

**Reshaping the International Development
Cooperation Architecture:
Perspectives on a Strategic Development Role
for the Development Cooperation Forum (DCF)**

DRAFT



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Executive Summary

Development remains the prime imperative for developing countries. Using home-grown development approaches that are strategic and adapted to their own requirements, some developing countries are succeeding. However, many more developing countries are falling behind, especially those who have followed the “Washington Consensus”-based policy prescriptions of the Bretton Woods institutions and some bilateral development agencies. The imbalances in current international economic system are systemic in nature.

The current development cooperation architecture reflects much of the systemic imbalances on current international economic relations. It focuses mostly on the provision of official development assistance (ODA) to the exclusion or marginalization of tackling other development issues such as trade, transfer of technology, intellectual property, global economic governance, and climate change. As a result, long-term ODA flows have been declining, and the development effectiveness of much of international ODA has been spotty at best. These have generated new calls for changes in the international ODA architecture and quality of aid to make them more relevant and effective in meeting development challenges. As new development cooperation actors emerge, and new development challenges come up, a new and more effective international development cooperation architecture becomes more crucial as part of the overall effort to address the systemic imbalances.

The Development Cooperation Forum (DCF) is an international response to this felt need. Created by the mandate of the United Nations General Assembly as an arm of the Economic and Social Council (ECOSOC), the DCF provides a good opportunity for generating a new and more democratic global discourse on development cooperation as a way to address the imbalances in the current economic system. Stakeholder perspectives around the DCF are still few yet are important to consider. This paper tries to contribute to such perspectives through a structured interview process with selected developing country and civil society subjects. The perspectives generated looked, among other things, at the strategic vision for the DCF vis-à-vis ECOSOC and the international development cooperation architecture, its role as an oversight and dialogue mechanism on development cooperation issues, its priorities and agenda, its links to existing development cooperation institutions, and the role of civil society in its operations.

The paper concludes with four main recommendations concerning the role of the DCF, as follows:

(1) Strengthening ECOSOC should be a key institutional objective of the DCF

- By providing the intergovernmental oversight mechanism of ECOSOC with respect to the implementation of existing sector-specific and institutional aid programmes that use public sector financing with a view towards promoting coherent approaches and healthy competition among ODA providers;

- By enabling ECOSOC to exercise oversight over the implementation by UN Members States of their international development cooperation commitments -- in particular of ensuring that aid is demand-driven and unencumbered by Washington Consensus-based conditionalities

(2) Enhancing development cooperation transparency through the sharing of ideas, information, and best practices

- By being the intergovernmental yet multi-stakeholder forum for sharing best practices in development cooperation and assistance;
- By establishing an information-sharing system for effective, viable, sustainable, and development-relevant ideas in development cooperation and ODA delivery;
- By being the venue through which traditional and new ODA providers can multilateralize (through biennial reporting, for example) the provision of information regarding the availability, priorities, implementation, and development outcomes of their respective ODA programmes so as to make it easier for developing countries to identify the best possible development partners consistent with their development needs, priorities, and ownership.

(3) Providing a strategic intergovernmental policy, operational oversight, and accountability mechanism that can link development cooperation to the broader international economic and financial architecture

- By being the primary intergovernmental political oversight forum for strengthening aid effectiveness and aid accountability, with mechanisms to encourage strong developing country government and civil society participation and voice in its processes. It should address ODA architecture-, effectiveness-, and implementation-related issues. The implementation of initiatives such as the OECD's Paris Declaration on Aid Effectiveness, and the ODA-relevant programmes of the BWIs, UN agencies, and other multilateral agencies should be reported to the DCF. It could also take the lead in serving as the forum for considering new suggestions on the international ODA architecture;
- By serving as the primary intergovernmental dialogue mechanism between existing and new ODA providers, as well as non-governmental aid providers, to ensure that overall development assistance supports sustained and sustainable development in the South in the context of rapidly changing global economic, environmental, and political circumstances;
- By serving as the intergovernmental mechanism through which a financial needs assessment could be undertaken to identify the country-specific and global ODA requirements for achieving the MDGs;

- By providing the intergovernmental forum for coherence and coordination discussions with non-governmental aid providers;
- By encouraging improved South-South development cooperation;
- By providing the political opportunity for the creation of a developing country-only permanent mechanism wherein developing country ODA recipients could discuss their interests, needs and priorities, on the basis of information on ODA flows, sources, and procedures submitted to the DCF.

(4) Shaping development cooperation approaches to meet the twin development and climate change challenge

- By including in its agenda a results-oriented discussion on how ODA can help support on-going climate change mitigation and adaptation efforts of developing countries in ways that are development-friendly, including in particular through meeting and going beyond the developed countries' existing commitments to provide financial resources and technology transfer to developing countries under the UN Framework Convention on Climate Change;

The conclusion stresses that the international development cooperation discourse cannot be separated from the broader global power discourse and the systemic imbalances that reflect the current state of such discourse. Hence, the DCF should play a role in shaping a fairer and more equitable global economic system, in which the development policy space and prospects of developing countries are placed at the centre of global action.

**Reshaping the International Development Cooperation Architecture:
Perspectives on a Strategic Development Role
for the Development Cooperation Forum (DCF)***

Introduction

This paper presents the findings of a research project undertaken by the South Centre designed to gather varying insights and perspectives and present some recommendations regarding the vision, roles, institutional architecture, and functions of the newly-created Development Cooperation Forum (DCF). These recommendations are contributions to the on-going process of intergovernmental dialogue and discussion regarding the DCF and how it fits into and could potentially reshape the current international aid architecture.

Section I of this paper discusses the broad macro-economic developmental context within which DCF discussions will take place. Section II then goes on to discuss the historical and current developmental impacts of existing ODA approaches. Section III then discusses how the international response to such impacts became reflected in the establishment of the DCF. Section IV presents the research methodology and the key research findings of the paper. Section V concludes the paper with some recommendations for the DCF.

I. Understanding the Current Development Context

Development remains the prime imperative for developing countries ...

Achieving development in the context of a globalized and rapidly integrating international system continues to be the prime imperative for developing countries. Achieving this imperative, however, has been a challenging global task. Some development successes after the Second World War have been noteworthy, such as the post-war rebuilding of the economies of Western Europe and Japan in the 1950s and 1960s and the development of Korea and Singapore in the 1970s. The current emergence of fast-growing agro-industrial developing country economies in Asia (such as Malaysia, China, and India), Africa (especially South Africa), and Latin America (in particular Brazil, Argentina and Chile) is now taking place under international conditions and circumstances that are different from that of the post-World War II period up to the 1990s. Their formulas for development were many and varied – with most choosing to use home-grown development strategies that first sought to develop strong domestic industrial and agricultural sectors through a variety of means coupled with increasing levels of internationally competitive global trade and investment integration as their economies developed.

* The views and perspectives in this paper do not necessarily represent the official views and perspectives of the South Centre, its Member States, or other developing countries. The South Centre acknowledges the support of the German Development Institute (DIE) for the preparation of this paper.

Some are succeeding in using their own development paths ...

The current decade has seen a significant shift in the global economic environment. Developing countries as a group (including China and India) have achieved an average of 5-6 percent growth between 2002 and 2007, “although not all countries or segments of the population are beneficiaries of this growth...”¹ In addition to the economic growth spurt experienced by developing countries as a whole, some large developing countries such as China and India are now “engines of growth for the world economy ... [and] the share of South-South trade is increasing in the world economy, making inter-South trade a veritable locomotive of growth.”² UNCTAD now suggests that

A “second generation” of globalization is thus emerging. A distinctive characteristic of this phase of globalization is economic multipolarity, in which the South plays a distinctive role. Today, no negotiation of an international economic agreement is conceivable without the presence of China, India, Brazil and South Africa at the table. The new economic weight of some developing countries creates significant opportunities for the rest of the developing world. It also highlights the need for policy diversity rather than uniformity.³

The increasing economic share of developing countries in the global economy has been an integral part of the global economic recovery that has taken place since 2001, stimulated to a large extent by the rapid increase of exports from developing countries.⁴ The fast-growing economies of China, India, Brazil, South Africa, and other developing countries have also helped create new trade opportunities for both developed and developing countries, especially in terms of increased demand in these growing economies for primary commodities and intermediary inputs.⁵

Developing country growth over the past five years was fuelled by a variety of stimulants to economic growth. These include currently favourable terms of trade for developing countries (as a result of cheaper and more competitive exports), while commodity price hikes⁶ over the past five years have also helped improve the terms of trade of commodity-

¹ UNCTAD, Report of the Secretary-General of UNCTAD to UNCTAD XII – Globalization for development: Opportunities and challenges (TD/413, 4 July 2007), para. 7. (hereafter UNCTAD XII SG Report).

² Id., para. 8. South-South trade in goods is estimated to have increased from US\$577 billion in 1995 to US\$1.7 trillion in 2005, resulting in a rise of the South-South share of global trade in goods from 11 percent in 1995 to 15 percent in 2005. Overall, the share of developing countries in global trade has increased from 29 percent in 1996 to 34 percent in 2006. See id., paras. 15-16.

³ Id., para. 9.

⁴ Developing country exports “nearly tripled between 1996 and 2006, whereas those from the G-7 only rose by some 75 percent. In this area, Asia clearly dominated the picture, with transition economies and Latin America coming in second, and Africa showing exactly the same increase as the G-7.” Asia’s imports rose by 170 percent in the same time, while those of transition economies rose by 150 percent. Id., para. 15.

⁵ See e.g. TDR 2006, at 1.

⁶ According to UNCTAD, “there has been an upward trend since 2002 due to increasing demand - mainly in China and India - and to speculation on commodity markets” although “there are now signs that this increase might be losing pace owing to slower economic growth, the withdrawal of speculative hedge funds

producing and -exporting developing countries⁷ (especially those which produce and export mineral commodities such as coal and oil, although the prices of other primary commodities, especially tropical agricultural commodities, have not improved as much). Improved external trade performance has brought developing countries overall into a capital current accounts surplus while developed countries (in large part due to the huge current account deficit of the United States) are in deficit.⁸ Manufacturing and trade capacity expansion in many developing countries was supported by increased levels of inward investments into their economies,⁹ as investors search for yields higher than what could be provided in the developed economies.¹⁰

Both the United Nations and the World Bank project continued global economic growth, albeit at a slower rate, over the short-term largely as a result of the continued expansion of developing country economies.¹¹

While others are falling farther behind ...

However, systemic global economic inequality looks set to continue in the medium- and long-term. There are many more developing countries that languish at low levels of economic development, in Africa, South Asia and the Pacific, and Central and South America.

and changes in stocking strategies, in particular for metals.” However, one should note that recent commodity price increases do not reflect the long-term trend of commodity prices, which have been declining in real terms. Current overall commodity prices are approximately one-third less than what they were on average during the period from 1975-1985. See UNCTAD, at <http://www.unctad.org/Templates/Page.asp?intItemID=3732&lang=1>.

⁷ UNCTAD XII SG Report, para. 21.

⁸ Id., para. 17.

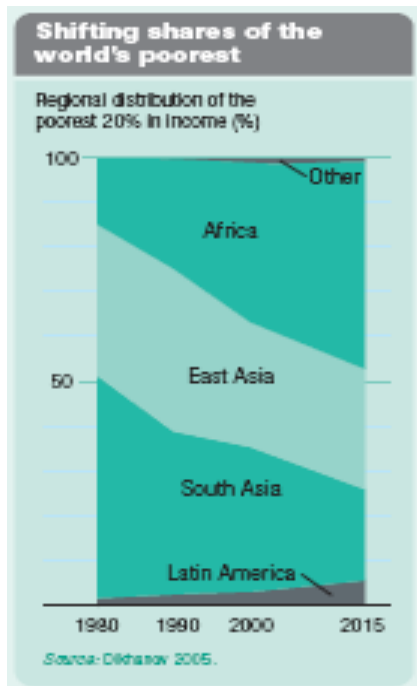
⁹ Id., para. 22.

