

***Report***

## **Vienna High-level Symposium**

### **“Accountable and Transparent Development Cooperation: Towards a More Inclusive Framework”**

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Office for ECOSOC Support and Coordination  
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## 1. Introduction

1. The 2005 World Summit mandated the United Nations Economic and Social Council (ECOSOC) to convene a biennial high-level *Development Cooperation Forum (DCF)* to *review trends and progress* in international development cooperation, and *give policy guidance* on practical measures and policy options on how to enhance its coherence and effectiveness. The DCF has also been mandated to *promote greater coherence* among the development activities of different development partners and *strengthen the normative and operational link* in the work of the United Nations. The DCF is meant to provide a platform for Member States to share their experiences and to be open to participation by all key development cooperation actors. At the request of the General Assembly, the first DCF was held in New York on 30 June and 1 July 2008.<sup>1</sup>

2. In 2008, the DCF established itself as a focal point within the United Nations system and principal forum for global policy dialogue on effectiveness and coherence of international development cooperation. This role and some of the key messages from the 2008 DCF were reflected in the outcome document of the Doha Follow-up Conference on Financing for Development. Similarly, the Accra High-level Forum on Aid effectiveness affirmed the role of the DCF in the international dialogue and mutual accountability on aid issues.<sup>2</sup>

3. The 2010 DCF aims at promoting constructive and results-oriented dialogue among key development cooperation actors to produce agreement on priority issues for action to advance the implementation of commitments on quantity, quality and development impact of international development cooperation.

4. To facilitate dialogue among key stakeholders at the 2010 DCF, the Department of Economic and Social Affairs of the United Nations is supporting the organization of several nationally led high-level symposiums, with particular focus on the key challenges facing development cooperation.

## 2. Objectives of Symposium

5. Organized as a multi-stakeholder event, the first global symposium took place on 12 and 13 November 2009 in Vienna, Austria under the overall theme of *Accountable and Transparent Development Cooperation: Towards a More Inclusive Framework*. An inclusive and frank dialogue was held on several key themes<sup>3</sup> with large participation of senior technical experts in aid management from provider and programme countries, parliaments, civil society organizations, local governments and international organizations.

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<sup>1</sup> More information on the 2008 DCF and its preparations are available online:

<http://www.un.org/ecosoc/newfunct/preparations.shtml> and <http://www.un.org/ecosoc/newfunct/2008dcf.shtml>

<sup>2</sup> The Doha Outcome document recognized the important contribution of the DCF in efforts to improve the quality of ODA and to increase its development impact. It also mandated the Forum to review more systematic and universal ways to follow quantity, quality and effectiveness of aid, giving due regard to existing mechanisms (A/Conf.212/L.1/REV1\*).

<sup>3</sup> The programme of the Symposium was organized around seven main themes: (a) Key challenges for mutual accountability and aid transparency; (b) Promoting mutual accountability mechanisms at the global and regional level; (c) Mutual accountability reviews at the country level; (d) Strengthening international aid transparency and information-sharing; (e) Gender equality and gender perspectives on mutual accountability; (f) Strengthening South-South and triangular cooperation; and (g) Enhancing policy coherence.

6. The Symposium aimed to define recommendations to ensure that the various stakeholders in development cooperation are able to hold each other accountable for honouring their commitments on quantity, quality and effectiveness of aid. It gave a unique opportunity to take stock of successes, challenges and gaps in existing mechanisms and initiatives in the area of mutual accountability and aid transparency. In this context, its ultimate goal was to strengthen the various reviews of international development cooperation activities to ensure that they respond to various needs and views of all stakeholders.<sup>4</sup> The forum also discussed the DCF's work in the area of South-South and triangular cooperation and helped sharpen its focus on policy coherence. The results will serve as inputs to the analytical work to prepare for the next preparatory symposia as well as the DCF.

### **3. Key Challenges in International Development Cooperation**

7. In view of the impact of the world economic and financial crisis, the need to sustain international development assistance and make it more effective was a key theme in the debates. *Michael Spindelegger*, Austrian Minister of European and International Affairs and *Sha Zukang*, United Nations Under-Secretary-General for Economic and Social Affairs underscored the importance of staying on track and even exceeding aid commitments in order to achieve the Internationally Agreed Development Goals, including the Millennium Development Goals (MDGs). In light of the Copenhagen conference, participants also called on providers not to reduce ODA to the benefit of new funds in the area of climate change. *Irene Freudenschuss-Reichl*, Director General of Development Cooperation, Austrian Federal Ministry for European and International Affairs stressed the fragility of development cooperation due to inter alia budgetary difficulties in many countries. She reminded participants that the 2010 DCF will occur at a time when development cooperation actors will know whether the economic and financial crisis is waning and whether the energy and food price crises will re-emerge.

