients, as well as efforts to reduce administrative burdens on the donors' side. The post-2015 development agenda will also need to take into consideration the new capabilities of emerging donors. They need to be included more effectively in international development efforts. The increasingly important role of non-executive stakeholders in development cooperation, including private philanthropic organizations, also needs to be recognized by a future development agenda.

**There is a need to reflect on the kind of development cooperation we need to realize the “Future We Want”.** Further to Rio+20, participants recognized the need to reflect on the kind of development cooperation to promote “The Future We Want”. They noted that a future development agenda should have realistic goals and that commitments in support of the agenda should be certified and met. Civil society representatives called for a future agenda to be rooted in a Human Rights Based Approach and for it to include crosscutting issues. There was also a call for development cooperation to become more effective and efficient and to help developing countries to reduce their aid dependency. It was proposed that the DCF could play a role in facilitating the discussions on the long term exit from aid.

**Ongoing efforts to develop a post-2015 development agenda must be brought together at the United Nations.** With its universal membership, the United Nations was seen as the natural home for the formulation of a post-2015 development agenda. It is important to ensure complementarity between the three main fora reviewing trends in development cooperation: the DCF, G20 Development Working Group and OECD/DAC's newly launched Global Partnership for Effective Development Cooperation. Stakeholders also felt that the DCF can help ensure coherence between the SDGs and a post-2015 development agenda.

**Stakeholders felt that the DCF should continue to serve as a universal multi-stakeholder platform for policy dialogue and knowledge exchange.** They highlighted the need to link the work of the Global Partnership for Effective Development Cooperation with that of existing fora such as the DCF and the G20 working group, as well as that of multilateral development banks, suggesting the possibility of holding a meeting of the Global Partnership back-to-back with these meetings. The Republic of Korea and the co-chair of the Working Party on Aid Effectiveness suggested that the scope of the existing cooperation between the DCF and the Busan Partnership should be extended and that a synchronization of the two processes would enhance coordination and coherence in development cooperation. The Republic of Korea also noted that the Busan Partnership aims to complement the consensus building process for the post-2015 agenda.

**Participants made several suggestions for the substantive focus for the next phase of the DCF.** Non-executive stakeholders called for a greater emphasis on policy coherence, the effectiveness of using aid to leverage non aid resources and its impact on development results, gender equality and inclusive mutual accountability. The DCF was also seen as an important vehicle to engage Southern providers more effectively, as they tend to prefer engaging through the DCF rather than the Global Partnership for Effective Development Cooperation. Civil society called upon stakeholders to adequately fund the DCF to extend its reach to LDCs, SIDS and civil

society. The DCF should use its convening power to address the shrinking of civil society space across the globe.

#### **4. Preparations for the 2012 Development Cooperation Forum (2010-2012)**

*The two-year DCF preparatory process was crucial for the 2012 DCF success. The key finding of the preparatory meetings served as important building blocks of the 2012 DCF, including the report of the Secretary-General for the 2012 DCF. This section provides a quick overview of the main objectives and key recommendations of the individual preparatory meetings.*

##### ***DCF High Level Symposia***

<b>Mali High Level Symposium on “Gearing development cooperation towards the MDGs: Effectiveness and results”, May 2011</b>
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##### **Background**

*On 5-6 May 2011, Mali in cooperation with the Department of Economic and Social Affairs and with the support of Switzerland held a first High Level Symposium in Bamako, Mali. The main objective of the Mali High-level symposium was to facilitate a structured, interactive and open dialogue to: (1) Show how aid can achieve development results in a cost-effective manner and how such efforts should be measured; (2) Identify how broad-based country ownership should lead this process, in order to make results sustainable; (3) Agree on ways to enhance the quality and the results of development cooperation in least developed countries; (4) Reflect on how national-level accountability between donors, programme countries and other stakeholders can enhance results and impact on the lives of the poor; and (5) Analyse lessons from the education sector in improving mutual accountability for results.*

##### **Key messages**

Citizens and tax payers in all countries hope that efforts in the area of development will deliver tangible results.

- Aid contributes greatly to poverty reduction, if it is allocated, delivered and managed effectively. At a time when political support for aid among tax payers seems to be waning in some donor countries, demonstrating the impact of aid on development is more than ever a joint concern of all development actors.
- The various actors define development results differently. There is an agreement that development cooperation should be provided and used in a cost effective way. While short term results can help build support for development cooperation, an emphasis on medium and long-term results should be kept.
- There is a real risk that a narrow focus on aid as “investment”, short term results and “value for money” may lead donors to see development cooperation as associated with excessive “risks”. It may discourage donors from support-



ing changes which, albeit less “quantifiable”, can have a major impact on the ground, such as empowerment or rights-based development and capacity development.

Broad country ownership is the starting point for determining what results are meaningful to country needs and strategies for development

- Processes to plan development activities and define their expected results should be country-owned and country-led. Providers need to align their development planning to national processes. National ownership of development planning, aid management and coordination needs to be truly inclusive in order to achieve better development results in the medium and the long run.
- National consultations thus need to be considerably strengthened and better structured to ensure broad-based participation of all relevant actors. Besides traditional donors, they need to involve the growing number of other providers of development cooperation, recognize their value added and comparative advantage in delivering results.
- Civil society organizations, local authorities and parliamentary committees also need to be engaged. Such inclusive national consultations should establish clear benchmarks to make development results measurable and evaluable while maintaining a strong focus on ensuring effective delivery of aid. They should jointly assess progress made as a result of aid and compliance with commitments. They can also be the opportunity to disclose future development cooperation plans of providers.
- Independent and participatory feasibility studies and impact assessments may contribute to the process. Common results frameworks with a limited number of joint indicators and targets for individual donors are a good instrument to align development cooperation with country priorities and to help rectify the imbalances between providers and programme country governments.
- Multiple aid conditionalities continue to hinder national ownership and leadership. Where conditionalities are unavoidable, they should be realistic, rooted in national development priorities, agreed between providers and programme countries, as well as harmonized among providers.
- The focus on results is only meaningful if coupled with robust Monitoring and Evaluation (M&E) and mutual accountability systems that inform development planning and evaluate the effectiveness of aid. Detailed information on aid flows is also critical to achieve better development results.

