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Global reach is the prize at Busan

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'The time is right for a bold attempt to draw all countries together behind clear principles that matter for development finance'

As the countdown to the Busan High Level Forum on Aid Effectiveness enters its final stage, there is little clarity on what the various parties really want from the meeting, let alone what will emerge and what difference it might make.

The overriding weakness of the Paris Declaration is that it does not involve non-DAC[1] official assistance providers and other fast-growing sources of support. The Busan meeting's main objective should be to *reach global agreement on a few core standards applying to all major providers of development cooperation*. These principles should be endorsed by all countries, international financing institutions and philanthropic actors, including non-governmental organisations (NGOs). Representatives of private for-profit actors who seek public guarantees or funding could also subscribe.

Such a focus would not preclude further progress on specific aid effectiveness actions agreed in Paris and Accra, to be implemented primarily by DAC donors and countries that receive aid from them.

Non-DAC development partners and non-aid flows

As recently as 2005 when the Paris Declaration was signed, the magnitude of the shift in sources and types of development finance (public, private and blended) was not fully appreciated. Today, it is impossible to fail to factor this in. The rise of emerging powers, in particular, has challenged traditional concepts of 'aid'.

The coming era of development will not be defined by traditional aid. Climate finance alone may rival development aid if, as promised, it rises to $100 billion per year (Bird and Glennie, 2011). But esoteric debates persist about whether climate finance, non-ODA official flows and complex blends of private-public flows should be treated as aid or not. By seeking principles that can govern all development-related finance flows – including certain private flows – the world moves beyond these doctrinal blind alleys.

It is a mistake to view the Paris-Accra principles as a blueprint for an ideal aid relationship. Instead, they were correctives to the specific aid activities of most DAC members and were appropriate for them at the time. They are not appropriate for other sources of funding, including non-DAC actors and South-South cooperation. China, for example, may need to focus on ensuring the oversight of proper national institutions rather than promoting recipient-country ownership in the sense of non-interference with sovereign decisions, and has little interest in aid untying, as its assistance is explicitly cast on a mutual-interest basis.

Criteria and principles for effective development finance

Are there any overarching principles that could legitimately cover such a diverse set of relationships and sources? First, we should consider the criteria behind the principles. They should be:

- **applicable to all public and non-profit cross-border flows**. Associations of private actors would also be encouraged to adhere.
- **unambiguously positive for development,** such that it is inconceivable that development outcomes could be improved through reduced adherence. Some Paris principles fail this test.
- **measurable,** preferably quantitatively.

As for the principles themselves, we suggest a set of 5 standards that should be adhered to for effective development finance:

1. **Accountability to citizens** (transparent, passed by proper institutions and publicly available): Given critiques of the concept of 'ownership' (Booth, 2011), and the problems with achieving 'mutual accountability', this principle focuses on accountability to citizens, not just between donors and recipients. It responds to calls for transparency and enhanced democratic oversight through strengthened institutions.
2. **Fulfilment of commitments:** This principle is similar to the Paris principle of 'predictability', but is better suited to cover quasi-private flows as well. As important as keep-

ing commitments are explanations for the failure to do so, given the difficulty many entities have demonstrated in providing monies in a more predictable manner.

3. **Complementarity** (managed at recipient country level): This principle replaces the Paris principle of 'harmonisation', which has proven difficult to achieve and is not necessarily desirable. Rather than attempting the top-down management of complex flows, they should be managed at a country level to achieve complementary results.
4. **Mutual learning** (based on broad monitoring and evaluation): It is unclear what the Paris principle of 'managing for results' actually means, and the results agenda itself is somewhat narrow. Meanwhile, the Paris principle of 'mutual accountability' has always been illusory; large donors will never be accountable to poor countries. It is better to focus on mutual learning, including a comprehensive analysis of the impacts of various flows.
5. **Agreed human rights and environmental standards:** Concerns about donors turning a blind eye to human rights and environmental abuses are valid, but so is the strong resistance – especially among emerging donors – to 'intervention' in sovereign countries. The way forward is to focus on agreed commitments which should form the basis of mutual analysis. There could also be explicit support for the principle of increased equality.

Strengthening the Paris principles

While the above principles would cover most development finance flows, specific sectors may also adhere to further commitments (e.g. the Istanbul principles cover civil society activity; the Extractive Industries Transparency Initiative provides guidance to relevant international companies). In the same way, a set of principles, based on those agreed in Paris and Accra and complementary to the overarching development finance principles, would continue to cover traditional aid (i.e. ODA). We suggest the following two key themes:

1. **Use of country systems,** to cover the most important 'alignment' targets.
2. **Untying aid.** DAC donors are far richer than emerging donors and should therefore play by a stricter set of rules.

Conclusion: making global reach manageable

The risk of expanding the mandate to all flows at Busan is that traditional donors take their eyes off the ball with regard to aid effectiveness specifically, which is why some parties are keen to keep the focus on traditional aid transactions and to bring in the emerging powers as and when possible.

Conversely, Paris failed to link aid effectiveness principles to concrete development outcomes, and to capture the key political changes in a fast-changing world. So others are calling for Busan to deliver a new development compact covering almost everything that matters in development.

Is there a way to extend the global reach of the principles without losing too much specificity? The answer, we suggest, is that a focus on basic principles of development finance is a happy medium, broad enough to bring on board new players in a new global partnership, but specific enough to be meaningful. We recognise the limits of what voluntary principles can achieve, but believe they will help nudge development finance actors towards better practices. Once principles have been largely agreed, further work can be done by institutions that have a broad-based mandate to make them technically applicable.

The time is right for a bold attempt to draw all countries together behind clear principles that matter for development finance. Unless Busan begins to grapple with this broader agenda, it will be playing out the end-game of a previous era, rather than defining the new one.

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Endnotes and references

Endnotes:

1 The Development Assistance Committee of the OECD, with its 23 national members plus the European Union. Among other things, DAC members decide collectively on statistical definitions of public aid for development on concessional (ODA) or non-concessional (other official flows, OOF) terms to eligible countries.

References:

Bird, N. and Glennie, J. (2011) 'Going beyond aid effectiveness to guide the delivery of climate finance', ODI Background Note. London: ODI.

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