8. The President of ECOSOC, *Sylvie Lucas*, emphasized that against this backdrop the DCF must be a platform for developed and developing countries and all major development players to build a broad and open consensus towards a global partnership for development. It should delve into urgent issues such as the quantity, impact and coherence of development cooperation policy, South-South Cooperation, the impact of the crises and climate change, among others.

### **4. The Concept of Mutual Accountability**

9. In the current international environment, there is a growing need to develop more effective systems to promote accountability and transparency in development cooperation in order to ensure the timely and effective delivery and use of aid flows in the quest to achieve the MDGs.

10. Accountability in development cooperation mainly refers to the following relationships: (a) providers hold the recipients of aid (national or sub-national governments, multilateral organizations, civil society organizations or the private sector) accountable for the use of aid and the related policies; (b) recipients

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<sup>4</sup> Signatories of the Accra Agenda for Action agreed to step up efforts to ensure that mutual assessment reviews are in place by 2010 in all countries that have endorsed the Paris Declaration and to review proposals for strengthening existing international accountability mechanisms by end 2009.

hold providers responsible for the effectiveness with which they provide aid; (c) other stakeholders such as national parliaments or civil society organizations in both developed and developing countries hold providers and recipient countries to account on their commitments; and (d) within each stakeholder group (e.g. civil society organizations), members hold one another accountable and exert peer pressure to live up to commitments made.<sup>5</sup> This web of relationships is complex and varies from country to country.

11. The Doha Declaration on Financing for Development encouraged all donors to improve mutual accountability and transparency, a principle also at the heart of the aid effectiveness agenda towards the fourth OECD-DAC High-level Forum on aid effectiveness in 2011. The principle of mutual accountability was also recently recognized at the meeting of the Group of 20.

12. The concept of *mutual accountability* is very elaborate, with concrete commitments identified in the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action.

13. There is no shortage of international fora and national frameworks to debate the mutual aid commitments. The mechanisms to translate mutual accountability into practice are manifold. In many countries, for example, certain components such as aid coordination matrices revolving around budget support or aid strategies and independent evaluation mechanisms are in place. However, be it at national or international level, these mechanisms have not always worked well. Only a few produce systematic and practical behaviour change, in particular among providers of development cooperation. They rarely lead for instance to making aid more predictable and stable and reducing conditionalities.

14. More accountable development cooperation requires in particular making accountability more “*mutual*”: One of the major gaps identified in earlier analysis is the need to make donors/providers of aid more accountable to programme country governments and other stakeholders. Moreover, some stakeholders feel excluded from all or some processes to hold development cooperation actors to account. Participants in Vienna attributed the limited progress at international and national level to the lack of partnerships between development cooperation stakeholders, in particular in aid dependent countries. Building such partnerships based on trust was seen as critical to building well functioning mutual accountability mechanisms. There is also a lack of clarity on the concept of *mutual accountability* itself and limited trust in the independence of review processes to assess compliance with commitments. Progress was mainly reported in regions where a sufficient number of stakeholders is committed to high quality aid and development results and invests in capacity development in this area.

15. Participants agreed that existing goals on aid quantity (e.g. 0.7% of GNI to ODA) should be taken into consideration when designing mutual accountability reviews, leading to clearer objectives and indicators, including gender-specific ones. These reviews should include – to the maximum extent possible – bi- and multilateral aid, both on- and off-budget. This showed the importance of relevant information on aid as a means for *mutual accountability* (see 5.d.).

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<sup>5</sup> See background study on Mutual Accountability at [http://www.un.org/en/ecosoc/newfunct/pdf/Analytical%20Background%20study%20\(Mutual%20accountability%20and%20aid%20transparency\).pdf](http://www.un.org/en/ecosoc/newfunct/pdf/Analytical%20Background%20study%20(Mutual%20accountability%20and%20aid%20transparency).pdf).

## 5. Making Development Cooperation More Accountable and Transparent

The deliberations at the Vienna Symposium indicated the following key challenges to achieve change in the behaviour of development cooperation actors and better development results in the short, medium and long-run:

### a) Strengthen national ownership and leadership

16. A principal challenge is to ensure that mutual accountability review mechanisms result in more balanced aid relationships, with higher pressure on providers of development cooperation to respond to national priorities and to increase policy coherence. Delegations highlighted that programme country governments need to be in the driver-seat. Programme countries should steer any coordination process with providers and non-executive stakeholders (parliaments, civil society organizations, local governments...) and should be able to advocate for aligning action plans to assess progress on commitments made, with national development strategies. The background study presented at the Vienna symposium<sup>6</sup> suggested that only a few national review mechanisms factor in national priorities or provide frank or forceful analysis of the performance of provider countries, in spite of the growing commitment of programme country governments.