The major challenge remains the reinforcement of capacities.

- An all out effort should be launched – in partnership with developed countries – to build capacities across the board in programme countries, including in the area of policy making, monitoring, evaluation and statistics.
- The capacities of diverse national development actors also need to be reinforced to ensure their meaningful involvement and participation in such consultations. Without sufficient capacities, developing countries will not be able to shape the development effectiveness agenda at international level nor to influence aid levels, modalities and quality at national level. Strong institutional capacity also helps to ensure that national development priorities remain at the centre of all development activities.

Mutual accountability is one of the key factors for enhancing aid delivery and development impact.

- Mutual accountability between providers of development cooperation and programme countries can help improve aid quality and aid coordination at country level. Progress in promoting national mutual accountability has been limited. Programme countries often remain more answerable to providers than to their own citizens. Some countries have however demonstrated positive change: they have introduced nationally agreed policies to guide aid allocation and management and set up high-level fora for regular consultations among providers, programme country governments, parliaments, civil society organizations and local governments on aid management and the implementation of agreed commitments. Such positive change in programme countries has been triggered by: strong political vision and commitment, government reform and capacity building, international agreements, demands from donors as well as civil society advocacy. It has enhanced national planning and monitoring activities and improved transparency on aid information.
- In donor countries, demand from programme country governments, international agreements, as well as advocacy from NGOs and the general public are all critical to spur greater alignment with programme country priorities and enhanced coordination with other providers. Locally driven results monitoring frameworks and the easy availability of data and information on aid are the backbone for successful national mutual accountability mechanisms. Agreement on a manageable number of monitoring indicators for both developing and developed countries is also critical.
- The lack of capacity – especially at the sub-national level - remains a major impediment to strengthening both national mutual accountability and accountability between the government and their citizens. Individual and institutional capacities in this area need to be systematically built, nurtured, harnessed and utilized. Global level mutual accountability is vital to promote progress at country level. In the area of education, global accountability mechanisms are in place. But they need to become more effective. At country level, mutual accountability between donors and programme countries in the education sector is generally relatively high: when countries have put in place sectoral accountability mechanisms. Budget support and sector wide approaches are also more prevalent compared to other sectors.
- Education sector plans should be supported by strong Monitoring and Evaluation and performance assessment systems, including mutually agreed indicators for both developing countries and providers.
- The DCF was encouraged to continue to regularly review progress in mutual accountability on aid commitments at national and global level, with special emphasis on LDCs.

Development cooperation to LDCs is often provided in ways which reduces its long term impact.

- There has been much progress in increasing and improving aid to LDCs. They, however, continue to receive aid of a lesser quality than other developing countries. There was a call to provide at least 30 per cent of ODA to LDCs in the form of budget support.

- LDCs should take the lead in defining development results and ways to achieve them. This may include promoting the use of different aid modalities and outcome-based conditionalities as well as using aid to leverage other development financing.
- Country ownership is usually strengthened by the existence of a jointly agreed national development agenda and a national aid coordination platform engaging donor countries and other actors.
- The comparative advantages of different providers of development cooperation need to be better harnessed through a more collaborative approach to deliver results for LDCs.
- Aid allocation practices need to take better into account the vulnerabilities and special needs of LDCs and should be based on expected outcomes of development interventions, rather than on bilateral agendas and policy considerations. A watch list for aid orphans and an international mechanism for optimal aid allocation would be useful. Donors need to be willing to take greater calculated risks when providing aid to LDCs.
- A framework to ensure mutual accountability between donors and LDCs on aid quantity and quality would allow to better review compliance with commitments, including the implementation of the Istanbul programme of Action. Such a framework should build on existing frameworks.

<p><b>Luxembourg High-level Symposium on “Working together to increase the development impact of aid” – October 2011</b></p>
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## **Background**

*On 18 and 19 October 2011, the second High-Level Symposium was held in Luxembourg. The Symposium was hosted and organized by Luxembourg in cooperation with the United Nations Department of Economic and Social Affairs (DESA). The overall goal of the Symposium was to reflect on how to best help developing countries maximize the impact of aid. It looked at how Official Development Assistance (ODA) can enable developing countries to mobilize investment and other types of development finance, such as trade and domestic revenues to build their productive capacity and combat poverty.*

## **Key policy messages**

### Aid may be used to mobilize other development finance conducive to development

- The discussion of how to maximise the development impact of aid should not take place in a vacuum. There is a need to more aggressively take into consideration the political economy of development cooperation.
- Whenever public money is used to leverage private funding, it is critical to ensure that it leads to concrete and measurable development outcomes.
- If a project appears sustainable in the long term, guarantees, soft loans and equities should be used to finance those projects rather than precious and scarce

aid money. At the same time, the current debt sustainability frameworks should be reviewed so that countries are not pushed into debt distress.

- Some felt that Multilateral Development Banks should put a greater emphasis on domestic resource mobilization rather than focussing on Foreign Direct Investments.
- Better harnessing the potential of innovative sources of finance is one way to afford developing countries the necessary policy space to conduct countercyclical policies.

#### Many lessons have been learned on how to support inclusive financial sectors

- Financial inclusion should not be seen as an end in itself, but as one element among many others that may contribute to the achievement of MDGs.
- Inadequate access to microfinance has implications for the real economy. It leads to a sub-optimal amount of investment and job creation.
- At the national level, public policy interventions on the supply side and on the demand side, as well as measures targeted at the financial sector as a whole, are necessary to ensure access, usage and impact, three key elements of financial inclusion.
- Important measures are called for to address market failures; and there is a need to further develop supporting structures for the financial sector, as well as capacity building frameworks for financial service providers.
- Public funds can leverage large amounts of private (capital market) funds for the support of inclusive financial sectors; and public and private interests can be successfully brought together in innovative partnerships.
- At the global level, key principles have been established for building inclusive financial sectors.
- The 2006 “Blue Book on Building Inclusive Financial Sectors for Development” paved the ground for many present and future global initiatives.
- The evidence about the development impact of microfinance supported by aid is currently mixed. There is a need for more analysis to demonstrate that financial services are really supporting MDG achievement.