¹⁰ However, it should be noted that while global foreign direct investment (FDI) inflows may have grown by 29% from 2004 to over US\$916 billion in 2005, much of those inflows were largely the result of a significant increase in the value and number of cross-border corporate mergers and acquisitions (M&As) – especially in developed countries – and of increased investments by collective investment funds (e.g. private equity and hedge funds) looking for higher yields. These kinds of investment flows might not be sustainable in the long run and might not necessarily translate into developmental benefits for developing countries. Inward FDI into developing countries rose to US\$334 billion in 2005 (as compared to FDI inflows of US\$542 billion into developed countries), with East and Southeast Asia continuing to be the main developing country FDI recipients. See e.g. UNCTAD, World Investment Report 2006: FDI from Developing and Transition Economies: Implications for Development (2006), pp. 3-5. (hereafter WIR 2006)

¹¹ TDR 2006, at 1-3; GEP 2007, at 1; see also UN DESA, World Economic Situation and Prospects 2007 (2007), pp. 1-10 (hereafter WESP 2007).

The UNDP has pointed out that on 2000 to 2005 growth trends, “it will still take India until 2106 to catch up with high-income countries. For other countries and regions convergence prospects are even more limited. Were high-income countries to stop growing today and Latin America and Sub-Saharan Africa to continue on their current

Figure 1



Source: HDR 2005, p. 35.

(see Figure 2 below).¹⁵

growth trajectories, it would take Latin America until 2177 and Africa until 2236 to catch up.”¹² In fact, except for some Asian developing countries, most other developing countries are falling behind, rather than catching up, with developed countries in terms of income growth, with Africa’s share of the income poor projected to increase (see Figure 1).¹³

Unsatisfactory fulfillment of the development imperative becomes even clearer when one looks at the increasing development gap between the developed and developing countries (as measured in terms of income inequality) between developed and developing countries.

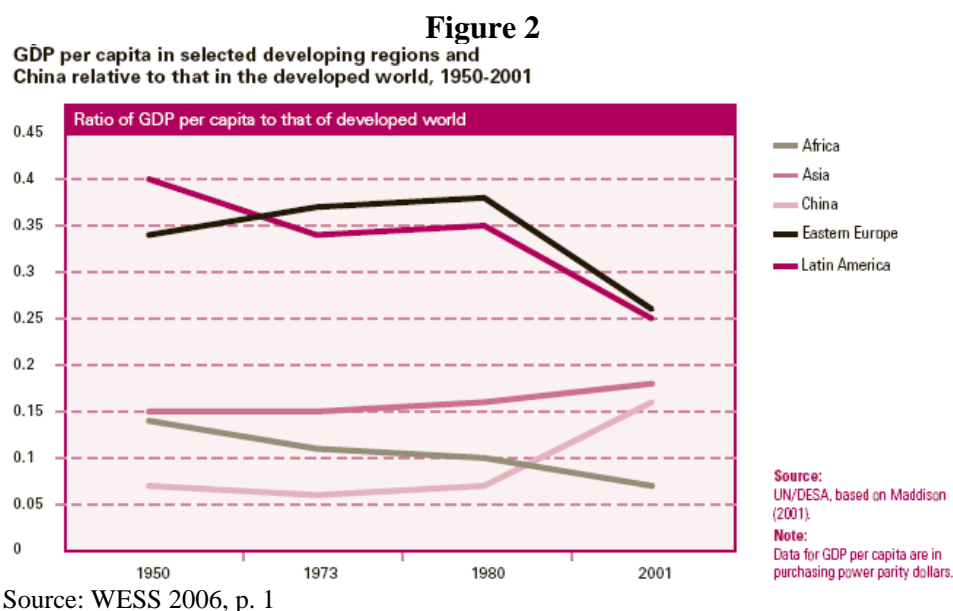
While income levels have risen steadily in developed countries over the past half-century, they have not done so as steadily in most developing countries especially over the past twenty-five years.¹⁴ Leaving out China’s and India’s exemplary progress in increasing their people’s incomes reveals a picture in which global income inequality is in fact increasing

¹² UNDP, Human Development Report 2005: International cooperation at a crossroads – aid, trade and security in an unequal world (2005), p. 37. (hereafter HDR 2005).

¹³ Id. See also GEP 2007, at 42, where the World Bank projects that “[t]here would be a further falling behind in Sub-Saharan Africa with its modest per capita growth below the high-income average, and Latin America would see little if any convergence on average.”

¹⁴ UN DESA, World Economic and Social Survey 2006: Diverging Growth and Development (2006), p. 1 (hereafter WESS 2006).

¹⁵ Id.



Income convergence, taken here as a proxy for development convergence, between developed and developing countries has not, other than for a few developing countries, largely taken place. The efforts of many developing countries over the 1980s and 1990s to integrate into the international market-based economic system by liberalizing their trade, financial, and investment policy regimes did not result in the hoped-for and promised economic growth.

These policy changes were prompted in many instances, especially in developing countries with IMF or World Bank programmes or loan packages, by a pronounced policy bias in the policy recommendations put forward by these institutions and other development agencies as economic reform packages.¹⁶

By the late 1990s and early 2000s, the failure of neoliberal macro-economic reform policy packages to bring about developmental benefits in developing countries became more and more recognized at the policy level. In the words of an UNCTAD report, these BWI-fostered economic reform packages were

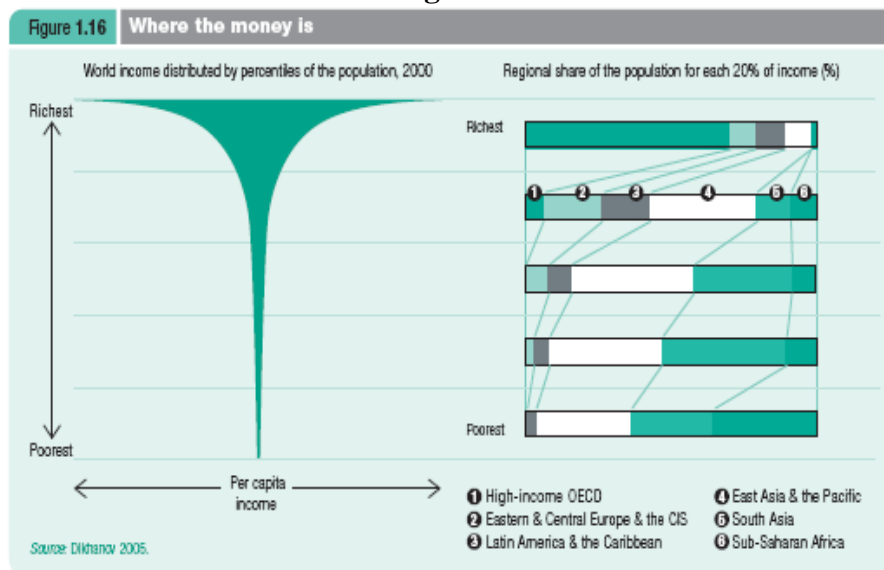
accompanied by low rates of investment and deindustrialization, often with negative social consequences. The fast pace of trade liberalization caused trade deficits associated with any given rate of growth to become larger, adding to payments difficulties and increasing dependence on capital inflows. And efforts to attract capital inflows involved raising interest rates – which hindered domestic investment and slowed growth – and currency appreciation, which compromised the international competitiveness of domestic producers and adversely affected trade performance. In most countries of Africa and

¹⁶ See e.g. UNCTAD, Trade and Development Report 2006: Global partnership and national policies for development (2006), pp. 42-45 (hereafter TDR 2006), for an account of the role of the BWIs in developing and promoting the economic policy orthodoxy of the 1980s and 1990s.

Latin America, capital accumulation did not keep pace with the increased need for productivity enhancement and technological innovation, which are basic requirements for the success of export-oriented development strategies. Moreover, although liberalization and deregulation may have generated efficiency gains, these gains did not automatically translate into faster income growth. Instead, they often led to growing inequality. Policies promoted with a view to getting relative prices “right” at the micro level failed, because in too many cases they got prices “wrong” at the macro level.¹⁷

The meager development impact of such economic reform packages adopted by many developing countries is in stark contrast to the more positive and sustained development results of some other developing countries who had “tended to be rather cautious in pursuing trade and financial reforms,”¹⁸ notably East Asian countries such as China, South Korea, Taiwan Province of China, and Malaysia which pursued “a high level of capital accumulation combined with gradual and often strategic opening up to international markets.”¹⁹ (see Figure 3)

Figure 3



A major part of the problem is that income inequality between countries remains extremely high and whatever income convergence with developed countries might take place will likely be concentrated in only some developing countries rather than be broad-based across all developing countries.²⁰ Even when developing countries have higher

¹⁷ Id., at IV-V.

¹⁸ WESS 2006, at 1.

¹⁹ TDR 2006, at V.

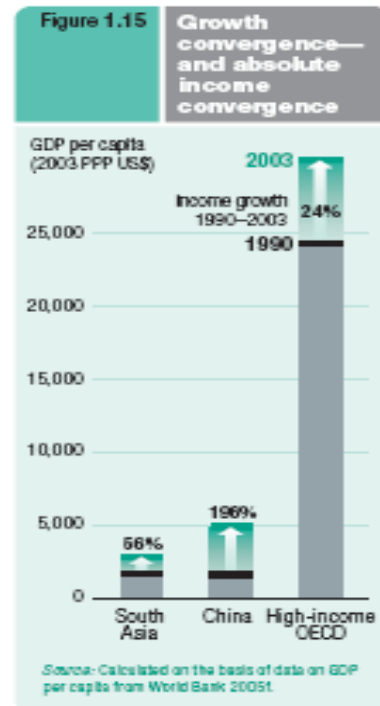
²⁰ The pattern of income convergence as a result of growth, according to the UN, seems to be that convergence occurs at the extremes of the income spectrum, where incomes among richer countries tend to

growth rates, the absolute income gap with developed countries on a per capita PPP basis will continue to increase “precisely because the initial income gaps are so large ... If average incomes grow by 3% in Sub-Saharan Africa and in high-income Europe, for example, the absolute change will be an extra \$51 per person in Africa and an extra \$854 per person in Europe” (see Figure 4).²¹

The recognition that the development gap was not shrinking led to global initiatives in the early 2000s intended to focus global attention on the need to address the development gap. For example, the UN Millennium Summit of 2000 articulated the Millennium Development Goals (MDGs) to be achieved by 2015²² (although it should be noted that the MDGs are not aimed at closing the development gap but rather at achieving a minimum “development” target). The 2002 International Conference on Financing for Development²³ and the 2002 World Summit on Sustainable Development²⁴ both put forward ideas on how the international policy regime and architecture could be put to use to support development and achieve the MDGs. The 2001 Doha Ministerial Declaration of the WTO sought to place the “needs and interests” of developing countries “at the heart” of the Doha trade negotiations.²⁵ The 2001 and 2004 Conferences of UNCTAD both highlighted the need for more work to be done in terms of enhancing the development prospects of developing countries through a more balanced approach to international economic policymaking.²⁶

The contribution of official development assistance (ODA) or aid to meeting the MDGs and helping in the development of development countries was among the major issues

Figure 4



Source: HDR 2005, at 37

converge upwards while incomes among poor countries tend to converge downwards, resulting in greater income disparities between the two groups. See WESS 2006, at 15.

²¹ HDR 2005, at 37.