17. As reiterated throughout the Symposium, the existence of a robust *mutual accountability* mechanism at the country level depends on whether or not the following elements are in place: (i) a national aid policy, (ii) strong programme country political leadership, (iii) clear institutional responsibilities for aid management and (iv) a locally-driven aid quality and results monitoring framework.

18. Where a sound national development policy is in place, programme countries should lead the process of reviewing the performance of providers of aid, while the latter should assist, where necessary, in developing effective frameworks for monitoring and evaluation (M&E). For providers to improve their own accountability, governments must give priority to relevant national events such as annual high-level consultations around national strategies, consultative groups and roundtables, and joint reviews of sector strategies.

19. Any national action plan to make the use of aid more accountable needs to be based on national development priorities and should recognize global aid effectiveness principles. Such a plan must also draw from detailed strategic documents, which should ideally be agreed at national level before being presented to providers of aid. In many cases, however, providers are part of the development of such documents. In this context, developing country participants also encouraged providers to increase programme and budget support in lieu of project-based aid. This is expected to increase the percentage of aid reported on budget and help to better assess the impact of external assistance.

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<sup>6</sup>[http://www.un.org/en/ecosoc/newfunct/pdf/Analytical%20Background%20study%20\(Mutual%20accountability%20and%20aid%20transparency\).pdf](http://www.un.org/en/ecosoc/newfunct/pdf/Analytical%20Background%20study%20(Mutual%20accountability%20and%20aid%20transparency).pdf)

20. The proliferation of reviews and evaluation processes makes it difficult to hold providers to account on their commitments. It increases efforts to coordinate and communicate within and between central agencies and local stakeholders and may make it more complicated to ensure ownership, assess benefits of aid and engage non-executive stakeholders. A single national process involving joint strategic planning meetings at senior and working level among all relevant stakeholders is therefore essential to create and uphold political will and nurture a joint approach in holding providers to account.

21. Each country has its own way and varying success in moving forward in this direction: some are seeking the advice of relevant international agencies, Southern partners and civil society on how to improve national aid policies. Others focus more on national and local consultations to develop a joint approach and then speak with one voice vis-à-vis the provider community. Either way, the organization of dialogue and assessment processes requires robust leadership as well as early engagement and ownership of all stakeholders based on a clear vision and a system of incentives.

22. There has been no systematic focus on gender issues in *mutual accountability* mechanisms. Targets set in documents such as the Beijing Platform for Action and the Accra Agenda for Action (AAA) are not yet pursued systematically and sex-disaggregated data and gender sensitive indicators remain generally weak. While the importance of gender issues in development and human rights is now well established, making governments accountable for the advancement of women's rights and gender equality through all aid policies is still a challenge. In this regard, members of parliaments and civil society participants underscored that gender has to be a priority across relevant line ministries and not an afterthought in development planning.

**b) Ensure active engagement of all relevant stakeholder groups**

23. A key prerequisite to ensure that stakeholders are held to account on their aid commitments at country level is a robust culture of domestic accountability, whereby citizens are able to hold the state answerable for its actions. A thorough and regular consultative process among all relevant stakeholders at national level is key to promoting the effective use of aid and making *mutual accountability* processes meaningful. It is critical in order to promote the alignment of governmental and non-governmental aid-related activities behind national development strategies and aid policies and to make the development process truly country-driven.

24. *Mutual accountability* can only be assured if there is such an inclusive national dialogue under strong government leadership and with active involvement of parliaments and civil society. The purpose of such dialogue is to agree on clear actions and criteria for reviewing aid activities and policies and ensuring that they are responsive to stakeholder needs. Parliaments need to be fully recognized as autonomous and informed oversight bodies entrusted to scrutinize development cooperation and to ensure that the general public has access to information on any externally funded activities in the country. In this context Members of Parliament emphasized that they generally lack access to reports on performance of providers of aid and that many provider and programme country governments are reluctant to engage in consultations on aid expenditure.

25. In some countries specialized parliamentary committees have been set up to interact directly with the providers of aid. They help to ensure a thorough oversight process, raise awareness about the parliaments' role in revealing ineffective/inappropriate use of aid as well as about the need to increase reporting of aid on budget. Members of Parliaments called for further legal empowerment of parliament in this regard and suggested to conduct self-assessments of parliamentary oversight of aid. They also recommended that independent auditors guarantee unbiased reporting on activities of aid providers. Providers voiced a willingness to support existing structures in national parliaments to strengthen their oversight role.

