



Economic and Social Council

2010 Development Cooperation Forum

DRAFT AIDE MEMOIRE

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Mandate

The 2005 World Summit mandated the United Nations Economic and Social Council (ECOSOC) to convene a biennial high-level *Development Cooperation Forum (DCF)* to *review trends and progress in international development cooperation*, including strategies, policies and financing; *promote greater coherence* among the development activities of different development partners and *strengthen the normative and operational link* in the work of the United Nations.

The DCF aims to advance the implementation of the Internationally Agreed Development Goals (IADGs), including the Millennium Development Goals. It is mandated to give policy guidance and recommendations to promote coherent and effective development cooperation. It is also meant to provide a platform for Member States to exchange lessons learned and share experiences in formulating, supporting and implementing national development strategies and to be open to participation by all stakeholders.

The 2010 Development Cooperation Forum

Since the first DCF in 2008, a confluence of crises has threatened to derail the development process. Recovery is underway, but must be viewed with cautious optimism. Amidst this scenario, the international community cannot forget its pledge made some ten years ago to accomplish the MDGs by 2015. This is especially true for MDG8 on the global partnership for development. A focus on turning pledges to action is urgently needed. Accountability among all partners in development is essential if progress is to accelerate. This is what the 2010 DCF will aim to achieve through dialogue and frank discussion among all its diverse stakeholders.

The second biennial DCF will take place on 29 and 30 June in New York as part of the High-level Segment of the Economic and Social Council (ECOSOC). It will aim to establish consensus on priority actions to advance the implementation of commitments on development cooperation, based on impartial and forward looking analytical work and consultative processes involving national practitioners¹. The Forum will also discuss how to enhance development cooperation to accelerate progress towards the MDGs, thereby contributing to the United Nations September 2010 Summit on the MDGs.

¹ A first high-level multistakeholder symposium took place in Vienna in November 2009 in cooperation with the Government of Austria on “*Accountable and Transparent Development Cooperation: Towards a More Inclusive Framework.*”. A second high-level multistakeholder symposium was held on 3 and 4 June 2010 in Helsinki, in cooperation with the Government of Finland. It focused on “*Coherent Development Cooperation: Maximizing Impact in a Changing Environment*”

Policy Dialogues

The core programme of the Forum is organized around a one and a half-day meeting with five main policy dialogues². These dialogues will draw upon, among others, case studies, the report of the Secretary-General to the DCF as well as analytical background papers.

Policy Dialogue 1. Promoting greater coherence: how can policies be geared towards development goals?

Development cooperation alone cannot produce results. It needs to be reinforced by a diverse yet consistent range of policies in developed and developing countries geared towards supporting national development priorities and accomplishing the IADGs, including the MDGs. Greater policy coherence for development means ensuring that all policies are formulated with development objectives uppermost, and those policies which undermine development objectives are avoided. To ensure that policies deliver development, progress is needed on two fronts. Developed countries need to ensure that all policies support progress towards the IADGs. Developing countries need to engage more effectively with “beyond aid” issues by designing comprehensive policies and strengthening implementing institutions.

For countries providing and receiving development cooperation, policy coherence spans four dimensions: coherence between development cooperation and other policies of each provider or recipient country (the “whole of government” approach); coherence within development cooperation programmes of several donors; coherence of aid and non-aid policies across all provider or recipient countries; and coherence (or “alignment”) between provider policies and programme countries’ development strategies.

Formulating a coherent and harmonized response between the various stakeholders in the international aid architecture is critical to maximize the efficiency and effectiveness of aid to developing countries. The debate at the Forum will place a special focus on challenges related to the donor community’s efforts to ensure that development policy objectives are supported by such “beyond aid” policies

Donor countries are working towards greater policy coherence, for instance within the context of the European Union and OECD/DAC. In spite of the increasing visibility of the Policy Coherence for Development agenda, there is recognition that the voice of developing countries has been consistently missing in this process. A developing country perspective on actions taken by donors at the field level is vital. This session will also discuss how developing countries themselves are applying coherent policies across different policy areas and government agencies. Moreover, a special effort has to be made to effectively incorporate views of civil society organizations and parliaments as well as the executive and local donor agencies.

Policy coherence for development is a complex task as national priorities and international obligations compete for attention, both in developed and developing countries. Ultimately political will is vital.

Suggested questions for discussion:

1. How can global challenges in the areas of trade, climate change, food security, migration and security be tackled better so that policies also boost development? What impacts do policies in these areas have on development in developing countries?
2. How can policy coherence within and between provider and programme countries lead to greater development effectiveness? What are lessons learned and key challenges? How can we make Policy Coherence for Development work better for the achievement of the MDGs?
3. What are the stakeholders’ experiences in policy coherence for development?

² All documents and the programme are available at: <http://www.un.org/en/ecosoc/dcf/index.shtml>

4. How can ODA be better used as a catalyst for other sources of development finance? How can coherence be ensured between ODA and other financing flows and mechanisms?

Policy Dialogue 2: Accountable and transparent development cooperation: how can we build more equal partnerships?

Mutual accountability describes the process by which providers of development cooperation, programme country governments and non-executive stakeholders in provider and programme countries agree to be held responsible for the commitments that they have voluntarily made to each other. One important objective of the DCF is to strengthen that process .

Mutual accountability has the potential to change behaviour in aid management on the ground and promote alignment of development cooperation with national development strategies and with the IADGs.

National mutual accountability mechanisms may be defined as those in which programme countries, as well as being held accountable for development results and aid management, hold providers accountable for their aid. In addition, key national stakeholders, especially in programme countries (such as parliaments, Civil Society Organizations, trade unions, private sector, women's groups) are expected to hold providers and programme country governments accountable in such mechanisms.