²² See e.g. <http://www.un.org/millenniumgoals/index.html>, and UN, General Assembly – Millennium Declaration (A/RES/55/2, 18 September 2000). (hereafter Millennium Declaration)

²³ See UN, Report of the International Conference on Financing for Development (A/CONF.198/11, 22 March 2002). (hereafter Monterrey Consensus)

²⁴ See UN, Report of the World Summit on Sustainable Development (A/CONF.199/20, 4 September 2002). (hereafter WSSD)

²⁵ WTO, Ministerial Declaration (WT/MIN(01)/DEC/1, 20 November 2001), para. 2. (hereafter Doha Ministerial Declaration)

²⁶ See UNCTAD, Bangkok Plan of Action, (TD/386, 18 February 2000); UNCTAD, Bangkok Declaration: Global Dialogue and Dynamic Engagement (TD/387, 18 February 2000); UNCTAD, Sao Paulo Consensus (TD/410, 25 June 2004); UNCTAD, UNCTAD XI – The Spirit of Sao Paulo (TD/L.382, 25 June 2004).

addressed in the Monterrey Consensus, where ODA providers committed themselves to providing more and better aid.

II. International Cooperation in Assisting Development: The role of Official Development Assistance (ODA)

The conflicted history of developed countries' ODA ...

Official development assistance, defined here as bilateral and/or multilateral cooperation aimed at providing financial and technical assistance to development efforts, is not a new concept. Its conceptual underpinnings lie in the recognition that addressing global poverty is both a moral imperative and an act of “enlightened self-interest.”²⁷ Morally, developed countries recognized that many developing countries after de-colonization lacked the financial resources needed to improve their economies, and ODA was therefore seen as a way “to counteract the insufficiency of private capital flows” into developing countries.²⁸ ODA was therefore seen as a way of transferring financial resources from developed to developing countries and promote their development by covering shortfalls in private capital flows.²⁹ More pragmatically, developed countries realized that disparities in income between rich and poor countries posed a threat to the maintenance of international peace and security. They viewed ODA as a way to help shrink this gap.

Exactly how much ODA was needed soon became a matter of debate and much study. In the late 1960s, many started to propose that developed countries provide at least 0.7% of Gross National Income (GNI) as ODA grants and concessional loans. A proposal from the World Council of Churches called for developed countries to provide at least 1 percent of their Gross Domestic Product (GDP) as ODA became reflected in the negotiated outcomes of the First Session of the UN Conference on Trade and Development (UNCTAD).³⁰ UNCTAD's Second Session in 1968 in New Delhi then set a target of 0.75% of external flows for ODA.³¹ Subsequent analysis indicated that meeting the growth targets for the Second UN Development Decade (1970-1980) would require

²⁷ See e.g. HDR 2005, pp. 77-79.

²⁸ UN DESA, World Economic and Social Survey 2005 (2005), p. 109. (hereafter WESS 2005)

²⁹ See e.g. UNGA, Resolution 400 (V), 20 November 1950, noting that the domestic financial resources of developing countries, together with the international flow of capital for investment, had not been sufficient to assure the desired rate of economic development, and that accelerating the economic development of developing countries needed a more effective and sustained mobilization of domestic savings and an expanded and more stable flow of foreign capital investment; UNGA Resolution 520 A (VI), 12 January 1952, calling on the Economic and Social Council to draw up plans for a special capital fund to provide grants-in-aid and low-interest long-term loans to developing countries; and UNGA Resolution 823 (IX), 11 December 1954, requesting the World Bank to establish the International Finance Corporation (IFC).

³⁰ The Conference recommended that “each economically advanced country should endeavour to supply ... financial resources to the developing countries of a minimum net amount approaching as nearly as possible to 1 per cent of its national income ...”, see UNCTAD, First Session – Final Act (15 June 1964), para. 70, and Annex A.IV.2 (Growth and Aid), para. 4; WESS 2005, p. 109.

³¹ WESS 2005, p. 109.

external financing flows to developing countries amounting to 1 percent of developed country GDP, of which only 0.3 percent could be met by the private sector and leaving 0.7 percent to be met through ODA.³²

International development assistance, however, like other aspects of international relations, soon became caught up with Cold War rivalries. The provision of ODA became “primarily a post-colonial, Cold War instrument, and its availability and allocation are governed by political considerations ..., generally serving the interests of donors rather than recipients.”³³ ODA soon came to have three main objectives that often conflicted: achieving geopolitical goals (e.g. gaining “friends” and rewarding allies); supporting domestic industries (e.g. through tied aid); and promoting the development of developing countries by, among other things, helping shape development policies and pathways.³⁴ These conflicting objectives often negated the development value of ODA and gave rise to controversies about both the quantity and the quality of ODA in supporting development.

Results in long-term declines in ODA flows ...

From the 1960s to the 1990s, developed countries have fallen short of their 0.7% goal – from 0.53% during the early 1960s, 0.39% during the period 1966-1969, 0.32% during the period, 0.35% in 1982-1983, and a historic low of 0.21% in 1997.³⁵ ³⁶ Even as developed countries became richer, the earmarked a smaller percentage of their income as ODA.³⁷ (see Figure 5). This steady decline in ODA occurred despite frequent reaffirmations of the 0.7% target for developed countries, not least by the 2002 UN International Conference on Financing for Development (UNFFD) and in the 2005 World Summit Outcome.³⁸ To date, no developed country, except Denmark, the Netherlands, Luxembourg, Sweden, and Norway, has met the 0.7 percent target. However, during and after the UNFFD Conference, many member countries of the OECD/DAC raised their ODA contributions, and many pledged to meet fixed target dates for reaching the 0.7 per cent goal.

³² Id., pp. 109-110. See also, HDR 2005, p. 84, pointing out the recommendation of the World Bank’s Commission on International Development chaired by former Canadian Prime Minister Lester Pearson that argued for donors to provide 0.7% of GNI in development assistance by 1975.”

³³ Yilmaz Akyuz, Critical issues in external financing for development, *Third World Economics: Trends and Analysis*, No. 413, 16-30 November 2007, p. 18. See also Stephen Browne, *Aid and Influence: Do Donors Help or Hinder* (2006).

³⁴ See HDR 2005, p. 79.

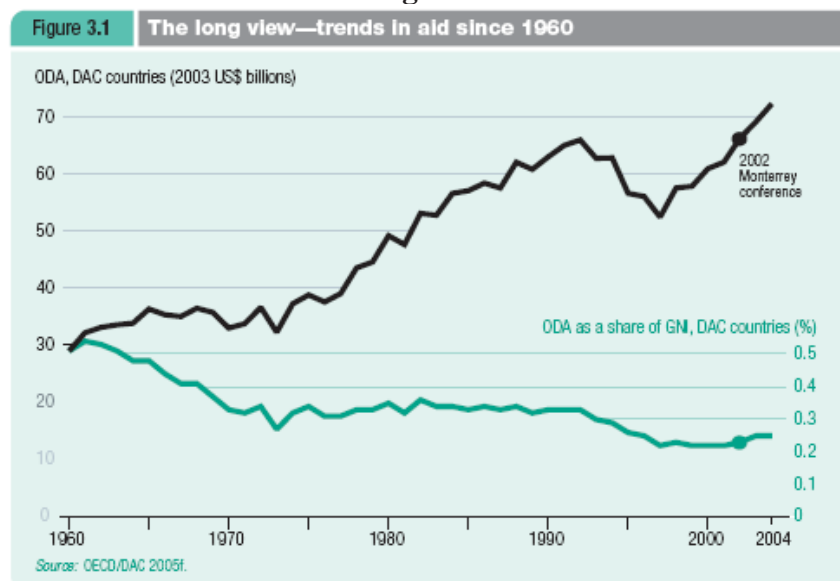
³⁵ Id.

³⁶ Id., p. 84

³⁷ Id., pp. 85-86.

³⁸ UN, Monterrey Consensus of the International Conference on Financing for Development (A/CONF/198/11, 22 March 2002). (hereafter Monterrey Consensus); UN, General Assembly Resolution – World Summit Outcome (A/RES/60/1, 24 October 2005). (hereafter World Summit Outcome).

Figure 5



Source: HDR 2005, p. 84

And a spotty record in promoting development ...

The issue of ODA effectiveness in promoting sustained growth and development has also been the subject of much debate. ODA providers continue to spend billions of dollars annually on ODA on the assumption that their money will have a positive effect on economic growth, yet the record for development success has been quite mixed and spotty at best. Academic and policy research literature can be found for both sides of the debate – either arguing that ODA does provide developmental benefits³⁹ or arguing that ODA has not been instrumental in promoting sustained development⁴⁰.

³⁹ See e.g. David Fielding et al, *A Wider Approach to Aid Effectiveness: Correlated Impacts on Health, Wealth, Fertility and Education* (UNU-WIDER Research Paper No. 2006/23, February 2006), arguing that “the balance of evidence in the academic literature... is that, on average, aid does have some beneficial impact on human development This is not to say that aid will ever close the income gap between the northern and southern hemispheres, but rather that aid recipients experience better development outcomes, on average, than they would in the absence of aid.” (p. 4); Mark McGillivray, *Aid Effectiveness and Selectivity: Integrating Multiple Objectives into Aid Allocations* (UNU-WIDER Research Paper No. 2003/71, October 2003), p. 7, which pointed out that “regarding effectiveness, aid fundamentally works, but it is clear that its impact differs across countries depending on the conditions they face. ... Aid seems to work better in post conflict situations, in structurally vulnerable countries (including those undergoing trade shocks), in politically stable regimes and in countries with good governance records, although there would appear to be diminishing returns to its impact on growth. Aid is also associated with increased public expenditures, including those which are pro-poor, the fungibility problem notwithstanding.”

⁴⁰ See e.g. Stephen Browne, *Aid and Influence: Do Donors Help or Hinder* (2006), p. 40, pointing out that “empirical evidence shows a poor correlation between aid application and development outcomes. Few donor programmes actually achieve their declared development objectives. Although carefully crafted with fixed time periods and resource envelopes, they fail to reach their declared goals and are continually rephrased into new cycles of assistance. ... Of course, while in the aggregate, sustainable development

In its 2005 World Economic and Social Survey, the UN stated that “the experience with official assistance in promoting economic growth in developing countries is, at best, a mixed one. The World Bank (1998) is forthright in recognizing that ‘if foreign aid has at times been a spectacular success ... (it) has also been, at times, an unmitigated failure’. This sentence encapsulates the evidence that aid has often had weak effects on growth and poverty reduction.”⁴¹ In another report, the UN also said that “aid remains a secondary factor in the growth story. Its impact has clearly been insufficient in many cases with respect to counteracting other unfavourable influences on growth performance”⁴², although it concludes that “the growth impact of aid will depend on how it is spent and which macroeconomic economic effects it generates.”⁴³

This paper is not intended to discuss in full detail the reasons for why ODA is failing to meet its developmental objectives. ODA effectiveness is a function of both the institutional architecture for ODA and the quantity of ODA delivered. However, it seems only logical that before calling for more money for the current model, ODA providers and partners should assess whether or not that current model is even effective.

Under the existing international aid architecture, ODA often tends to be reactive, addressing emergency humanitarian appeals (i.e. humanitarian aid); selective (i.e. focused on a small set of countries); laden with ODA provider conditionalities that specify the implementation of a package of political and economic reforms as conditions

outcomes that can be attributed to aid have been meager compared with the sum of over one trillion dollars expended (just for ODA), not all aid has been wasted. But where it has been productive, it is in countries with the capacity and the confidence to chart their own development courses. These countries – including in particular those in East Asia – have demonstrated that development progress has been correlated with a capacity to gradually eschew aid and influence, rather than attempt to absorb it;” and Verena Fritz and Alina Rocha Menocal, *Developmental States in the New Millennium: Concepts and Challenges for a New Aid Agenda*, 25:5 *Development Policy Review* 531-552 (2007), p. 542, pointing out that “Aid has contributed to promoting capable developmental states in some countries, but overall the record is disappointing, even for the period since the end of the Cold War when more donors began to direct their programmes towards more purely developmental objectives. Aid, and the various modalities through which it is provided, can generate negative or perverse incentives and unintended consequences for the development of capable, well governed, effective and accountable states. ... On the other hand, external aid played a positive role in many of the East Asian success stories discussed earlier. While much of the impetus for these successful transformations came from within, aid was also an important contributing factor. In particular, both South Korea and Taiwan received substantial amounts of aid from the 1950s to the 1970s.”