26. As actors in their own right, civil society organizations called for more open and systematic dialogue as a basis for more inclusive monitoring and evaluation (M&E). Civil society organizations subscribe to the principles entailed in the wider concept of development effectiveness, which underscores development outcomes and policy coherence. Against this backdrop, they stressed that they should be engaged early on in planning cycles. They expressed their intention to work more closely with parliaments as fundamental hubs in any accountability process. At the same time, government representatives stressed the need for civil society organizations to give a more transparent account of their activities so that it is possible to evaluate the extent to which these are aligned with national development priorities.

27. Some participants also called upon providers to enable local governments to contribute to dialogues to make aid more accountable. Local governments were seen as important actors in setting and implementing the agenda for national and sub-national development policy.

28. Women's organizations highlighted that gender advocates and national women's machineries are usually excluded from policy debate and decision-making processes on aid. They called for increasing this participation, as well as for thorough gender-budgeting processes with participation of parliaments and civil society and for gender audits. The introduction of a policy marker system to monitor flows of aid targeted to activities related to gender equality and women's empowerment (as done in the OECD CRS report for 2010) was welcomed.

29. It was emphasized that actors engaged in South-South development cooperation and private foundations should fully participate in the debate on what constitutes high-quality development cooperation and what generates strong impact and development results.

30. Some parliamentarians and civil society organizations said that, overall, they were encouraged by their growing "de-marginalization" and inclusion in debates on *mutual accountability*, aid quality and policy coherence, including in the DCF.

### **c) Capacity development and empowerment of institutions responsible for mutual accountability**

31. The development of an enabling climate for *mutual accountability* requires substantial know-how and technical expertise in both provider and programme country governments as well as among non-executive stakeholders in development cooperation. Strengthening domestic accountability is also intrinsically linked to building the capacity of institutions responsible for ensuring accountability.



32. At country level, a plethora of aid programmes and numerous donor missions keep central governments busy with mostly supply-driven activities, providing limited scope to strategize and develop national positions, documents and policies. In this regard, programme countries and provider agencies reported that shortfalls in specialized staff slowed progress in improving transparency and accountability.

33. Participants therefore called for providing adequate resources to develop national capacities in areas such as reporting on aid, and interpreting aid information and budget documents. Parliamentarians also viewed capacity development as a precondition for their empowerment as effective oversight bodies. Providing more and better staff support to parliamentary committees was expected to raise awareness about the absence of relevant documentation to effectively exercise scrutiny and to develop stronger ties with civil society organizations.

34. Women's organizations called for allocating more - and more predictable - resources to strengthen their capacities to participate in policy formulation, national planning and budget negotiations as well as M&E and accountability frameworks.

#### **d) Make aid information more transparent and accessible**

35. Disclosing information on aid is an important requirement for holding governments and other actors accountable on their commitments in the area of development cooperation. There is a growing commitment of governments to share information on aid quantity and quality as called for in the Monterrey Consensus, the Accra Agenda for Action and the Paris Declaration on Aid Effectiveness. Most recently, the G20 in Pittsburgh pledged to increase the transparency of international aid flows by 2010. Nonetheless, there are still considerable gaps in disclosing detailed information on aid agreements, policies and data.

36. A significant effort should be made to make high-quality information available from all providers of development cooperation, including DAC- and non-DAC donors, multilateral agencies, global funds, foundations and civil society. Information is needed on current and planned aid flows as well as on qualitative aspects such as conditionalities, tied aid, impact of aid and, in some cases, providers' strategies and policies. Such information should be easily accessible and useable by the public, provided in a timely manner and in a form that users can adapt to their individual needs. Access to relevant documents should be ensured *early on*, i.e. when they are being produced, to support evidence-based decision making and allow a fully informed contribution by stakeholders to mutual accountability reviews and policy meetings.

37. Much information on aid already exists. However, such information is sometimes hard to verify, such as on aid that is not reported on budget or on the origins of funds (e.g. if budget support is channeled through multilateral organizations). Participants called for stricter disclosure policies in programme countries as well as more predictable and transparent information on aid allocation and disbursement by all providers of aid, including multilateral and civil society organizations and global funds.

38. Longstanding efforts to build databases on aid information are encouraging. Initiatives such as the International Aid Transparency Initiative (IATI) were widely welcomed. The efforts to develop a common standard for data reporting and a code of conduct in the context of IATI were appreciated. It was noted

however that there remain numerous obstacles to making the right to information legally binding, and that setting standards in aid transparency is complex. There should be a regular dialogue with key stakeholders, including parliamentarians and civil society, to clarify the roles of each partner in efforts to improve information on aid flows. Participants also warned against a multiplication of initiatives in the area of aid transparency.