#### Domestic resource mobilization is at the centre of resilience

- Domestic revenue mobilization should be an integral part of discussions on effective development cooperation at global level.
- Tax reform is a main source of domestic finance and a powerful tool to reduce aid dependency. It needs to be visibly supported and developed by senior government officials.
- More long-term external support is needed for strengthening national tax systems to raise nominal tax revenues. Such support should be demand-driven, aligned to national priorities and well coordinated with all relevant actors. It should go hand in hand with broad-based political dialogue on tax issues and the functioning of tax systems.

- To demonstrate the positive impact of paying taxes, government services for the most vulnerable populations must improve. It is vital that revenues mobilized through taxation clearly contribute to the achievement of international and national development goals.
- National governments should also put the spotlight on tax evasion.
- There is great scope for increasing coherence between policies related to Foreign Direct Investment and those related to domestic resource mobilization. Governments need to strike a balance between taxing large taxpayers and multinational corporations and other segments of tax-paying populations.

Using aid to catalyze Foreign Direct Investment entails both opportunities and risks:

- Private investment is critical to expand the revenue base of developing countries and promote their financial independence. Developing countries, however, face considerable challenges in attracting sufficient private flows and ensuring that they contribute to national development objectives such as job creation, sustainable growth and poverty eradication;
- Mobilizing private investment/Foreign Direct Investment (FDI) to promote development entails opportunities but also risks.
- A range of lessons have been learned in the last 30 years on how best to use aid to attract private investment, including Foreign Direct Investment, that contributes to poverty reduction and inclusive growth.
- Aid should be used to mitigate the risks/costs for private investors and to improve the overall investment climate to attract all kinds of investment. It should however not turn into a form of subsidy for FDI at the expense of the host country nor in another form of tied aid.
- At the same time, strategies to use aid to attract FDI need to link private investment incentives on the one hand and the national economy and national development goals of developing countries, on the other.
- The use of aid as catalyst for FDI should be accompanied by a proper regulatory framework and regular country level reviews of the impact of FDI on the host country's economy as compared to more broad-based forms of investment.
- Domestic private investment is more effective and sustainable than Foreign Direct Investment in promoting national development.

Capacity building is needed to promote more coherent management and use of financing at country level

- Managing various financial flows to maximize their development impact involves understanding the diverse incentives, modalities, and timeframes governing such flows.
- Priority should be given to improving the capacity and public finance systems of recipient countries in managing various financial flows.
- National development strategies, including partnership policies and frameworks, are important tools to ensure coherent management of all kind of fi-

nancial flows. They should ensure that all actors work together and use national systems. An exit strategy is also essential. Stakeholders must work together to ensure that these strategies and policies achieve results.

- Both donors and recipients should “do their job well”. Donors should accelerate division of labour and prioritize budget support. Recipients should align their policies with development objectives.

#### Mutual accountability is increasingly seen as critical to maximizing aid results

- Mutual accountability between programme countries and their development providers is gaining traction in the political debate on the results and impact of aid. It should become an integral part of results-oriented development planning at country level. Yet, progress in developing effective mutual accountability mechanisms remains disappointingly low.
- Aid policies and performance assessment frameworks can be a major incentive for progress in honouring commitments. This is particularly true if they include individual targets for providers and programme countries and build on national development strategies.
- High-level inclusive multi-stakeholder platforms and accessible databases on aid are equally critical.
- An injection of resources is needed to scale up information systems, monitoring and evaluation capacity, and country leadership with regard to analysis, consultation and negotiation.
- At the same time, accountability and reporting structures need to be simplified for programme countries. The number of indicators against which recipients are being assessed needs to be reduced.
- “Beyond aid” issues affecting development should also be better addressed in mutual accountability mechanisms.
- Peer learning at country and regional levels will be critical in the coming years. So far, structured South-South exchanges of lessons learned among developing countries have been effective in improving mutual accountability processes.
- At global level, the DCF should further strengthen its position as the global apex body for mutual accountability. Dialogue structures need to be truly inclusive.

<p style="text-align: center;"><b>Australia High-level Symposium on “Shaping a Sustainable Future” – Partners in Development Cooperation, May 2012 1</b></p>
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#### **Background**

*On 14-15 May 2012, a third High-Level Symposium was held in Brisbane, Australia. The Symposium was hosted and organized by Australia in cooperation with the United Nations Department of Economic and Social Affairs (DESA). The UN High-Level*

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<sup>1</sup> For the full report please go to <http://www.un.org/en/ecosoc/newfunct/dcfaustralia.shtml>

*Panel on Global Sustainability “Resilient People, Resilient Planet: A Future Worth Choosing”, showed that by 2030, the world will need at least 50 per cent more food, 45 per cent more energy and 30 per cent more water. “Business as usual” is no longer an option. Development cooperation can play a vital role in helping countries to build policies on the three pillars of sustainable development – economic, social and environmental. Against this backdrop, the High Level Symposium looked at the implications for development cooperation of the transition towards sustainable development and how it can contribute to alleviating poverty. The outcomes of the DCF fed both into the 2012 DCF as well as the Rio+20 conference, where they were presented at a side event.*

### **Key policy messages**

#### Implementing sustainable development is urgent – we are reaching environmental and social tipping points

- Harnessing global investment flows towards sustainable development is an immediate priority. Key areas include energy efficiency, infrastructure, agriculture, construction, forest conservation and production and consumption patterns.
- Rapid globalization has intensified interlinkages, increasing regional and transboundary issues. Co-operation on sustainable development needs to take place at all levels – global, regional and national.