⁴¹ WESS 2005, p. 119.

⁴² UN DESA, *World Economic and Social Survey 2006: Diverging Growth and Development* (2006), p. 119. (hereafter WESS 2006)

⁴³ *Id.*, p. 118. It goes on to suggest that “well-targeted programmes supported by aid could put the poorest nations on a path of faster growth. Such an approach assumes not only that enough is known on how to channel such resources efficiently in specific country contexts but also that Governments in the recipient countries have the administrative capacity to manage the resource flows in such a way as to ensure that cumulative income and productivity gains are generated.” These assumptions might not, however, necessarily hold true in a developing country context.

for the disbursement of ODA; volatile (i.e. ODA flows are not predictable); and subject to considerations of the ODA providers' political interests.

Unfortunately, development assistance remains to a considerable extent tied to the purchase of goods and services in the aid-giving countries, and to rewarding political allies rather than addressing development priorities. It is frequently directed towards large infrastructure projects with political visibility, rather than the patient, small-scale actions whose long-term impact could be much greater. Important domestically-led efforts at policy and governance reform are often invalidated by the imposition of economic models that do not respond to national political realities and development priorities. Aid programming is still plagued by short-term budget allocations and the rapid fluctuation of political signals and parliamentary instructions.⁴⁴

Some of the major reasons that have been posited by analysts with respect to the architecture and delivery of ODA include the following:⁴⁵

- ❑ Most aid is administered by many large public bureaucracies each with procedures of their own
- ❑ Supply is excessive and duplicative. There are too many ODA providers and often too little coordination among them.
- ❑ Recipient countries are chosen according to the instincts of ODA provider self-interests and the perspectives of the ODA providers' own domestic political leadership
- ❑ The content and terms of aid are strongly influenced by the needs and interests of the suppliers rather than the recipients. All too often, resource transfers are inefficient, unpredictable, hedged with conditions, linked to generating influence, and insufficient, with much of ODA flowing back to the ODA provider due to the tying of aid.
- ❑ The rules of engagement favour of ODA providers rather than ODA recipients, often vitiating recipient ownership of the ODA process and deliverables
- ❑ The current aid system encourages leakages and corruption
- ❑ ODA is often focused on the wrong things, requiring for example ODA recipients to focus on a multitude of projects (due to project-based ODA) rather than focusing on using ODA coherently to achieve national development objectives (through national budget support ODA).

Generating new calls for improved ODA flows and architecture ...

⁴⁴ Mark Halle et al, *Trade, Aid and Security: Elements of a Positive Paradigm* (IISD, 2004), p. 17.

⁴⁵ See e.g. HDR 2005, pp. 98-105, and Browne, *supra*, pp. 136-140, and 148, for discussions relating to the weaknesses of the current ODA architecture. The President of the African Development Bank, for example, notes that the international ODA architecture "has evolved over time as an inter-play between geo-strategic, historical and commercial factors but also the push for the Millennium Development Goals. It is an architecture, which emerged largely after the fall of the Berlin Wall, and is characterized by a larger degree of fragmentation and proliferation without necessarily providing greater effectiveness or additionality." See Donald Kaberuka, *The International Aid Architecture: New Players, New Challenges, Old Problems?*, 16 October 2007.

Developing country ODA recipients' domestic and internal constraints and factors play a major role in determining whether ODA is able to contribute to the recipients' development and growth. These factors include absorptive capacity, i.e. the capacity of recipient governments to effectively integrate ODA resources into their macroeconomic management, planning, budgeting and delivery of public services; and challenges to effective governance arising from domestic social or political circumstances (which may often have colonial or post-colonial historical roots).

The international ODA architecture's own deficiencies also play an equally if not more important role in the extent to which ODA has fallen short of its development objectives. These architectural deficiencies have been recognized by the international ODA community. Various initiatives have been taken to address them by strengthening ODA provider coordination, improving programme design, and supporting domestic policy implementation, within the context of the ODA provider community with some participation from the recipient community. These included initiatives such as the Poverty Reduction and Growth Facility (PGRF) of the IMF, the Highly-Indebted Poor Countries Initiative (HIPCI), and the development of the Poverty Reduction Strategy Paper (PRSP) approach by the World Bank. But these initiatives do not seem to have decreased the erratic nature of the availability of funds⁴⁶ nor, indeed, in increasing the developmental impact of ODA.

In 2002, at the UNFFD, heads of states from both developed and developing countries outlined the major problems with development cooperation including debt, lack of sufficient levels of ODA and limited flows of private capital into developing countries. They stressed that ODA "plays an essential role as a complement to other sources of financing for development, especially in those countries with the least capacity to attract private direct investment."⁴⁷ They noted that effective ODA provider-recipient partnerships "are based on the recognition of national leadership and ownership of development plans and, within that framework, sound policies and good governance at all levels are necessary to ensure ODA effectiveness."⁴⁸ The Monterrey Consensus identified certain actions that need to be taken in order to enhance ODA effectiveness. These include:⁴⁹

- Harmonization of operational procedures "at the highest standard so as to reduce transaction costs and make ODA disbursement and delivery more flexible";
- Untying aid;
- Enhancing the absorptive capacity and financial management of recipient countries to use aid;
- Using development frameworks that are owned and driven by developing countries;

⁴⁶ WESS 2005, p. 120.

⁴⁷ Monterrey Consensus, *supra*, para. 39.

⁴⁸ *Id.*, para. 40.

⁴⁹ *Id.*, para. 43.

- ❑ Enhancing recipient countries' input into and ownership of the design and procurement of technical assistance programmes, including increasing the use of local technical assistance resources;
- ❑ Promoting the use of ODA to leverage additional financing for development;
- ❑ Strengthening triangular cooperation and South-South cooperation;
- ❑ Improving ODA targeting to the poor, coordination of aid, and measurement of results.

The latest attempt by the ODA provider community, with some participation from the recipient community and civil society, to “rein in the fragmentation that characterises development aid today and to make the aid system better at supporting country-led development as well as at helping capable states to emerge” was the March 2005 Paris Declaration on Aid Effectiveness.⁵⁰ Under this Declaration, ODA providers and recipients “made interdependent commitments to contribute to the shared aim of providing and using aid more effectively. In particular, signatories made a commitment to reform the way development assistance is currently delivered in three broad areas: recipient-country ‘ownership’ of the development agenda; donor alignment with the priorities and goals set by partner countries and increased reliance on national administrative systems (including more programmatic assistance); and more co-ordinated, streamlined and harmonised actions among multiple donors. Mutual accountability and an emphasis on management for results are embraced as two cross-cutting principles.”⁵¹ It includes some 50 commitments to improve aid quality, with progress to be monitored against 12 indicators.⁵² All but one of the indicators have quantified targets, the sole exception being on untying aid where the target is “continued progress over time.”⁵³ Subsequent evaluations produced by the OECD show that progress has been slow but that the commitment from ODA providers and partners remains.⁵⁴

The shortcomings of the current ODA architecture are compounded by the insufficiency of ODA actually delivered. ODA comes through a variety of channels – bilateral ODA provided on a government-to-government basis (more than 2/3 of total ODA flows) and multilateral ODA provided through concessional finance facilities of multilateral and regional institutions such as the World Bank and regional development banks.⁵⁵

⁵⁰ Fritz and Menocal, *supra*, p. 543. The Paris Declaration on Aid Effectiveness may be downloaded from the OECD website at www.oecd.org. It was signed on 2 March 2005 by 61 bilateral and multilateral donors and 56 recipient countries, with 14 civil society observers.

⁵¹ *Id.*

⁵² HDR 2005, p. 75.

⁵³ See OECD, Paris Declaration Indicators of Progress, at www.oecd.org. With respect to tied aid, while “substantial progress has been made in untying aid, it continues to have a high cost: in 2002, it reduced bilateral aid’s value by at least \$5 billion.” See WESS 2005, p. 121.

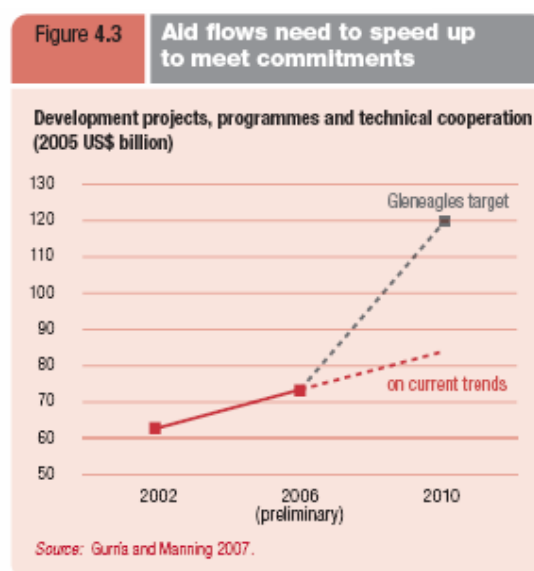
⁵⁴ See e.g. OECD, 2006 Survey on Monitoring the Paris Declaration: Overview of Results, at www.oecd.org.

⁵⁵ HDR 2005, pp. 84-85.

Although the 2002 Monterrey Consensus directly or indirectly temporarily pushed up ODA flows to developing countries as a ratio of developed countries' GNI⁵⁶, looking behind the numbers shows that ODA flows would still fall short of what would be required to support the achievement of the Millennium Development Goals (MDGs)⁵⁷ not to mention other development priorities of developing countries.⁵⁸ Developed country ODA providers are not even on track, under current trends, to meet their own self-imposed targets of doubling ODA by 2010 and meeting the 0.7 per cent target by 2015.⁵⁹ (see Figure 6).

Cognizant of this, developing countries through the Group of 77 and China have stressed, in the context of the on-going

Figure 6



Source: HDR 2007/2008, p. 188

⁵⁶ Although in absolute 2003 dollar terms, ODA flows from developed countries have consistently increased from less than US\$30 billion in 1960 to “a record high of \$106 billion in 2005. This total represents 0.33 per cent of the Development Assistance Committee (DAC) countries’ combined GNI, up from 0.26 per cent in 2004. A large part of this apparent surge in aid, however, was the result of onetime debt relief exercises, such as DAC member countries’ debt forgiveness grants of nearly \$14 billion to Iraq and over \$5 billion to Nigeria in 2005.” See UNDESA, World Economic Situation and Prospects 2006 (2007), p. 67. (hereafter WESP 2007).

⁵⁷ The UN Millennium Project estimates that to achieve the MDGs by 2015, ODA flows must be increased to at least US\$150 billion per year. See WESP 2007, p. 67

⁵⁸ A recent report by the UN Secretary General paints a worrying picture of ODA flows: From 0.2 per cent of gross national income (GNI) at the Monterrey Conference, ODA posted a rising trend until 2005 when it stood at \$106.5 billion, or 0.33 per cent of GNI, but recorded a dip in 2006 at 0.30 per cent of GNI. Moreover, much of the increase in ODA since 2002 is accounted for by debt relief, technical and emergency assistance. Indeed, owing to the large debt relief packages approved in 2005, development aid from Organization for Economic Cooperation and Development (OECD) countries fell by 5.1 per cent in constant dollars in 2006. The Millennium Project estimated that \$150 billion would be needed to reach the Millennium Development Goals by 2015. Even if ODA reached 0.36 per cent of GNI by 2010, this would still be lower than the 0.5 per cent achieved in the early years of the Development Assistance Committee (DAC) and below the 0.7 per cent target. This is a matter of concern since during a period in which DAC commitments have been made, actual realization has fallen short.” UN, Report of the Secretary-General: International financial system and development, UN Doc. A/62/119, 3 July 2007, para. 9

⁵⁹ The UN estimates that “donors will have to keep increasing aid by an average of over 8 per cent per year, a rate comparable to the 2005 surge of 8.7 per cent in real terms. This means that for most DAC countries, ODA will have to rise at a rate above that of total government expenditure, year after year, which is a challenge at a time when OECD countries’ budgets are under considerable pressure.” WESP 2007, p. 68.

process for the review of the implementation of the Monterrey Consensus commitments, that there needs to be a strong push for enhanced ODA flows, including meeting the 0.7 percent of GNI target.⁶⁰

As new ODA providers from developing countries emerge ...