39. Local governments pointed to their role as both data providers and actors that are dependent on adequate information at the local level. Civil society organizations saw their contribution first and foremost in demanding access to relevant aid information and in simplifying available information to fit the local contexts. They underscored that involving citizens was critical to ensure bottom-up and democratic accountability. They also encouraged NGOs in the South and in the North to report information on their aid on a regular basis (through IATI, but also e.g. the International Non Governmental Organizations (INGO) Accountability Charter or Guidestar International). Independent media should also work with civil society organizations in informing citizens about the use of aid flows at country level.

40. The few success stories in making aid more transparent demonstrate that publishing information on aid may shed light on the lack of domestic sources for financing development, conditionalities and political disagreements that lead to volatile aid as well as on the lack of information on aid allocated to gender equality and women's empowerment.

#### **e) Promote exchange and peer-learning processes**

41. Several delegations deplored that there is no international or regional platform for inclusive dialogue to foster exchange of experiences and peer-learning as well as to voice concerns and settle disagreements in aid management. Such fora could help to develop customized principles on how to make development cooperation more accountable and transparent. They could also contribute to the ongoing debate on what is meant by the "quality of aid" and thus contribute to the 2010 DCF and the fourth High-level Forum on Aid Effectiveness and its follow-up.

42. It was suggested to work towards developing a global network of regional bodies which can address such concerns in a coordinated manner. If resourced properly, regional bodies will provide incentives for the implementation of workable (peer) review mechanisms. They may discuss local and national experience and regional specificities and thus contribute to global fora like the DCF. The Africa Peer Review Mechanism (APRM) was mentioned as a useful consensus-based regional tool for self-evaluation. The joint initiative on *mutual accountability* in South-East Asia, initiated by the Governments of Cambodia, Lao PDR and Viet Nam and assisted by the Asia Pacific Capacity Development for Development (CDDE) Facility, is spearheading a regional dialogue on the potential and limitations of mutual accountability mechanisms.

43. Women's groups' practical knowledge about development challenges should be mobilized through innovative peer-learning processes, such as by creating e-parliaments for women to network across countries and mobilize stakeholders and financing. National media should also play a stronger role.

**f) Challenges and the way forward in developing a global agenda for mutual accountability**

44. There is clearly no “one-size-fits-all” mechanism in the area of *mutual accountability*. The effectiveness of various types of mutual accountability reviews depends on whether a country is aid dependent, whether it has hierarchical decision-making processes and an open culture of communication. Nonetheless, national aid management processes often face similar challenges. To build trust and partnerships among development cooperation partners, emphasis at the country level has to be placed first and foremost on ensuring that mutual accountability reviews are “two-way” and that aid providers are held accountable by aid recipients and not only the reverse. Participants also favoured a pragmatic approach to developing mutual accountability mechanisms, making effective use of existing initiatives and components at sectoral and national level. They supported simple mechanisms that do not overburden experts with limited capacity and at the same time build on national specificities.

45. At international level, the *practicality and inclusiveness* of mechanisms is key. Independent mechanisms that have gained traction over the past few years such as the Concord EU Aid Watch report and the ONE/DATA campaign report should be incorporated into official mechanisms. Only a few international mechanisms are well recognized and successful in promoting systematic change in behaviour. This is due to the insufficient representation of key stakeholder groups and the lack of information on practices by providers at national level.

46. Against this backdrop, participants suggested that the DCF should support a process to further develop and refine guiding principles and meaningful performance targets for national and international mutual accountability and aid transparency mechanisms.

47. Participants encouraged the DCF to conduct an independent and comprehensive review of international and national mutual accountability mechanisms and aid transparency initiatives, starting in 2010. The forum should look at the degree to which agreed principles are being applied and stakeholder expectations are being met. It should also review whether the behaviour of provider and programme countries and non-executive stakeholders is changing towards more transparent, inclusive and trust-based aid management, as a result of existing mutual accountability mechanisms. The review will take into account the different needs at country level and the special situation of fragile states, where building capacity for *mutual accountability* is especially urgent. It will also examine whether gender equality and women’s empowerment are included as a priority issue.

49. The reformed Working Party on Aid Effectiveness (WP-EFF) – as one of the most relevant official mechanisms on mutual accountability – is poised to help programme countries, parliaments and civil society to report to legislators and citizens on budget expenditures, and to involve them further in the DAC Peer Reviews.