#### Achieving sustainable development results takes time; partners should take stock of lessons learned

- In challenging economic circumstances, aid must be sustained and predictable. Ensuring that donor countries have bipartisan support for development cooperation can ensure aid predictability beyond the political cycle.
- Aid can serve as a catalyst within a robust regulatory framework. Further work is needed to see where aid can unlock other sources of funding.
- Activities need to be scalable and have long-term and sustained funding.
- A careful balance is needed between short-term results and long-term objectives. There is a strong need to ensure that long-term approaches are reflected in national development plans.
- Each country has its specific needs and vulnerabilities. Sustainable development responses must be tailored to the local context.
- The UN Development Cooperation Forum can play a role in information sharing and dissemination, analysing lessons learned and building on successes.

#### Development cooperation is playing an important role in sustainable development

- The current development cooperation model stretches the capacity of all actors. The duplication of efforts across international institutions (UN, G20, OECD etc.) and the number of unfulfilled development commitments. There is a strong need for consistency and coherence.

- Sustainable development cooperation must be demand-driven. Too often, development interventions miss the mark as they are not aligned with national goals and plans. It is time to put programme countries firmly in the driver's seat. Aid transparency needs to be taken seriously. Recipients have the right to know how donors are spending money in their country and to seek clarity on the results of development cooperation. Conversely, donor country tax payers have the right to know how their money is being spent and whether it is being used effectively. By making aid transparent, development actors will be made more accountable for sustainable development results.
- Mutual accountability (MA) frameworks should be broadened to include a focus on sustainable development. Irrespective of different country contexts, national aid policies should reflect agreed sustainable development priorities from all sectors.
- Progress has been made in donor harmonisation, but more needs to be done. Fragmentation in aid programmes remains a major constraint. Donors cannot be effective if they try to be “all things to all people”; their support must be more strategic to have more impact. By delegating cooperation and channelling increased funding through multilaterals, development agencies can avoid duplication, decrease fragmentation and reduce administrative burdens. Aid dollars can then go further, including in supporting sustainable development results.
- Partnerships are a means to achieving sustainable development, not an end in themselves. Successful partnerships have a number of common elements: mutual respect and trust, strong and effective governance, adequate financial flows, joint accountability and transparency, technological innovation and performance measurement.
- Aid alone will not be sufficient for the transition to sustainable development. However, public policies can redirect capital and help reduce the financing costs for developing countries. Further efforts are needed to draw on private sector financing sources and innovation for sustainable development outcomes. Areas of possible improvements include: establishing price signals to value sustainability (e.g., through differentiated taxation); strengthening regulation; introducing emissions trading systems; developing sustainable development criteria for public procurement; encouraging widespread adoption of sustainable development criteria in investment; developing risk-sharing mechanisms and enhancing the certainty of long-term regulatory and policy frameworks to incentivise private investment in sustainable industries.

Greater focus on integrating sustainable development and poverty reduction is needed

- Development cooperation can only have long-term impact if all three dimensions of sustainable development – economic, social and environment - are taken into account.
- National development plans should be the primary instrument for integrating economic, social and environmental dimensions of development.
- A number of lessons highlight the importance of developing capacity. Answers to sustainable development are at least as likely to come from the South as from the North. Learning must be seen as a “two-way street”. Capacities in



sustainable development planning need to be strengthened across global, regional, national and sub-national levels. Capacities also need to be strengthened so people can participate and benefit from the wider changes in the economy.

A post-2015 framework for sustainable development needs to remain simple and aspirational

- Goals are needed to guide development efforts beyond 2015.
- Development goals should continue to be aspirational. They should be simple and easy to measure. The goals must have a robust accountability framework and all stakeholders will have a role to play in ensuring accountability to the goals.
- Rio+20 will serve as a stepping stone in defining a post-2015 UN development agenda. The outcome of Rio+20 can set the foundation of a future global sustainable development compact, fully integrating sustainable development and poverty eradication as its overarching focus.
- The DCF has a role to play in the follow-up to Rio+20 and the definition of the development agenda beyond 2015. The 2012 DCF should launch and guide the implementation of the outcome of Rio+20. It should consult on the implementation of the Busan Global Partnership for effective development cooperation.

**Global Preparatory Meeting on “The Changing Context of Development: What does it mean for Cooperation and Global Partnership”**

**Background**

*On 9 February 2012, ECOSOC held a DCF Global Preparatory meeting on “The Changing Context of Development: What does it mean for Cooperation and Global Partnership”. The global partnership for development agreed at major United Nations conferences remains the centrepiece of international development cooperation. However, in a changing development landscape, the global partnership itself is evolving as new players with new approaches to development cooperation and new aid modalities are making an increasingly important contribution to development. The morning panel focussed on “New dynamics of development cooperation: challenges and opportunities”. The afternoon panel looked at the question of “Gearing development cooperation towards sustainable development”*

**Key messages**

(a) “New dynamics of development cooperation: challenges and opportunities”

- Traditional aid remains important, but at the same time, other actors with innovative approaches to development cooperation are playing an ever growing role.

- The multiplicity of development actors poses a challenge for the limited capacity of developing countries to coordinate their external assistance. It also makes it necessary yet difficult to take an integrated approach to the various flows of external resources. The DCF can play an important role in bringing new actors together.
- In response to the invitation of the Busan High Level Forum to the DCF to consult on the implementation of the Busan outcomes, some countries called for a stronger cooperation between the DCF and the Busan Partnership for Effective Development Cooperation. Others cautioned that the Busan agreements were not UN documents and hence called for a UN process to discuss these documents.

(b) “Gearing development cooperation towards sustainable development”

- It was felt that the DCF can play an important role in bringing the two strands of discussion on development cooperation and on sustainable development together.
- The DCF could become a key platform for stronger accountability.
- Rio+20 is about equity. There was a call for a stronger focus on the social pillar in the Rio+20 outcome document. With inequalities on the rise, it was felt that there is an opening for a more ambitious agenda which has the “fair sharing within the planetary limits” at its heart.