On balance then, historical and current ODA from developed countries and multilateral institutions has generally not been up to the task of promoting the development of developing countries – whether in terms of its quantity or of its quality.⁶¹ Serious questions must hence be asked by the international community, both on the side of the ODA providers and on the side of the recipients, as to what the role of ODA should be, if any, in the context of new 21st century global political, economic and ecological conditions.

Part of this new context, arising from the growing economic strength of some developing countries, is the increasing role of such countries as ODA providers. Another new element is the increasing prominence of non-governmental developmental aid flows, especially in the health and education sectors,⁶² as well as from aid flows from the UN system (such as the UNDP, IFAD, etc.). Whereas two decades ago, the developed country members of the OECD's Development Assistance Committee (DAC) provided "95% of total aid to developing countries", current ODA flows are now delivered by "more than 150 multilateral agencies, 33 bilateral members of the OECD/DAC, at least 10 non-DAC governments and a growing number of global Vertical Funds."⁶³ However, the Group of Seven (G-7) of leading industrial countries (i.e. US, UK, France, Italy, Canada, Germany, Japan), all of which are members of the OECD/DAC, continues to be the main provider of international ODA flows, "accounting for three-quarters of

⁶⁰ See Celine Tan, Monterrey process suffers from implementation deficits, says G77, *Third World Economics: Trends and Analysis*, No. 413, 16-30 November 2007, p. 3.

⁶¹ The UN puts it succinctly: "There is too little aid and too much of what is provided is weakly linked to human development. ... Aid has not always played a positive role in supporting human development, partly because of failures on the side of aid recipients and partly because donor countries have allowed strategic considerations to override development concerns." HDR 2005, p. 74.

⁶² While non-governmental aid has long been provided to developing country governments directly or indirectly in the context of humanitarian relief or rural development (such as by the International Red Cross and Red Crescent in the case of the former and by the Ford Foundation and the Rockefeller Foundation in the context of the 1970s' Green Revolution in the case of the latter), the amount of non-governmental aid intended to address developing country deficits in the health and education sectors have been increasing in recent years. An example of this is the hundreds of millions of dollars in grants pledged or provided by the Bill and Melinda Gates Foundation to the World Health Organization (WHO) and the Global Fund on HIV/AIDS, Tuberculosis, and Malaria in recent years. What should also be noted in this context is that much of development assistance is not shifting away from being focused on development – i.e. helping developing countries improve their domestic economies' ability to provide long-term sustainable economic opportunities for their peoples – to welfare (i.e. specific projects intended to tackle, for example, a specific problem such as malnutrition, HIV/AIDSs, lack of sanitation, lack of schoolbuildings or education materials, lack of water, etc.).

⁶³ Kaberuka, *supra*, para. 1.

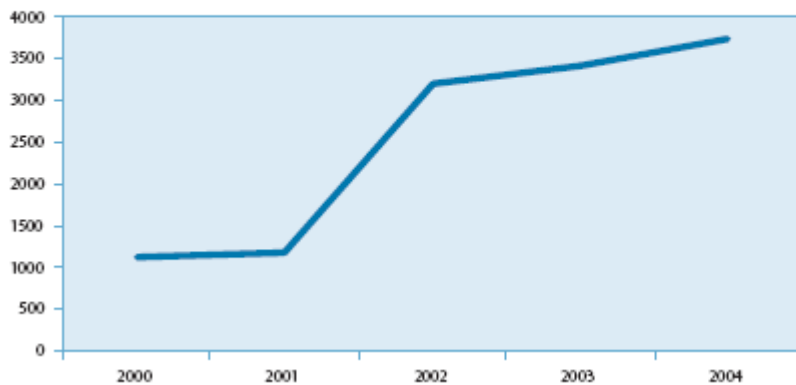
development assistance ... an obvious corollary of which is their influence on future aid levels and prospects for MDG financing.”⁶⁴

ODA volumes from new ODA providers, rising from a low base, however are becoming significant. Non-DAC ODA flow estimates, especially from developing country providers, are difficult to make because some of the ODA flows are not reported or declared “especially where the aid is predominantly political in character and closely interwoven with bilateral foreign policy,” and “the distinction between humanitarian and development assistance, both of which are provided increasingly by Southern donors, may be ambiguous”.⁶⁵

These non-DAC ODA providers include developing countries such as China, India, Brazil, Malaysia and Thailand; non-DAC OECD members such as Korea, Turkey, Mexico; Russia; Taiwan Province of China; former transition economies that are now non-DAC members of the OECD and the European Union like Poland, Czech Republic, Slovakia, and Hungary; and some Arab countries such as Kuwait, Qatar, Saudi Arabia, Bahrain, and the United Arab Emirates.⁶⁶ ODA from these non-DAC sources “is likely to be on a rising trend, as the ‘emerging donors’, such as China and India, have begun to contribute significant additional funding.”⁶⁷ (see Figure 7)

Figure 7

Figure III.4
Official development assistance from non-Development Assistance Committee donors,
2000-2004 (millions of dollars)



Source: OECD, Development Cooperation Report, 2005, p. 243, table 33.

Source: WESS 2007, p. 68

The entry of new ODA providers into the ODA marketplace, so to speak, brings new issues into the ODA discourse. On one hand, the presence of more choice for ODA

⁶⁴ HDR 2005, p. 85.

⁶⁵ Browne, supra, p. 131. He estimates that non-DAC ODA flows are between US\$5 billion to US\$10 billion per year.

⁶⁶ For summary discussions of the contributions of non-DAC ODA donors, see, inter alia, HDR 2005, p. 85, and WESS 2007, pp. 69-70. See also Browne, supra, pp. 133-134.

⁶⁷ WESS 2007, p. 69.

recipients in terms of ODA sources may lead to a situation of healthy competition among the latter as they seek to enhance the development content and delivery of their ODA products. This could also enhance the multipolarity of ODA financing. As such, this will have implications on the international ODA architecture, as increased sources of ODA may provide developing country ODA recipients with more flexibility and enhanced ownership over the ODA delivered as they choose to partner with the ODA provider most suited and responsive to their development framework, policy approaches, needs and priorities.⁶⁸ On the other hand, as pointed out by UNDP, “the presence of large numbers of donors can inflate transaction costs, as each donor imposes its own reporting requirements and aid conditions.”⁶⁹

Of course, the degree to which the increase in the number of ODA providers results in quantitatively and qualitatively improved ODA flows to developing countries would depend in large part on how the current international ODA architecture responds to such new issues and on the extent to which developing countries shape their behaviour and perspectives with respect to ODA.

Making a new and more effective international ODA architecture more crucial ...

In a world where developmental disparities are increasing between developed and developing countries; where some developing countries are succeeding in their chosen development pathways while others are falling further behind; where the current international ODA architecture’s record of success in delivering sustainable developmental results is spotty at best; and where new ODA providers are entering into the picture, ODA will hence need to be applied differently and under improved terms of engagement.

However, one needs to be clear that increased ODA will not be the panacea or sole solution to the problem of inequitable development, low growth, or poverty in developing countries. The problem of development inequity is deeply rooted in the structural and systemic imbalances that are reflected in the current global economic system. These imbalances reflect historical patterns of colonial and post-colonial economic and political exploitation, including in the areas of trade, finance, debt, and natural resource access and control. ODA, by its very nature, will not be able to address these systemic imbalances alone.

ODA can be part of the development solution but only under the right conditions. These right conditions would include, among other things, a fairer and more equitable global trading system⁷⁰ and international financial architecture⁷¹; the maintenance and expansion

⁶⁸ For an application of the concept of “healthy competition” among ODA providers, for example, in the context of Chinese aid to Africa, see e.g. Helmut Reisen, Healthy competition, 48:4 Development and Cooperation (April 2007).

⁶⁹ HDR 2005, supra, p. 106.

⁷⁰ This should be an international trade policy regime in which, among other things: developed countries eliminate their agro-industrial subsidies that allow their agricultural products to compete unfairly with

of development policy space in different policy regimes (such as in climate policy, intellectual property, trade, finance, investment, industrial policy) to developing countries; improved and equitable South-South regional political and economic integration; a renewed focus on the development of developing countries' industrial production sectors as the key to long-term sustained development; and the development and strengthening of alternative policy approaches and institutions – especially South-South – to enhance policy choice and differentiated approaches to development on the basis of each developing country or region's unique developmental circumstances.

In this context, for ODA to be part of the development solution, the starting point, of course, will have to be for the main ODA providers – i.e. developed countries – to deliver on their past ODA commitments. They will also need to ensure that, among other things, their delivery of ODA effectively helps developing countries meet their own development priorities and the MDGs. But more ODA, in itself, will not guarantee developmental outcomes. To be effective vehicles for development, the delivery of such increased ODA must be done through a new and improved architecture that renders such ODA “more accountable to developing country governments and their citizens” as “more aid delivered through current aid structures will yield suboptimal results.”⁷² ODA should be aligned to developing countries' development strategies, help build up their institutional capacities, reduce transaction costs and eliminate bureaucratic procedures, be untied, enhance the absorptive capacity and financial management of recipient countries, and be focused on achieving development results.

The words of the 2005 Human Development Report puts it succinctly:

The aid relationship is still not a partnership of equal responsibility. Developing countries have set targets based on the MDGs and are complying with detailed aid conditions stipulated by donors. The donor community has set no binding targets on the quantity of aid financing and has adopted only broad—and vague—principles on aid quality. If the Millennium Declaration is to be a genuine partnership, new structures are needed to enable both sets of countries to monitor each other's performance.⁷³

Furthermore, new approaches to ODA should be made more coherent with other policies that can enhance development policy space for developing countries, including the creation of new economic structures and policies designed to enhance South-South cooperation, integration, and self-reliance.

developing country products; developed countries' tariff and non-tariff barriers to developing country exports are eliminated; trade policy flexibilities and additional support are provided to developing countries to allow them to build up domestic agricultural and industrial capacity sustainably.

⁷¹ This should be an international financial architecture that promotes, among other things: the necessary internal conditions for developing countries to mobilize domestic savings and financial resources, both public and private; sustained and adequate levels of productive investment; reductions in capital flight; curbs in the illicit transfer of funds; sustained debt relief; and is open, equitable, rule-based, and enhances the voice and participation of developing countries in international financial decision-making.

⁷² HDR 2005, *supra*, p. 76.

⁷³ *Id.*, p. 105.

III. The Development Cooperation Forum – A new attempt at making ODA more development-effective

Its mandate and some current stakeholder views on its role and functions ...

Taking cognizance of the weaknesses of the current international aid architecture in enhancing development outcomes, the 2005 World Summit mandated the Economic and Social Council (ECOSOC) to hold a biennial Development Cooperation Forum:

to review trends in international development cooperation, including strategies, policies and financing, promote greater coherence among the development activities of different development partners and strengthen the links between the normative and operational work of the United Nations”.⁷⁴

The UN General Assembly in early 2007, in the context of strengthening the ECOSOC, further fleshed out and codified the mandate of the DCF by laying out specific objectives in Resolution 61/16, as follows:

- (a) Review trends and progress in international development cooperation and give policy recommendations to promote more effective international development cooperation;
- (b) Identify gaps and obstacles with a view to making recommendations on practical measures and policy options to enhance coherence and effectiveness and to promote development cooperation for the realization of the internationally agreed development goals, including the Millennium Development Goals;
- (c) Provide a platform for Member States to exchange lessons learned and share the experiences in formulating, supporting and implementing national development strategies;
- (d) In accordance with the rules of procedure, be open to participation by all stakeholders, including the organizations of the United Nations, the international financial and trade institutions, the regional organizations, civil society and private sector representatives.⁷⁵

The DCF will function as a component of the high-level segment of the ECOSOC.⁷⁶ In July 2007, the ECOSOC officially launched the DCF in Geneva during the high level segment of its substantive session.