50. Participants were encouraged by this process. They also reiterated the importance of the multi-stakeholder nature of the DCF and saw the forum as an inclusive platform to further deepen the discussion on making development cooperation more accountable and transparent. In this context, the conclusions and recommendations of the Vienna Symposium will serve as inputs to analytical work to

prepare for upcoming Symposia and will inform the Secretary-General's analytical report for the DCF in 2010.

The following key policy messages emerged from the discussions:

- (a) More effective systems of accountability and transparency in development cooperation are needed at national and international level to encourage more timely delivery on commitments on aid quantity and quality, especially in light of the impact of the multiple crises on the achievement of the internationally agreed development goals, including the MDGs.
- (b) To ensure systematic and practical behaviour change in development cooperation policies and practices, efforts should be made to strengthen a sense of *mutuality* in the complex accountability relationships between all providers and recipients of aid. This would respond to the needs of programme countries to monitor provider performance as well as assist them in their efforts to strengthen existing or create new accountability mechanisms that draw on national development priorities.
- (c) The effectiveness and credibility of a mutual accountability mechanism depends on the existence of an agreed national development and/or aid policy with clear objectives and performance targets, including on gender-specific issues. Regular and well-informed consultative processes at a high political level are critical to agree on programmes of action and indicators for monitoring and evaluation.
- (d) A culture of domestic accountability is a prerequisite for more accountable development cooperation. The creation of effective and nationally-owned accountability mechanisms depends on the full recognition of the role of oversight bodies, in particular national parliaments, and their early involvement in decision-making processes. Participation of civil society organizations is also essential. They should be seen both as advocates and as development partners to be held accountable.
- (e) The lack of technical and institutional capacity among all stakeholder groups is a common obstacle in developing well-functioning mutual accountability mechanisms. To further empower government agencies as well as parliaments and civil society, predictable resources are required to strengthen technical expertise, notably in fragile and aid-dependent states.
- (f) More transparent information on aid is an important requirement for all stakeholders to make well-informed decisions in development cooperation. A significant effort should be made to provide high-quality and consistent information on aid flows, agreements and policies with a special focus on qualitative information from all providers on priorities, conditionalities, tied aid and impact.
- (g) Regional initiatives and platforms are critical in lending impetus to national efforts to adopt workable mechanisms to assess aid delivery. If resourced adequately, they can provide important space for evidence-based regular dialogue on national experiences and the definition of flexible principles for more accountable development cooperation.

- (h) Global mechanisms need to be strengthened to promote more systematic change in behaviour. This can be done by ensuring representation of all stakeholder groups and the inclusion of independent mechanisms into official ones.
- (i) The DCF needs to further develop and refine guiding principles and performance targets for mutual accountability and aid transparency for consideration by all stakeholders in accordance with global targets on aid quantity and effectiveness.
- (j) Starting in 2010, the DCF will conduct an independent and comprehensive review of status and progress in this area in close collaboration with UNDP and engagement of OECD-DAC.

## **6. Strengthening South-South and Triangular Cooperation**

### **a) The growing importance of South-South Cooperation**

51. South-South cooperation has a long history as an important form of solidarity between developing countries. It has increased over the years, and this trend is highly likely to continue notably as a result of the growth of major emerging economies. While South-South cooperation should continue to be driven by developing countries, there is a role for triangular cooperation to support its development, while respecting the unique characteristics of this form of cooperation.

52. With the impact of global financial and economic crisis, the food crisis and climate change, there is a concern that South-South cooperation may be seen as a way to compensate for the potential decline in North-South cooperation. The impact of the balance of payments and fiscal situation of countries on South-South cooperation also needs to be assessed.

### **b) The need to better understand South-South cooperation**

53. The specific knowledge about the scope and characteristics of South-South cooperation and its determinants, is still quite limited. Looking at it only as a form of solidarity among developing countries, for example, does not enable to really explain the rapid upward trend in South-South cooperation. For it to be sustainable, there needs to be mutual interest and mutual gains. Other factors in the growth of South-South cooperation include the role of regional and cross-border cooperation in the management of global and regional public goods.

54. It was felt that to raise awareness about the increasing role and importance of South-South cooperation, and to help to dispel some of the myths and misunderstandings that surround this form of cooperation, there is a need for better and more comprehensive information and data. Better information will also benefit partner countries in seeking the most cost-effective areas for cooperation. It will support more informed policy dialogue on South-South cooperation.

55. A pragmatic approach is needed to develop the knowledge on South-South cooperation. It was said that there is a need for a common definition of South-South cooperation shared by all stakeholders, including notably the major providers of South-South cooperation.