**Special Policy Dialogue on “Private philanthropic organizations in international development cooperation: New opportunities and specific challenges”**

**Background**

*This special dialogue provided an opportunity for Member States, private philanthropic organizations and other stakeholders to discuss the comparative advantages and challenges of philanthropic aid in achieving development results. It examined lessons learned and examples of good practice. Private philanthropic organizations (PPOs) have quickly become a key source of development finance. Their assistance complements financial flows from other providers and plays a vital role in meeting needs in critical sectors, such as health and education. The morning panel looked at “Comparative advantages and good practices of private philanthropic organizations in achieving development results”. The afternoon panel focussed on question of how to “Maximise development impact through partnerships”.*

**Key messages**

(a) Effective development partnerships depend on trust, joint planning and alignment

- Project and programme implementation benefits most from creative engagement of all relevant actors in policy formulation, planning, implementation, and monitoring at an early stage. This helps to agree on outputs and division of labour. Historic and current examples (ranging from the Green Revolution

to the Global Polio Eradication Initiative) show that unusual collaborations can have tremendous impact if orchestrated effectively. It is critical to ensure that such partnerships can rely on local leadership, resources and talents to be well grounded and combine local expertise with feasible innovations. Civil society organizations, local governments and other local leaders, including entrepreneurs should be better engaged. Best practices in health, agriculture and disease control have clearly indicated this.

- To build bridges between stakeholders, it is necessary to instil trust, primarily by listening carefully to the needs of local actors and beneficiaries and showing perseverance and determination in providing highest quality services. Better communication with government officials in order to share information and align with national development priorities by complementing existing efforts is necessary.
- The role and influence of governments must not be overlooked by PPOs; instead they should aim at leveraging on their skills and insights. This is a constant exercise. All actors should use country systems and deliver on targets set to assess provider performance.

(b) With “skin in the game”, PPOs have an important role as risk takers

- According to PPO experience, partnerships are more effective if providers are themselves involved in the projects they are investing in and have a personal interest in the outcomes. Similar to the emphasis on return on investment in the private sector, PPOs stress results and outcome orientation in their interventions. This is in line with the renewed emphasis of development cooperation on effectiveness and impact.
- If relationships among all actors are strong and risk is perceived at a strategic long-term level and not with regard to project outputs, philanthropic risk capital can become real venture capital. Allowing efforts to fail is an important part of the culture of PPO-funded development cooperation. Usually budgets do not exceed one million dollars in the beginning, but PPOs invest with an eye for scalability, where such small initiatives can be tested and rapidly rolled out on a large scale.

*Long term investment is critical to scale-up*

- To be successful, projects and programmes have to be appropriately timed, taking into account the specific political situation, cultural differences in the perception of timelines and needs of local communities.
- Such long-term time frames are vital to allow ideas to mature. This is also important for counterbalancing reputational risks of PPOs. At the same time, a key comparative advantage is to provide much-needed quick fixes. These should be grounded in the vision for long-term development.
- Development partnerships with PPOs are often designed as short-term projects, following a “spray and pay” approach, or to test an innovative solution. The most inspiring examples take a gradual approach and build on initial successes step by step. In these cases, PPOs fully transferred responsibility to implementing partners.

*PPOs provide much needed entry points to promote MDG achievement*

- Given their history, many PPOs have strong ties to research institutions and the private sector. They can play an important role in promoting technical skills and youth employment as one of the most critical challenges in development.
- Using information and communication technologies as an inevitable ingredient for effective development cooperation, especially in remote rural areas or urban zones, is a game changer, often effectively supported by PPOs.

*PPOs can share lessons on developing exit strategies*

- There should be as much dedication to developing a possible strategy for leaving a project as there is for setting it up. Both parts contain a large amount of responsibility and should be well thought through.
- Before pulling out of a project, actors should make sure that they have considered all aspects of the project.

(f) More global dialogue is needed

- It was agreed to launch a process of dialogue between PPOs, governments and other actors at global level to get a clearer sense of the landscape of actors, common agendas and appropriate division of labour to ensure all actors can function more effectively together.
- Some argued in favour of a global repository of lessons and information to make sure new initiatives can tap into a pool of experience and guidance. This is especially vital for smaller actors with limited resources, but can help all actors to identify possible partners.
- More focused global-level debate on the impact of PPOs work, transparency and alignment to national development strategies is also needed.

<p><b>Expert Group Meeting on “Reinforcing international mutual accountability”, October 2011</b></p>
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*The main objective of this expert group meeting was to identify recommendations to reinforce international mutual accountability (MA). It addressed the following four themes, which will need greater attention: (1) representation of all relevant actors in global mutual accountability mechanisms to ensure legitimacy and ownership; (2) breadth and relevance of information and evidence base for country-level users; (3) impact of mutual accountability mechanisms on the behaviour of individual providers and other stakeholders at country level; and (4) co-ordination among various global mechanisms and linkages with national level mechanisms.*

**Key messages:**

The role of mutual accountability in a changing development landscape

- Mutual accountability (MA) is a two-way relationship between providers and recipients. It is a vital concept to respond to the growing concern of many, including taxpayers, to ensure the effective use of development assistance.
- Inherent power imbalances in development partnerships remain a challenge. Stakeholder involvement continues to be limited. Turnover of staff in developing countries is high and institutional capacities are limited.
- Evidence shows that at least three factors are critical for stronger accountability: (i) an aid policy with agreed targets for individual providers, (ii) a strong linkage between aid policies national performance assessment and results frameworks (iii) a discussion of the evidence with strong multistakeholder participation.
- Low compliance and overly complex systems are one reason for the proliferation of mechanisms and for the overburdening of countries. Global level activities can provide incentives to deliver on commitments made, even though it is not possible to ‘sanction’ donors for non-compliance on aid effectiveness or aid delivery.