The DCF’s mandate gives it a unique and crucial role in the future of development cooperation. Unlike other development assistance coordinating bodies, such as the OECD-DAC, the DCF allows for the participation of all relevant stakeholders, not just ODA providers. The inclusion of partner countries will create a balanced dialogue about development cooperation and involvement of the above-listed non-state actors will enrich the discussion with different insights and well-researched information. Additionally, the DCF will have the opportunity to monitor the promises made in various international

⁷⁴ World Summit Outcome, supra., para. 155(b).

⁷⁵ UN, General Assembly Resolution - Strengthening of the Economic and Social Council, UN Doc A/RES/61/16, 9 January 2007, para. 4.

⁷⁶ Id., para. 3.

declarations, such as the Paris Declaration on Aid Effectiveness, and ensure that countries live up to the ODA commitments. As international promises for progress in development cooperation proliferate, the presence of an oversight body will help ensure that these declarations are reflected in terms of concrete actions. Finally, because of its inclusion within the institutional machinery of ECOSOC, the DCF provides the international community with a permanent institutional mechanism for ODA oversight. Meeting every two years, the DCF may provide continuity and build up a shared body of knowledge, both of which are currently lacking in development cooperation.

Currently, the DCF's agenda has not yet been set so as to allow stakeholders the maximum opportunity to input into the agenda prior to the first meeting of the DCF. Various stakeholders have voiced their opinion as to how the DCF should run and what areas it should focus on in its initial meeting.⁷⁷

Developing countries in general have emphasized the DCF's responsibility to help ensure that developing countries control their own development agendas and that development cooperation through ODA must be supportive of these. The Group of 77 and China (G-77 and China) stressed this aspect of the DCF's role.⁷⁸ Other developing countries also called on the DCF to improve the quality and quantity of aid providers send to partners.⁷⁹ Another area some stakeholders have discussed is for the DCF to also look into the role of fast-growing developing countries in development cooperation, such as China and Brazil. Developing countries suggested that the DCF can "ensure that such cooperation is pursued in a coordinated and coherent manner at the national, regional and global level".⁸⁰

Developed countries tend to emphasize the DCF's role as a forum where all interested stakeholders can convene, share ideas, information and best practices relating to development cooperation and ODA. The European Union, for example, suggested that the DCF's role is "to discuss ways and means on how to best enhance the implementation of international development and to discuss issues the affect the realization of the Millennium Development Goals".⁸¹

⁷⁷ Opportunities for these were available during the Vienna symposium in April 2007 and the DCF launch in Geneva in July 2007. More opportunities will be available during the Cairo symposium in January 2008. For more information about these events, see the website of the DCF at <http://www.un.org/ecosoc/newfunct/develop.shtml>.

⁷⁸ See e.g. HE Ambassador Munir Akram (Pakistan, G-77 and China Chairman), Statement on behalf of the Group of 77 and China, 5 July 2007, p. 3. (hereafter G-77 and China) He stated that "the overall purpose of the DCF should be to ensure that...development cooperation is responsive to the needs of developing countries, as set out in their national development plans and strategies."

⁷⁹ See e.g. HE Ambassador Li Baodong (People's Republic of China), Remarks by Ambassador Li Baodong at the Launching Ceremony of the Development Cooperation Forum During the Substantive Session of 2007 ECOSOC, 5 July 2007, p. 1, stating that "the DCF should urge developed countries to honor their commitments of earmarking 0.7% of their gross international as ODA...and encourage the setting-up of more innovative mechanisms for finance."

⁸⁰ G-77 and China, *supra*, p. 3.

⁸¹ See e.g. HE Ambassador Joao Gomes Cravinho (Portugal; President of the European Union), Statement on Behalf of the European Union, 5 July 2007, p. 3.

Other DCF participants stressed the need for the DCF to contribute towards further empowering the ECOSOC; to promote accountability in ODA; increase the predictability of ODA flows; and to monitor the interlinkages between development cooperation and other aspects related to development.⁸²

A major problem associated with the preparations for the DCF, however, is that the discussions so far have not generated as wide a range of perspectives or a clear view of what the DCF should be and its role in improving the development content of ODA.

IV. Additional Stakeholder Perspectives on the Development Cooperation Forum: Research results

Research methodology and guide questions

In order to contribute to the generation of stakeholder perspectives with respect to the DCF, a research project was undertaken by the South Centre to gather more stakeholder perspectives that may not have been articulated during the official DCF events. Interviews were conducted with selected policy analysts from different civil society organizations working on development finance and development cooperation issues and developing country delegates.⁸³ Each interviewee was asked the following guide questions:

- What should be the strategic vision for the DCF in terms of global development cooperation policy?
- What kind of institutional arrangements could facilitate a continuous process of dialogue and policy review between biennial DCF meetings?
- Under what circumstances could policy recommendations of the DCF become the multilaterally agreed benchmarks for the delivery of ODA?
- What kind of institutional mechanisms could be set up by the UN to monitor implementation of DCF policy recommendations?
- What should be the priority issues for the DCF during its initial phase (i.e. the first three to five years) and how should its work programme be structured?
- What should the institutional link between the DCF and existing development cooperation policies, mechanisms and institutions (such as the OECD DAC) to ensure the overall coherence of the global development architecture?

⁸² For information about various stakeholder perspectives expressed in the Vienna symposium and the DCF launch and stakeholder forum, please see <http://www.un.org/ecosoc/newfunct/dcfvienna.shtml> for the documents and statements relating to the Vienna symposium and <http://www.un.org/ecosoc/newfunct/dcflaunch.shtml> for those relating to the DCF launch.

⁸³ These interviews were conducted under the Chatham House rule – i.e. all statements made were made in their personal capacity and would not be directly attributed to the interviewee. For a list of interviewees, please see Annex I of this paper. *Given the smallness of the sample size of the interviewees, the findings discussed in this paper should be taken simply as indicative.* Further research and interviews on a bigger sample size will need to be done to validate the findings.

- How could the access and participation of non-state actors in DCF meetings and in its ongoing work be optimally structured?

Envisioning the DCF

There was a variety of views expressed on the strategic vision for the DCF. However, a common thread that ran through most of these views focused on the need to broaden the democratic and participatory discourse on development cooperation, strengthen ECOSOC, and the role that the DCF can play in accomplishing this goal by shifting the international discussion on development issues back to the United Nations, more specifically the ECOSOC.

A mechanism for strengthening ECOSOC ...

As stated in the UN Charter, ECOSOC has the mandate to “make or initiate studies and reports with respect to international economic, social, cultural, educational, health, and related matters and may make recommendations with respect to any such matters...to the members of the United Nations”.⁸⁴ Because development cooperation is necessarily both a social and economic endeavor, this mandate clearly gives ECOSOC the competence to coordinate all discussions about and actions geared toward development cooperation. Furthermore, ECOSOC can “co-ordinate the activities of the specialized agencies through consultation with and recommendations to such agencies”.⁸⁵

This part of the mandate further enhances the role ECOSOC *should* play in development cooperation as many of the UN specialized agencies play an integral role in the development process, such as the Bretton Woods Institutions. As an arm of the only universal international organization, the United Nations, in which there is a high degree of developing country participation, the ECOSOC enjoys institutional legitimacy that can translate into it – through its secretariat servicing arm, the UN Department of Economic and Social Affairs (UN-DESA) – becoming a more effective agency for overseeing global action on enhancing development cooperation through the DCF.

Making global policy discourse on development cooperation more democratic and participatory ...

Having a strong role for ECOSOC, through the DCF, in establishing legitimate multilateral oversight over development cooperation is made more urgent by the fact that development cooperation has been for the most part controlled and dominated by developed countries through the institutions that they control such as the Bretton Woods institutions and the OECD’s Development Assistance Committee (OECD-DAC).

⁸⁴ United Nations Charter, Art. 62:1.

⁸⁵ ID Article 63 Section 2

These institutions face a democratic deficit as far as developing country participation is concerned – in the case of the Bretton Woods institutions by virtue of their institutional architecture, and in the case of the OECD-DAC by virtue of its developed country-only membership. Since most of current ODA flows come from the G-7, the OECD-DAC's role in ODA policy-setting is very important. Unfortunately, the OECD-DAC remains a forum where ODA provider countries make important decisions regarding development cooperation with little input from their developing country partners.

The DCF represents an opportunity for the international community to make the global policy discourse on development cooperation more democratic and participatory. It can serve as the nucleus and stimulant for the development of a new architecture that more clearly reflects developing country concerns and issues. It is an opportunity for changing the way development cooperation actually works, by allowing the ODA discourse to move away from a debate defined mostly by developed country concerns and parameters to one that is a genuinely democratic and participatory dialogue about development cooperation and ownership thereof.

Much of the problems currently associated with development cooperation exist because there is no real cooperation. ODA providers drive development because they control the money; fragmentation occurs because partner countries do not have the ability to influence and coordinate ODA providers' allocations of funds; there is little accountability and feedback built into the system because the countries that have the most direct knowledge of how development programs are working on the ground do not have enough power in the important agencies. Partner countries can take advantage of the democratic nature of the DCF to address these systemic problems.

The DCF as presently structured is currently the only international body where all interested stakeholders, partners and ODA providers, can debate, discuss and try to solve problems related to development cooperation. Currently, ODA providers govern the organizations that have the capacities necessary to address problems with development cooperation. However, an empowered DCF allows partner countries to exercise just as much influence as ODA provider countries in the development debate. Ultimately, this could transform the discussion on development cooperation from a paternalistic relationship where ODA providers implement their development strategies on partners to a more egalitarian process where ODA providers and partners work together as equals to ensure that development cooperation reaches long term sustainable benefits.

On a broader scale, a well-functioning, democratic and fully participatory DCF will augment the control that ECOSOC has over social and economic matters in the international community. The power that developed countries exert over the current ODA architecture reflects the still dominant influence of developed countries over international economic and social concerns, and over international economic institutions dealing with ODA issues such as the Bretton Woods institutions.

In order for developing countries to enjoy increased participation in economic and social policy discussions, the forum for international economic policymaking must shift be moved back to more democratic bodies such as the UN. In seeking to strengthen ECOSOC in part through the DCF, the UN General Assembly is seeking to reassert the UN's primary global governance role in which all countries are able to participate in a more broad-based, pluralistic system.

Serving as the review and implementation enforcement mechanism for ODA commitments ...

Other views were also expressed about another vision for the DCF, one that did not necessarily eschew the democratic potential of the DCF, but rather focused more on the implementation enforcement role vis-à-vis development cooperation that it could play. Some interviewees pointed out that ODA provider and recipient countries had already met as equals to discuss development cooperation at meetings such as the 2002 Monterrey Conference and the 2002 World Summit on Sustainable Development held in Johannesburg. Such meetings produced mutually-agreed upon benchmarks and commitments for development cooperation, and, while the need for democratization of the development process still exists, the DCF should focus on overseeing the implementation of such commitments. A degree of frustration was expressed by some at the lack of substantial results following on from such commitments. Several noted that international organizations were placing too much emphasis on form and how the recommendations are composed and not enough on the implementation of such recommendations – e.g. the UN's processes had turned into “talk shops” that constantly deliberate but take little action.

Some suggested that the DCF can improve this situation by having those countries that made ODA commitments hold themselves accountable to the global community by reporting on the extent of their implementation of those commitments. Others stressed that unfortunately, the current development cooperation architecture has no enforcement mechanism to ensure that any of the ODA commitments are actually complied with, thereby creating a frustrating situation with minimal built-in accountability and, consequently, minimal results.