**c) The need for more and clearer data: what should be counted as South-South cooperation?**

56. South-South cooperation covers a broad range of activities, including trade, foreign direct investments and technical cooperation. In defining South-South cooperation, it was suggested that it could be useful for developing countries to unpack the term ‘South-South cooperation’ into its more specific components. The background paper prepared for the Symposium proposed that the emphasis be placed initially on measuring financial flows associated with South-South and triangular flows.

57. Within this approach, a number of questions still need to be answered such as whether debt relief or export credits – both of which represent an important share of flows between developing countries – should be included. The purchase by central banks of treasury bonds, especially in Latin America, is a recent trend that needs to be taken into account. It is also important to look at the magnitude of flows of foreign direct investment which may have much bigger impact on the economy of some countries than traditional aid. It was felt that an important criteria in determining which flows to count as South-South cooperation should be their development focus.

58. There are a number of practical challenges to collecting data on South-South cooperation: A key one is often the lack of a single government ministry or agency responsible for the country programmes for South-South Cooperation. A number of countries have however taken steps to strengthen institutional structures as well as data collection processes. A report will also be published shortly on South-South cooperation in Latin America. Another issue is that many components of South-South cooperation such as capacity development are difficult to quantify.

59. It was questioned whether the DCF or the international community have a role in gathering data and monitoring South-South cooperation. There is no specific mandate to do so nor are there agreed commitments on how much assistance should be provided through South-South cooperation and on the modalities of this support.

60. Some countries engaged in South-South cooperation underlined that greater clarity is needed on the kind of information and analysis that would be required, the purpose of this information and its impact on where South-South cooperation is situated in the overall development cooperation architecture. It is important to focus first on creating an enabling environment for South-South cooperation to flourish and care should be taken not to create obstacles in this regard.

61. It was said that, in any case, cooperation between countries of the South must not be analyzed using the same standards as those used for North-South relations. For example, financial contributions from the more advanced developing countries should not be seen as Official Development Assistance from these countries to other countries of the South.

**d) Impact and effectiveness of South-South cooperation**

62. There is ample evidence that South-South cooperation has important advantages for countries receiving it. However, it is difficult to assess accurately, for instance, how effective capacity building programmes have been and to what extent they reflect the needs of the recipient countries as opposed to supply factors in the providing countries. It was argued that any evaluation of the success of South-South cooperation programmes must be conducted by the participating countries in line with the notion of sovereignty.

63. Some participants said that it is necessary and legitimate to discuss the extent to which South-South cooperation practices abide by the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action. In such a process, good South-South cooperation practices will emerge which would contribute to enriching the aid effectiveness agenda. The OECD/DAC Colombia-led Task Force on South-South cooperation is an initiative aimed to provide concrete evidence of various practices in South-South cooperation, their impact and their contribution to the effectiveness of development cooperation. On the other hand, it was also stressed that, while the principles of the Paris Declaration and Accra Agenda for Action could be used as a very useful reference for South-South cooperation, they should not be an obligation for this type of cooperation.

64. Some participants underscored that – as agreed in the Accra Agenda for Action – South-South cooperation should completely abide by the principles of non-interference in domestic affairs and respect of the sovereignty and diversity of partner countries.

**e) The Role of the DCF in South-South cooperation**

65. The DCF has an important role as a neutral forum to debate issues, experiences, approaches and views related to South-South cooperation. It can help translate the positive characteristics of South-South cooperation into wider development cooperation practices. It was said that it could also contribute to developing *mutual accountability* among partner countries on South-South cooperation. Non-executive stakeholders would be interested to engage in such a process.

66. While it was also said that the DCF can also provide a forum for discussing issues related to data and analysis of South-South cooperation, some participants stressed that the DCF should not engage in such technical and normative work and rather focus on policy discussions. Notwithstanding its role in debating South-South cooperation issues, the primary focus of the DCF should continue to be development cooperation between the developed and developing world.

67. The following key policy messages were derived from the discussions:

- (a) South-South cooperation should not be seen as a way to compensate for the potential decline in North-South cooperation;
- (b) Equal importance must be given to supporting and promoting South-South cooperation, including through triangular cooperation;

- (c) Information on South-South cooperation should be improved as a way to increase awareness and understanding about the scope and role of this type of cooperation;
- (d) While developing a common definition and improving data on South-South cooperation is desirable, it must be borne in mind that South-South cooperation cannot be analyzed using the same criteria as North-South cooperation;
- (e) The principles of the Paris Declaration on aid effectiveness and the Accra Agenda for Action are an important reference for South-South cooperation.