#### The interplay of national and global mutual accountability mechanisms

- Mutual accountability processes at the global level can promote the delivery on commitments made through various global frameworks. Where global mutual accountability is connected to efforts on the ground it can serve as a catalyst for development. Evidence shows that global mechanisms can be particularly relevant in changing the behaviour of donors.
- An increasingly diverse set of mutual accountability tools is being used but their impact on the ground has so far been limited. NGOs produce many high quality reports on mutual accountability but have little political clout. Intergovernmental processes enjoy great political support, but have often failed to provide adequate analysis or have only managed to agree on the smallest common denominator.
- Intergovernmental mutual accountability mechanisms, such as the Paris Declaration Monitoring Survey and the DCF, can help open doors by providing a rationale for engaging in an aid quality debate and mutual accountability at the country level.
- There is scope to use mutual accountability mechanisms for a more broad-based dialogue on beyond-aid issues, including trade, investment and debt relief. Mutual accountability mechanisms also provide an opportunity to bring the growing number of non-DAC providers to the table.
- A challenge remains to ensure that the recommendations from the vast variety of local and grassroots mutual accountability processes are not getting lost. It would be useful to develop a portal to access best practices on mutual accountability at country and local level and to study their link with development results. It was also suggested to distil lessons learned from central mutual accountability features and principles.

#### Deficits and solutions: Strengthening partnerships across the board

- Ensuring more balanced development partnerships will require a more equitable participation of donor and programme countries, Southern providers, parliaments, NGO representatives, local authorities and the private sector in any policy dialogue.
- Civil society organizations are vital development actors and advocates of domestic accountability. However, governments expressed concerns that the money channelled through CSOs can not be assessed easily. CSOs noted that major global NGOs provide data on their activities and align their work with international accountability charters.
- More credible databases and efforts to disseminate information are key to ensuring long-term engagement of stakeholders in mutual accountability dialogues. A particular focus should be placed on ensuring engagement in contexts of countries emerging from conflict, building on global agreements such as the New Deal and the g7+ initiative.
- Programme countries should also be supported in making information on their activities more transparent and useable. In particular, it is important to encourage discussion among practitioners.
- Sectoral mutual accountability can serve as an entry point. Good practices show that sector-level mutual accountability processes can boost the quality of national and international mutual accountability analysis.

#### Drivers of behaviour change

- Global surveys on mutual accountability were found to be useful tools and a catalyst for behavioural change. Mutual accountability efforts should build on existing analytical work, including for the Paris Declaration Monitoring Survey and the DCF mutual accountability survey reports as well as other aid quality analysis.
- To promote progress on the ground, it is important to ensure a feedback loop between global level agreements on mutual accountability standards and country-level policy making and the activities of practitioners.
- A major challenge is to ensure consistent engagement in global mutual accountability mechanisms at the political level. The United Nations, and more specifically the DCF, are well positioned to bring global leaders from governments and non-executive stakeholders together. It can also engage representatives of different fora and mechanisms.
- Participants advocated for shaping public opinion through media strategies going beyond 'naming and shaming'.

#### Coordination and feedback loops

- MA is still in its infancy. In the future, a greater differentiation needs to be made between the different types of global mutual accountability tools based on their different comparative advantages to clarify their roles and in order to harmonize

them. A better dissemination of findings from different tools and processes could be encouraged by more formal linkages between the different mechanisms.

- Simplifying the landscape of international mutual accountability mechanisms hinges upon the convergence of associated international political processes. The Busan High-level Forum on Aid Effectiveness provides a useful occasion to discuss how to structure global arrangements.
- Any new monitoring framework in 2012 should have the interplay of inclusive global, regional and national mutual accountability mechanisms at its centre. A global-light governance structure, with mutual accountability at the heart, was favoured.
- Governments should use existing country-level mutual accountability mechanisms to operationalize global level recommendations. Country compacts can serve as a helpful tool to adapt and implement recommendations.

### *DCF special events*

<p align="center"><b>Special Event at the Fourth United Nations Conference on Least Developed Countries (LDC-IV), May 2011</b></p>
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#### **Background**

*The main objective of the meeting was to reflect on how mutual accountability on aid between LDCs and their donors can contribute to the implementation of international commitments, including those contained in the draft Istanbul Programme of Action. It built on the findings of a DCF study which revealed that aid to LDCs is of lower quality than to other recipients. The intention was not to propose a new framework but rather to build on existing frameworks, notably the upcoming Istanbul Programme of Action for LDCs. The event built on the findings of the Mali High-level Symposium of the DCF on “Gearing development cooperation towards the MDGs: effectiveness and results”.*

#### **Key messages**

##### (a) The quality of aid and aid allocations

- Official development assistance (ODA) continues to be essential for development and for reaching the MDGs in LDCs.
- Developed countries need to live up to their commitment to allocate 0.15-0.20 per cent of gross national income as aid to LDCs (Brussels Programme of Action). Country programmable aid (CPA) is a meaningful indicator to measure support to LDCs.
- Providers of aid should improve co-ordination at country level with a view to reducing aid fragmentation in LDCs.

- Capacity of national institutions to deal with fragmentation is often the weakest in these countries.
- Most aid orphans – i.e. countries that are under-aided relative to others – are LDCs. Providers of aid do not determine their aid allocations in a coordinated manner. By monitoring aid allocations, through an aid orphan watchlist, key actors can begin to address some of the worst consequences of this situation. Greater flexibility in aid allocation is especially important for LDCs to respond to external shocks.
- Both bilateral and multilateral institutions need to improve the predictability and transparency of their aid allocations to LDCs. Regular reporting on aid with reliable and detailed data is needed to develop a culture of accountability.