Some pointed out that the DCF has the potential to become an enforcement mechanism with respect to ODA commitments. It can request, through ECOSOC and UN-DESA, development cooperation/ODA policy reviews for various countries, making recommendations to ensure that countries do their best to meet their ODA commitments made in various declarations (such as the Monterrey Consensus and the WSSD). To ensure that these goals are met with the optimal allocation of resources, the DCF can look at development cooperation broadly, taking into account the goals of various declarations and how they intersect with and affect one another.

In this connection, some suggested that the DCF should network and cooperate with preexisting development assistance organizations to create a more synchronized and

cohesive approach to meeting these goals. An additional facet of this enforcement role could be for the DCF to monitor changing economic circumstances and promote the adaptation of the implementation of internationally agreed-upon treaties to such changes.⁸⁶

The DCF as a continuing dialogue mechanism

In discussing the need for various institutional arrangements that could facilitate continued dialogue between biennial DCF meetings, those interviewed addressed two basic questions: first, is there a need for policy review to being with and second, if such a review is necessary, what is the best way to carry it out?

Addressing the necessity of a policy review body, some experts argued that the various meetings related to development cooperation currently consuming the calendar space of stakeholders already place a heavy burden on the development cooperation community; having various high level meetings and stakeholder forums between DCF meetings would only add more stress to an already busy schedule for ODA providers and developing countries. Such added stress would have a disproportionately negative affect on partner countries given their human, technical and financial resource constraints.

Furthermore, as part of its mandate, the DCF must analyze the trends and shortcomings of development cooperation. Trends, as defined by some experts, do not play out on a month to month basis, rather, they develop slowly and can only be recognized after several years. Thus, the DCF should allow for some time to pass between meetings so that recommendations from the previous meeting can play out over two year period and the necessary stakeholders can adjust accordingly after the given time period. To do otherwise would waste the time and resources of the DCF and its member in micromanagement.

Most experts maintained, however, that there is a strong need for mechanisms that will facilitate continued dialogue between DCF meetings, pointing to three main reasons. First, many experts recognized that trends may take several years to develop, but argued that the DCF should still attempt to recognize new problems and changes to the development community as they happen; a lot changes over two years and the DCF needs to offer continued support and adapted solutions to deal with changing circumstances. Second, development cooperation is a very complicated and multifaceted subject—biennial meetings with hundreds of ministers and representatives from private stakeholders can only cover so much in two to three days. There will be severe coordination and time limits placed not only on the number of issues addressed, but also

⁸⁶ An example suggested by an interviewee went as follows: If the DCF monitors changes in the international economy and predicts an imminent downturn in the sugar market, it can recommend shifting ODA resources to sugar exporting countries to soften the economic impact of such downturn. This feeds back into the DCF's hypothetical responsibility to enforce the Millennium Declaration in that resources will flow to potentially affected countries before the downturn and thereby lessen the downturn's impact on development.

the depth with which participants can analyze these issues. Therefore, it is necessary to establish mechanisms that will work in the interim to cover the issues and provide the analysis the DCF might not have gotten during its biennial meetings. Finally, discussions in such mechanisms can point out the areas that future DCF meetings should focus on. By forming the agenda prior to the meetings, such mechanisms may obviate the need for participants to wrangle over priorities thus freeing up time for concrete debate on the issues that matter—keeping in mind that time is of the essence in these meetings.⁸⁷

Those interviewed identified the following mechanisms as possible means to facilitate continued dialogue between DCF meetings, all of which would be responsible for fulfilling the adaptive and supportive roles outlined above. One idea was to form a 5-6 member advisory board of ECOSOC Member States. All member states would elect this board and certain clauses would exist to ensure that such a board would be geographically and economically representative. Such a model would allow quick decision making with minimal logistical hassles, however, it would sacrifice, to a degree, the democratic nature so important to the DCF. A second idea was to convene meetings similar to the DCF at the regional and national levels. These meetings would have all the characteristics of the global DCF except that they would consist only of stakeholders from the relevant areas. Such meetings would allow countries to cooperate regionally to come up with nuanced solutions to their own local problems while simultaneously accomplishing the goal of continuing dialogue between DCF meetings. A third idea was to give the responsibility of facilitating dialogue to ECOSOC—the DCF already exists within this body so the link between the two already very organic. Experts cautioned that this model will only work once the ECOSOC secretariat attains an increased amount of power.

The weight of the DCF's words – to benchmark or not?

Because the DCF provides a space for all relevant stakeholders to voice their opinion on equal footing, it should, theoretically, set the internationally agreed-upon benchmarks for the disbursement of ODA.

While most interviewees reflected this premise, they each outlined different circumstances under which the DCF could set international development standards. One such circumstance is that the DCF must operate at the ministerial level in order to carry a sufficient amount of political weight in the international arena if the DCF is to produce viable, enforceable outcomes. In that same vein, developed countries must support the agreements coming out of the DCF in order to produce real results. Given the immense amount of economic and political power developed countries wield, other interviewees suggested that any resolution the DCF produces must enjoy the support of developed

⁸⁷ A concrete suggestion from some interviewees was that DCF meetings should start off by reviewing and analyzing the progress that has been made in terms of development cooperation and its impact on development in the previous two years. This would allow participants to have a common take-off point and allow them to later on in the session identify the changes that might be needed to ensure that development cooperation meets its development objectives.

countries if it is to have any realistic chance at success. Finally, because the DCF will deal with matters that may have consequences for both ODA providers and partners, proceedings must be carried out in a transparent and participatory manner. That is, the DCF should operate in a completely transparent manner and commit itself to managing for results.

On the other hand, others expressed reservations about the idea of having the DCF set benchmarks for the disbursal of ODA. Some interviewees said that the DCF, according to its mandate, should focus on enforcing already agreed-upon standards rather than setting new ones and to undertake policy review and oversight; development standards suffer from a lack of enforcement rather than a lack of articulation. Furthermore, given the complexity and gravity of the issues with which the DCF will work, others cautioned against allowing one body to set policies for everyone as this could be a dangerous concentration of power. While the DCF will enjoy broad participation from all interested stakeholders, the difficult problems that characterize the development debate cannot possibly be fairly and skillfully managed by one body.

Monitoring the implementation of DCF recommendations

History has shown that in the absence of monitoring mechanisms, stakeholders will not fully honor the commitments they make at global summits, such as the DCF. In order to ensure full implementation of DCF policy recommendations, the UN needs to establish oversight mechanisms that will follow up on the outcomes produced by biennial DCF summits. These mechanisms could take a variety of forms, however, they should all accomplish the goal of enforcement so that the DCF avoids turning into just another “talk shop”.

The interviewees identified various options, none of which are necessarily mutually exclusive. First, since the DCF is an ECOSOC body, some suggested that the ECOSOC secretariat (i.e. UN-DESA) monitor performance. ECOSOC already has the mandate to manage matters such as development cooperation, and given the sufficient amount of power, it could ensure that DCF recommendations carry a significant amount of weight. Alternatively, ECOSOC could entrust oversight to the UN General Assembly; in this model, all UN Member States could participate in supervising the work of the DCF through the submission of reports to the UNGA. To streamline the process, the UNGA’s secretariat could monitor implementation of DCF policies on its own and then submit reports back to the UNGA at large for further consideration. However, regarding these options, some interviewees pointed out that the UN Secretariat (both UN-DESA and the UNGA’s own service secretariat) might not necessarily have the resources needed for these functions.

To ensure that DCF recommendations receive more focused attention, other interviewees also recommended that the DCF send its recommendations to the necessary UN specialized agency (e.g. recommendations related to health go the WHO, agricultural recommendations to the FAO etc.). The specialized agencies would then be expected to

implement DCF-recommended policies as part of their work programs. This system divides responsibilities among agencies that have expertise and pre-established networks in their given field, creating a situation where the most qualified people are tackling issues for which they can be held directly accountable.

Finally, other interviewees suggest that rather than using pre-existing bodies, the DCF could create brand-new systems for oversight. It could elect a small geographically and economically representative panel of development cooperation experts which would monitor implementation of the DCF's recommendations. This body could respond quickly to problems and not have to deal with the logistical problems often associated with large bureaucracies. The DCF also has the option of supervising its recommendations through UN-DESA using random country surveys of member States. Similar to strategies employed by the IMF and OECD, this system would provide relatively objective analysis and hard data for future policy discussions. Alternatively, if the DCF does not have the resources to carry out such processes, it could set up a peer review system, similar to the DAC, where member states would be in charge of evaluating one another. Additionally, though it falls outside the UN, the DCF could engage the private sector to do cross-country or country-specific evaluations, reporting back to the DCF secretariat.

Identifying the DCF's priorities and setting its agenda

A varied list of the top priorities for the DCF in its first 3-5 years resulted from the interviews. Some experts emphasized the need to address issues already identified in previous development forums (such as the Monterrey Consensus), others introduced new issues while still others identified a process for identifying problems rather than specific problems.

Those who focused on old problems that still need to be solved and which the DCF should prioritize in addressing alluded specifically to aid quality and quantity, the need for national ownership in the development process, increased accountability, harmonization of ODA programmes, and the need for definitions in development discourse. Several other areas also came up as possible areas of focus for the DCF. They include monitoring global economic trends and trouble shooting which areas will need increased amounts of aid, coming up with strategies that will allow countries to move away from aid dependence and towards cooperative regional economic growth, and developing an improved understanding the role of fast-growing ODA-providing developing countries within the broader international aid structure (and the changes that might need to be made).

While some did not identify specific target areas, they described how the DCF should pick its areas of focus and hence determine its agenda. One way is that the DCF could identify areas where they have the potential to achieve tangible results, rather than focusing on broad systemic problems that will prove difficult to tackle. Another way for the DCF to set its agenda is for member states to vote on a theme for discussion and send

it to the secretariat, which will then identify the particular aspects of such theme that the DCF can then address in its meetings.

Linking the DCF to existing development cooperation institutions

Most of those interviewed agreed that with its mandate and its institutional linkage to ECOSOC, the DCF should act on an equal footing with other major development cooperation institutions (such as OECD-DAC) while others went further to say that it should indeed be more influential than the Bretton Woods institutions and the OECD-DAC.

Some stressed that because of its mandate and role under the UN Charter, the ECOSOC should have precedence in terms of global policy discourse over matters related to aid and development cooperation. This precedence could then be reflected in the work of the DCF. Others stressed that the DCF, instead of having precedence or primacy, should instead be treated as a co-equal cooperative institution with respect to the Bretton Woods institutions and the OECD-DAC.

A major commonality among those interviewed stressed that the DCF needs to cooperate with other development cooperation organizations. Some stressed that the DCF's mandate would require it to put in place a high level of coordination with such other development cooperation organizations.

The role of civil society in the DCF

Virtually all those interviewed agreed that civil society organizations (CSOs) have an integral role to play in shaping debates at the DCF. They pointed out that CSOs enrich the debate by providing good research from a global, non-biased perspective, though even the motives and actions of CSOs should be scrutinized. Furthermore, CSOs can apply pressure to States and hold them accountable for promises made. However, those interviewed were also quick to point out that CSOs do not enjoy the same privileges as States and can thus play only a limited role in the DCF.

All agreed that CSOs can voice their opinions and contribute to debate but that they cannot vote, as per UN procedure. But there were varied opinions on the extent of participation for CSOs in the DCF. On one end of the spectrum, some argued that all CSOs should be allowed to participate in the DCF, others said that only those CSOs duly accredited with ECOSOC should be allowed to participate in the forum, while others suggested that the DCF put in place a certain threshold of qualifications that CSOs should have to meet in order for them to participate in the DCF.