## 7. Policy Coherence

68. This session provided the opportunity for a brainstorming on the best ways to address policy coherence issues under the aegis of the DCF, with a focus on the unique contribution the DCF could make to this important issue as well as the synergy and complementarities with other processes.

69. Policy coherence is seen as an important focus of the 2010 DCF. The unique mandate of the UN as well as the realities of the world economy make the DCF well-positioned to address both aid coherence i.e. the use of aid to leverage non-aid flows for financing development and more broadly policy coherence for development (PCD).

### a) Key measures to promote coherence

70. In order to access a critical mass of resources flows, e.g. trade, investment and remittances, many developing countries have undertaken decisive policy reforms, for instance, trade liberalization, to mobilize financing for development. These reforms carry sizable economic and social costs, which could easily defeat the original policy intentions in the absence of the front-loading of aid.

71. A renewed focus should be placed on supporting developing countries to develop comprehensive strategies, with resources mobilization at the core and build productive capacity and infrastructure as well as finance the adjustment costs.

72. The success of policy reforms requires greater coherence among international financial institutions. The current disconnect between field-level realities and higher level decision-making hinders regional and global integration initiatives and implementation of national development strategies.

### b) Possible angle of the DCF on policy coherence for development

73. Policy coherence for development is a missing dimension of the development effectiveness debate and needs to be discussed at the DCF. Much of the debate has been on internal coherence, i.e. aid effectiveness, and the relationship between aid input, output, outcome as well as impact. Other dimensions of policy coherence are also important. This applies to intra-donor coherence (policy coherence among all institutions within a donor country) and inter-country coherence (policy alignment between OECD countries and developing countries policies).



74. Policy coherence for development is closely linked to the objective of the DCF, i.e. promoting development through increased and more effective and coherent development cooperation. With globalization, it has become clearer that ODA by itself cannot bring about the anticipated development outcomes. Nowadays, developing countries exports are more than 40 times the level of official aid flows. Remittances and private capital flows are three times and 10 times respectively the size of ODA.

75. As a result, in spite of its primary focus on development cooperation in a conventional sense, the DCF should also bear in mind the broader range of policies impacting other resources flows in order to fulfill its mandate. It was said that the DCF has a role in tackling global policy dysfunctions in agricultural policies, tariff policies, intellectual property rights, immigration restrictions, fishing subsidies and climate change which impede the impact of development cooperation. The scope of “Policy Coherence for Development” agenda should also cover tax policies and illicit financial flows. The special needs of fragile states should be born in mind.

76. The EU’s agenda on Policy Coherence for Development represents one way of addressing policy coherence issues, which the DCF could build on to advance its own unique intervention. EU has achieved concrete commitments to policy coherence in 12 policy areas, guaranteed by the creation of various mechanisms, including impact assessment, inter-services consultations and the biennial Policy Coherence for Development report.

77. It was said that the donor-recipient coherence dimension has been missing in the Policy Coherence for Development agenda. Making Policy Coherence a mutual obligation was seen as key to its success. Developing countries could increase policy coherence in the area of security and climate change to make Policy coherence for Development a common agenda.

78. In tackling internal coherence, i.e. aid effectiveness, the DCF should play an important role in the following areas:

- (a) Improving aid targeting. Currently, only 30% of aid goes to the poorest countries and aid allocation for social services remains only half of the desired level;
- (b) Reducing aid fragmentation. Fragmentation has gone up by 4 to 5 times in the past decade. Currently, there are 81,000 aid activities, but the mean size of individual aid transaction has dropped from 3 million to 1.6 million;
- (c) Reducing aid volatility and cost of aid administration. Aid volatility increased by 16% from 2000-2006;
- (d) Improving aid coordination and forging broader development coalitions. Aid coordination remains poor; with less than 20% of recipient countries having development cooperation strategies. The diversification of aid sources requires aid coalitions. An increasing number of donors are contributing to a large number of recipients. There are 30,000 donor missions a year. These all increase the transaction cost on both sides.

It was said that the DCF could distinguish itself from other processes by addressing human security. The UN is the only entity that has the mandate to overcome both freedom from fear and freedom from want, thereby giving the DCF the legitimacy to address the human security dimension of policy coherence.

The following key messages emerged from the discussions:

- (a) Aid front-loading is key to the success of policy reforms aiming at mobilizing financing for development;
- (b) Policy Coherence is closely linked to the DCF mandates and should be on the Forum's agenda;
- (c) The DCF is poised to address some missing dimensions in the current "Policy Coherence for Development" agenda, including donor-recipient coherence;
- (d) Donors should adjust their focus on technical cooperation and capacity building towards more emphasis on infrastructure and productive sector development in order to create an enabling environment for generating financing for development;