#### (b) Greater mutual accountability for results

- Mutual accountability is about honesty – by all stakeholders. Governments, funds, CSOs etc. all need to respect their commitments on aid quantity and quality in LDCs, including those set out in the Monterrey Consensus (2002), the Paris Declaration on Aid Effectiveness (2005), the Accra Agenda for Action and the Doha Declaration (2008).
- Political will and dedicated plans to ensure mutual accountability at national level are still limited.
- Mutual accountability can make a difference on the ground. Greater mutual accountability can contribute to more favourable aid modalities, reduced conditionalities and the use of country systems. It can lead development actors to jointly define results and monitoring and evaluation frameworks and discuss aid allocation practices.
- Making all development actors more accountable is both particularly important and particularly challenging in LDCs. It is important because without accelerated development in LDCs, achieving the MDGs will be impossible. It is particularly challenging because LDCs are facing a lack of human and institutional capacity, weak public institutions and civil society, and conflict. It is especially difficult for LDCs to hold providers of aid to account for their commitments. Yet, they are often more accountable to providers than to their own citizens.
- Providers of aid should consider different approaches to investment risks and better communicate their choices to the public and parliaments.

#### (c) Frameworks for mutual accountability

- Global mutual accountability mechanisms can drive change at the national level. Strong independent global monitoring mechanisms are needed to assess progress towards more and better aid, in particular in LDCs where national accountability mechanisms can be weak. New global frameworks should build on, and streamline, existing ones. They should focus on the effect of aid on the achievement of the internationally agreed development goals, including the MDGs.



- The aim of mutual accountability in LDCs is to help achieve broad-based and long-term development results on the ground. Providers of aid and LDC governments are accountable to all citizens on international commitments made on development cooperation for LDCs, including the Istanbul Programme of Action.
- Providers of aid and LDC governments need to be accountable for results that are challenging to measure, such as rights and empowerment. They need, for example, to ensure that both women and men benefit equally from development results. It is about people's lives.
- Mutual accountability can help promote inclusive development partnerships. Policy debate should place strong focus on how aid fragmentation can be reduced at country level, especially in the absence of strong national institutions. Partnerships should be open to participation of parliamentarians and NGOs and also include the private sector and the media to build a culture of accountability.
- Domestic accountability in LDCs is the foundation for mutual accountability. Parliamentary oversight and involvement of civil society in development planning, implementation and monitoring at the national level are key for effective states and for mutual accountability.
- Providers of aid need to support the capacity of LDCs. Strong country systems and institutions – audit offices, statistical offices and others – are indispensable for accountability and effective development. Functioning institutions are what limits corruption. The capacity of individuals and organisations also needs to be strengthened. This includes providers of aid drawing on and supporting local and national expertise.
- The Busan High-level Forum on Aid Effectiveness and the 2012 United Nations Development Cooperation Forum (DCF) will present unique opportunities to keep the momentum for a strong mutual accountability framework on aid issues in LDCs. Any future review at global level should take place in a universally accepted framework, be premised on independent analysis and anchored in broad-based national mutual accountability.

<p align="center"><b>DCF Advisory Group Special Event at the Fourth High Level Forum on Aid Effectiveness (HLF- 4) on “Rethinking Development: Towards a New Sustainable Development Architecture” November 2011</b></p>
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## **Background**

*The Advisory Group on the Development Cooperation Forum organized a Special Event on “Rethinking Development: Towards a New Sustainable Development Architecture”. There is a growing recognition that there is a need to transition towards a more sustainable development pathway. The implications of such a transition for the future of development cooperation have not yet been fully grasped. The main objective of this side event was to kick start a discussion on the implications of giving greater priority to sustainable development for development cooperation and for decision making processes and institutional mechanisms related to development coop-*

*eration. The meeting was held in preparation for the 2012 DCF and to contribute to the United Nations Conference on Sustainable Development (Rio+20).*

### **Key messages**

- There is a need for an all out effort to meet the MDGs by their 2015 target date. At the same time, there is a need to develop a new generation of sustainable development goals. The SDGs should apply to all countries and not only to developing countries. They should complement rather than replace the MDGs. An energy target should be added to the MDGs.
- Rio+20 is a chance to pursue economic, social and environmental goals in a mutually reinforcing way, with the well being of human beings at the centre. A rethinking of development cooperation is hence needed both in terms of policies and in terms of the institutional framework. A future development framework should include technology as the largest driver of progress.
- Aid constitutes only a small part of overall development resources. Today, 77 per cent of the poor live in countries in which aid accounts for less than 2 per cent of GDP. High levels of aid have proven ineffective in the long term as they reduce domestic accountability and lead to a misallocation of resources.
- At the same time, aid remains important. There is evidence in low income countries that aid can be helpful in filling in huge financing gaps and in serving as a catalyst. In addition, there is a need for continued support for middle income countries to help them deal with “global public goods and bads”.
- One way of avoiding aid fragmentation is to channel more aid through multi-lateral organizations. The United Nations must stay at the centre of institutional arrangements.
- Developing countries, especially countries emerging from conflict, are facing difficult trade offs while trying to address urgent needs, such as reintegrating unemployed ex-combatants, especially youth, back into the labour market which is critical.
- Developing countries are often struggling to strike the right balance between commercialization and conservation of forests. The international community needs to compensate countries that opt for a sustainable development path by providing truly additional resources.
- Evidence shows aid is more effective when it is more “Paris like”. If emerging donors are not interested in adopting the Paris principles, then there is a need to start from scratch with establishing new principles for development cooperation.