Some interviewees expressed frustration over the effect that CSO participation might have on in terms of prolonging debates. Given the limited time of the DCF meetings, some stressed that ministers might not be able to afford to hear the same thing from thirty different CSOs. To cope with this problem, various solutions were proposed by some of

the interviewees. These included having CSOs first meet amongst themselves prior to DCF meetings in order for them to come up with their own agenda that recognizes overlaps and collates the opinions of many into one group – CSOs could even elect representative to speak from such a group. Alternatively, the DCF could tap into pre-existing CSO networks and invite representatives from the network rather than individual CSOs. Additionally, CSOs can also participate more vigorously in the local and regional functioning of the DCF where time is less of an issue and CSOs might have a better knowledge of local conditions allowing them to contribute more effectively to a debate.

V. Recommendations and Conclusions: Crafting a strategic role for the DCF in effective development cooperation

What should the DCF do?

The DCF has the potential to become a key institutional actor in shaping the way that development cooperation, in the context of reshaping global economic relations, will be done in the future. This will require of the DCF the openness and willingness to discuss different perspectives and provide critiques and guidance where necessary to ensure that development cooperation is relevant to the achievement of developing countries' development needs and priorities on the basis of their ownership of their own development process.

From the perspectives generated under this research project, and taking into account the expressed views of various stakeholders during the preliminary processes for the DCF, the DCF needs to be able to perform certain functions if it is to play an effective role in ensuring that development cooperation does deliver on development.⁸⁸ These will include:

Strengthening ECOSOC

- By providing the intergovernmental oversight mechanism of ECOSOC with respect to the implementation of existing sector-specific and institutional aid programmes that use public sector financing – e.g. the Bretton Woods institutions, regional development banks, bilateral ODA from OECD-DAC members, bilateral ODA from non-OECD-DAC members – with a view towards promoting coherent approaches and healthy competition among ODA providers;

⁸⁸ An important point to note in this regard is that the DCF cannot effectively perform its functions without adequate secretariat support. This is currently being carried out by the UN's Department for Economic and Social Affairs (UN-DESA) through the Development Cooperation Policy Branch of its Office for ECOSOC Support and Coordination. This could require an expansion of the human and financial resources available to the Branch, preferably from the regular assessed budget of the UN so as to avoid any dependency on voluntary contributions from external donors. The Branch, in terms of its secretariat operations for the DCF, should also establish the appropriate networking and partnership mechanisms to allow the Branch (and through it, the DCF) to proactively engage and partner with policy research institutions and think-tanks from both North and South with respect to DCF-related issues.

- By enabling ECOSOC to exercise oversight over the implementation by UN Members States of their international development cooperation commitments (such as meeting the 0.7% GNI target) -- in particular ensuring that aid is demand-driven and unencumbered by Washington Consensus-based conditionalities.

Enhancing development cooperation transparency through the sharing of ideas, information, and best practices

- By being the intergovernmental yet multi-stakeholder forum for sharing best practices in development cooperation and assistance;
- By establishing an information-sharing system for effective, viable, sustainable, and development-relevant ideas in development cooperation and ODA delivery;
- By being the venue through which ODA providers (both OECD-DAC and non-DAC) can multilateralize (through biennial reporting, for example) the provision of information regarding the availability, implementation, and development outcomes of their respective ODA programmes so as to make it easier for developing countries to identify the best possible development partners consistent with their development needs, priorities, and ownership. This should include information and other data regarding ODA flows, country and project programmes and portfolios, and sector priorities.

Providing a strategic intergovernmental policy, operational oversight, and accountability mechanism that can link development cooperation to the broader international economic and financial architecture

- By being the primary intergovernmental political oversight forum for strengthening the effectiveness of international development cooperation in promoting the development of the South. The DCF should have mechanisms to encourage strong developing country government and civil society participation and voice in its processes. The DCF's oversight functions in this regard should include addressing issues such as ODA funding shortfalls and ODA development impacts, the transaction costs of aid disbursement and utilization of resources in recipient countries, and ensuring that ODA initiatives support and are coherent with other international policy approaches designed promote the development of developing countries on the basis of their needs, priorities, and ownership.⁸⁹ In this regard, existing initiatives such as the implementation of the OECD's Paris

⁸⁹ Developing country interest and participation in the DCF can be encouraged by, among other things, having the DCF focus its discussions on the development issues that are relevant and of interest to them, especially in the context of addressing both specific and systemic challenges to their development prospects and priorities.

Declaration on Aid Effectiveness should be reported to the DCF (as should the World Bank and other multilateral ODA providers including UN agencies). It should guide the international ODA community in ensuring that development cooperation becomes responsive to the needs of developing countries and is pursued in a coordinated and coherent manner at the national, regional and global levels. The DCF could also take the lead in serving as the forum for considering new suggestions on the international ODA architecture with the objective of contributing DCF perspectives to other international initiatives and discussions⁹⁰;

- By serving as the primary intergovernmental dialogue mechanism between the various providers of ODA, as well as non-governmental aid providers, with the objective of ensuring that overall development assistance supports sustained and sustainable development in the South in the context of rapidly changing global economic, environmental, and political circumstances. This should foster dialogue between the providers and recipients of capital and aid with respect to the terms and conditions of the transfer of funds and the monitoring and evaluation of the development results of such transfers;
- By serving as the intergovernmental mechanism through which a financial needs assessment could be undertaken to identify the country-specific and global ODA requirements for achieving the MDGs;
- By providing the intergovernmental forum for coherence and coordination discussions with non-governmental aid providers;
- By encouraging improved South-South development cooperation, especially in the context of strengthening South-South economic integration alternatives and frameworks;
- By providing the political opportunity for the creation of a developing country-only permanent mechanism wherein developing country ODA recipients could discuss their interests, needs and priorities, on the basis of information on ODA flows, sources, and procedures submitted to the DCF. The output of such discussions could then be presented as inputs into DCF meetings.⁹¹

Shaping development cooperation approaches to meet the twin development and climate change challenge

⁹⁰ In this context, DCF discussions relating to the international development cooperation architecture could contribute substantively to the intergovernmental discussions for the Follow-Up International Conference on Financing for Development to Review the Implementation of the Monterrey Consensus that will take place in Doha, Qatar, from 29 November to 2 December 2008, in particular with respect to the theme on “Increasing international financial and technical cooperation for development” as well as to the other themes as appropriate.

⁹¹ See e.g. Browne, *supra*, pp. 146-147, suggesting the formation of a “Southern DAC.”

- By including in its agenda a results-oriented discussion on how development cooperation can help support climate change mitigation and adaptation efforts of developing countries in ways that are development-friendly, including in particular through meeting and going beyond the developed countries' existing commitments to provide financial resources and technology transfer to developing countries under the UN Framework Convention on Climate Change.

The international development cooperation architecture will face the challenge to adapt to climate change. The risks that climate change poses to the effective delivery of ODA cannot be gainsaid. The UNDP estimates that “17 percent of all development assistance falls into the narrow band of intensive risk, rising to 33 percent for the wider band. Expressed in financial terms, between US\$16 billion and US\$32 billion are at immediate risk. These figures suggest that ‘climate-proofing’ aid should be viewed as an important part of the adaptation challenge. Approximate costs for such ‘climate-proofing’ aid are around US\$4.5 billion, or 4 percent of 2005 aid flows.”⁹²

Thus far, however, current ODA approaches have not fully factored in the risks of climate change, nor the need for ODA to also start shifting towards addressing climate adaptation financing requirements in ways that respond effectively and adequately to the development and climate adaptation needs and priorities of developing countries.⁹³

In conclusion ...

The DCF should make the international development cooperation architecture more effective and relevant to the development needs and priorities of developing countries, in the context of the new global economic and political shifts that are taking place which are resulting in the entry of emerging ODA actors (both non-DAC and non-governmental providers)⁹⁴, and the need to mitigate and adapt to climate change. This will require not only a sustained and substantial increase in the amount of ODA, but also substantial changes in the current international ODA architecture.⁹⁵

The DCF should promote a more articulate, concrete, and policy-oriented international discourse on ODA effectiveness and development that moves the focus away from what the South should do to be deserving of aid, to what the North itself is doing that makes giving such aid necessary. This means consciously driving the DCF discourse towards

⁹² See e.g. UNDP, Human Development Report 2007/2008 – Fighting climate change: Human solidarity in a divided world (2007), p. 191. (hereafter HDR 2007/2008).

⁹³ See HDR 2007/2008, supra, pp. 184-198, for more discussion on the need for international cooperation (including development assistance) with respect to climate adaptation financing.

⁹⁴ AfDB President Kaberuka pointed out, for example that these actors “bring fresh air, resources, innovation, new tools and naturally some competition which in principle, should have driven costs down and improved delivery. It is not happening, not yet.” Kaberuka, supra, para. 3.

⁹⁵ In the words of the UNDP, “the time for incremental change is past ... More aid is no guarantee of development ... more aid delivered through current aid structures will yield suboptimal results ... More aid will produce better results only if it is delivered through streamlined management structures that are more accountable to developing country governments and their citizens.” HDR 2005, supra, p. 76.

looking, as a matter of priority, at the extent to which developed country ODA policies and practices undermine developing countries' development prospects but also the extent to which developed countries' other policies (e.g. on trade, investment, finance, national security) undermine the development objectives that their own ODA may seek to promote.

For the DCF to be able to live up to its challenge, it needs to recognize that “for the majority of developing countries, the relationship with the donor community is marked by an asymmetry of power, which can be extreme for the smaller and poorer countries.”⁹⁶ This implies that helping reshape global power relations into ways that are more equitable, fair, and consistent with improving the development prospects of the marginalized peoples of developing countries will be an important implicit aspect of the work of the DCF. Through its work, the DCF has the potential to help create an international policy regime for ODA that is flexible enough to fit the unique developmental challenges and opportunities that different countries face, and which supports rather than overwhelms or undermines home-grown developing country visions of development.

The DCF hence provides the opportunity for the international community to hold developed countries accountable to their international ODA commitments, and to remold the international ODA architecture to make it more development-effective by taking into account new challenges and dropping ineffective, outmoded, and dysfunctional ideas and procedures about aid and development.

⁹⁶ WESS 2007, *supra*, p. 71.

Annex I: List of Interview Subjects

Developing Countries

Mohammed Gad, Permanent Mission of Egypt (Geneva, 15 November 2007)
Nacim Gaouaoui, Permanent Mission of Algeria (Geneva, 7 November 2007)
Lucas Saronga, Permanent Mission of Tanzania (Geneva, 15 November 2007)
Matthew Wilson, Permanent Mission of Barbados (Geneva, 8 November 2007)
Johan van Wyk, Permanent Mission of South Africa (Geneva, 6 November 2007)

United Nations

Kristinn Helgason, Development Cooperation Policy Branch, UN Department of
Economic and Social Affairs (New York, 21 November 2007)

Civil Society

Aldo Caliari, Coordinator, Rethinking Bretton Woods Project, Center of Concern
(Washington DC, 6 November 2007)
Jo Marie Griesgraber, Executive Director, New Rules for Global Finance Coalition
(Washington DC, 12 November 2007)
Eric Gutierrez, International Policy Coordinator, Action Aid (Johannesburg, 19
November 2007)
Jens Martens, Director, Global Policy Forum – Europe (Bonn, 31 October 2007)
Jean Saldanha, Policy and Advocacy Officer, CIDSE (Brussels, 6 November 2007)

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- Note 1: Interviews were conducted either by phone or in person.
 - Note 2: A sample size of forty (40) developing country Permanent Missions was initially identified for purposes of obtaining interviews and to whom the interview questionnaires were sent by email or fax. Due to the short duration of the research project (approximately eight weeks) coupled with the busy work schedules of the delegates, only five (5) interviews were eventually conducted despite frequent follow-ups by the research team.
 - Note 3: A sample size of eleven (11) international and national civil society organizations was initially identified for purposes of obtaining interviews and to whom the interview questionnaires were sent by email or fax. Due to the short duration of the research project (approximately eight weeks), only five (5) interviews were eventually conducted despite frequent follow-ups by the research team.
 - Note 4: All interviews were conducted under Chatham House Rule, with all statements made in their personal capacity and not for direct attribution.