**DCF Side Event at United Nations Conference on Sustainable Development (Rio+20) on “The Future We Want: The role of Development Cooperation in Getting us there”, 21 June 2012**

### **Background**

*Under the theme “The Future We Want: The Role of Development Cooperation in Getting Us There” the ECOSOC President, the Government of Australia and the United Nations Department for Economic and Social Affairs jointly organized as side event at the margins of the United Nations Conference on Sustainable Development (Rio+20). The side event provided an opportunity for different stakeholders to discuss how development cooperation can best support the transition towards sustainable development. It built on key policy messages identified at the DCF High-Level Symposium on “Shaping a sustainable future – Partners in Development Cooperation”.*

### **Key messages**

- The operationalisation of the concept of sustainable development has failed. Twenty years after Rio, sustainable development is still used as a synonym for environmental development.
- As the world is reaching environmental tipping points, there is a great sense of urgency to move from words to action. At the same time, it was recognized that sustainable development takes time.
- Achieving sustainable development requires a rethinking of the model and outcome of development cooperation. The premise that sustainable development applies to all countries must be the starting point for a rethinking of development.
- The transition towards sustainable development requires a higher level of financial support. While the costs are high, the cost of inaction will be even higher.
- The current economic downturn should not serve as a pretext for inaction. Countries must honour past commitments.
- To close the financing gap, a greater focus on innovative sources of finance and the catalytic role of aid is needed. The private sector needs to be brought on board more systematically.
- The Rio Principle of common but differentiated responsibilities and capabilities remains valid. At the same time, it was acknowledged that developing countries should strive to increase their contribution as their capabilities increase.
- Development cooperation must be country-driven and build on cooperation with a wide range of stakeholders on the ground.
- Imbalance continues to hamper success of development partnerships. There is a need to develop inclusive mutual accountability mechanisms at the country level and focus more on monitoring and evaluating results.
- Sustainable development can best be achieved through wide ranging cooperation between partners. Successful multi stakeholder partnerships should be scaled-up.
- With its multi stakeholder nature, the DCF provides an ideal framework to facilitate the exchange of best practices.
- ECOSOC stands ready to advance the implementation of the Rio+20 outcome document.

- The replacement of the Commission for Sustainable Development by a Forum is an important step to overcome the focus on environment. A similar institutional transformation needs to take place at the level of Member States.
- One panellist proposed putting the Forum under the auspices of ECOSOC to ensure a more balanced consideration of the three pillars of sustainable development.
- The discussions on the Forum must be understood in the context of the broader discussions on a changing development landscape, including at the Fourth High Level Forum in Busan.

## **5. Key messages of the Secretary-General’s analytical background report**

*In accordance with General Assembly resolution 61/16, the Secretary-General submitted a biennial report on “Trends in Development Cooperation” for consideration by the Development Cooperation Forum. The report builds on discussions at high-level symposiums held in Mali in May 2011, in Luxembourg in October 2011, and in Australia in May 2012. It also draws upon DCF Special Events held in Korea in November 2011, New York in February 2012, and Brazil in June 2012.*

The main findings of the report are:

- Many Millennium Development Goal 8 commitments remain unfulfilled. The world economic crisis is eroding debt sustainability, trade negotiations are stalemated, and access to affordable medicines and technology is patchy. Stronger development cooperation partnerships could accelerate progress;
- There has been little progress in achieving coherence between development cooperation and the non-aid policies of developed countries. However, development cooperation can play a strong role in catalysing domestic financing for development by increasing tax revenues and access to affordable financial services. Deliberations at preparatory meetings and studies of the Development Cooperation Forum have identified best practices;
- Sustainable development implies rethinking the model and results underlying development cooperation, giving prominence to rights to development, equity, employment, sustainable resource use and fighting climate change. Global and national institutions will need to enhance their ability to spur coherent policies that are led by programme countries and fully involve non-executive stakeholders. Mutual accountability processes need to reflect this evolution. Funding needs to be dramatically scaled up and its delivery improved, and partnerships have to be nurtured to catalyse innovation and technology and ensure access for the poor. Best practice stories of development cooperation success need to be validated by ex ante and ex post impact analysis to show that they are supporting all three pillars (economic, social and environmental) of sustainable development;
- Growth in development cooperation is slowing, but it remains vital for the least developed countries and the attainment of the Millennium Development Goals. Providers continue to diversify, with rising South-South, philanthropic

and decentralized cooperation. Official development assistance (ODA) is likely to stagnate over the medium term, with receding prospects of countries reaching 0.7 per cent ODA/gross national income (GNI) by 2015. More cooperation should flow via multilateral institutions;

- There has been some progress in allocating ODA to countries which need it most, but this must be accelerated. Aid modalities continue to be inconsistent with programme countries' wish to see increased budget support and reduced technical assistance. There needs to be more investment in infrastructure, health systems, basic education and gender equality;
- Development Cooperation Forum debates have emphasized the importance of a comprehensive approach to assessing the quality and results of development cooperation. Different providers assess quality differently, but programme countries and non-executive stakeholders place particular emphasis on: measuring longer-term results; assessing progress in increasing predictability; reducing conditionality, fragmentation and tying; and maintaining concessionality; all being issues on which progress is poor. Duplication of discussions and frameworks on aid quality should be avoided, for example by building more systematic linkages between post-Busan ministerial meetings and the Development Cooperation Forum, which is a universal forum;
- Accountability and transparency are crucial for results. United Nations surveys indicate that national strategies, targets for each provider and strong leadership are key to progress on national mutual accountability between providers and programme countries. Such mutual accountability in turn can have a major positive impact on the behaviour of programme countries and providers, and bring about sharp increases in results. Mutual accountability should allow all providers and domestic stakeholders to participate much more fully. A strong global mutual accountability framework is a prerequisite for progress at the national level, as is overcoming capacity constraints. Transparency is also vital, but must be more closely tailored to what is needed for accountability;
- Global political dialogue on South-South cooperation has increased since 2008. Flows are set to continue growing. Such cooperation varies widely in terms of modalities and country focus. Studies conducted by the Development Cooperation Forum indicate that South-South infrastructure support is highly cost-effective and predictable and that well-designed South-South cooperation in agriculture can boost smallholder production and food security. Triangular cooperation continues to have major advantages, especially for capacity development.

The report concludes with a number of action-oriented recommendations on the future role of development cooperation. These include measures to address the Millennium Development Goal 8 commitments, to catalyse domestic resources more effectively, to promote sustainable development, to improve allocation, to increase quality and results, to accelerate progress on accountability and transparency, and to maximize the benefits of South-South and triangular cooperation. Finally, the report considers the possible future role of the Development Cooperation Forum in assisting progress on those initiatives.