A recent study³ conducted by for the DCF focused on how to make accountability more “mutual”, by making providers more accountable to programme country governments, and providers and programme country governments more accountable to other stakeholders. The study, which surveyed 70 countries, came to the conclusion that progress on mutual accountability is limited, the concept of mutual accountability is often understood differently and relevant stakeholders, including national women's machineries, are not adequately consulted.

There are a multiplicity of forums at national level in most programme countries for dialogue with providers on issues related to development and the funding needs of the national development programme. The challenge is making these into effective mechanisms of mutual accountability, with clear targets and frameworks to assess individual partners. In addition, many programme country have multiple performance frameworks led by providers (either in groups or individually) which hold them to account for a very large number of targets (2-6 times as many as in provider performance frameworks). Those frameworks have produced massive behavioural change in most programme country governments over the last decade. Yet, donor specific performance appraisals are underdeveloped and aid predictability, budget support and use of country systems have not progressed sufficiently. To see such change happen, it is important to rectify assymetries in the aid relationships and to make mutual accountability mechanisms more participatory and transparent. Mutual accountability should be an issue of priority at highest political level.

On global and regional accountability mechanisms, earlier DCF⁴ and other studies have analyzed the many frameworks that exist. While there has been considerable behaviour change by many programme countries; very few existing mechanisms successfully promote systematic change in behaviour by providers. The Paris Declaration (PD) and Accra Agenda for Action (AAA) are helping national level-progress because they encourage providers to agree on clear goals. However, the level of provider behaviour change remains disappointing, because targets set for them at national and global level are much less specific and less closely-monitored.

³ http://www.un.org/en/ecosoc/newfuncnt/pdf/ma_study-status_and_progress.pdf

⁴ [http://www.un.org/en/ecosoc/newfuncnt/pdf/analytical%20background%20study%20\(mutual%20accountability%20and%20aid%20transparency\).pdf](http://www.un.org/en/ecosoc/newfuncnt/pdf/analytical%20background%20study%20(mutual%20accountability%20and%20aid%20transparency).pdf)

Transparency in fully disseminating information and documentation on intended and actual results, as well as other aspects of development cooperation, is a key underpinning of accountability, providing the information all stakeholders need to analyse results.

The DCF is poised to continue its efforts to assess progress in international mutual accountability and transparency as well as to map the situation at national-level and facilitate multi-stakeholder consultations to ensure that progress is being made.

Suggested questions for discussions:

1. Which national and international processes have proved most effective in enabling providers and recipients of development cooperation to hold each other accountable for honouring commitments made? What are their lessons learned and key challenges?
2. To what degree has more accountable and transparent aid led to more effective aid and results?
3. What more can be done to influence provider behaviour towards ensuring multi-year aid predictability, untied aid, reducing conditionalities and using country systems?
4. What needs to be done to address issues such as lack of political will, transparency and capacity development, especially in fragile states?
5. What are best practices in involving parliaments, civil society organizations, local governments, and all providers of development cooperation, in national accountability and transparency forums?
6. What should be the next steps by the international community (including by the Development Cooperation Forum) to accelerate progress on mutual accountability and transparency at national, regional and international level?

Policy Dialogue 3: South-South, triangular and decentralized cooperation

South-South and triangular development cooperation continues to grow in importance, rising from 8% to 10.5% of total development cooperation between 2006 and 2008. The current global crises has enhanced the role that South-South cooperation could play as a complement to North-South cooperation in meeting challenges such as climate change, migration, food security and trade. Continued rapid economic development in a number of developing countries, more rapid recovery from global economic crisis, and growing awareness of their role in the global economy, has led to a 63% rise in South-South development cooperation between 2006 and 2008.

Most of South-South development cooperation continues to come in the form of project finance and technical assistance, with only around 10% in balance of payments or budget support. Many contributors to South-South cooperation have programmes that are co-financed by triangular cooperation, whereby DAC donors finance projects executed by Southern institutions. The focus of triangular development cooperation is primarily technical cooperation, because Southern institutions are seen as having expertise relevant to meeting developing country needs.

Contributors to South-South development cooperation continue to allocate most assistance to countries with which they have close political, trade and investment ties. This includes a strong concentration in nearby regions. However, there has recently been an expansion of cross-regional cooperation, especially by Brazil, China and India.

Programme countries see South-South cooperation as aligned with their priorities in a relatively balanced way, providing considerable funding for infrastructure and productive sectors, as well as social sectors. Contributors to South-South cooperation are also seen as being responsive to changing priorities in programme countries and to natural disasters.

South-South development cooperation is also seen as relatively predictable because policy conditions are largely absent from South-South cooperation, making it more attractive to programme countries. A second reason for predictability is that it is relatively unencumbered by procedural and administrative delays. This is because most South-South cooperation providers use their own, relatively uncomplicated financial management and procurement procedures and a few use national financial management procedures.

However, South-South development cooperation is subject to relatively little evaluation beyond scrutiny of the timeliness and completion of projects. This reduces missions and studies, lowering transaction costs for governments of programme countries, but also means there will be a reduced longer-term perspective on the sustainability or development impact of the project. This cooperation also includes much less evaluation with respect to environmental and social impact, particularly in the case of infrastructure projects.

Local governments are important agents of development and must be recognized as key partners in ensuring aid delivery and effectiveness on the ground. Beyond sectoral engagement to deliver e.g. basic services, local governments and city and municipal authorities get increasingly engaged in national and international policy dialogue on development cooperation. A challenge for these actors is the lack of capacity to ensure adequate partnerships, efficient use of different aid modalities as well as sharing of knowledge and peer learning.

Suggested questions for discussions:

1. What are the key comparative advantages of South-South cooperation in the eyes of the countries benefiting from such cooperation? How can these be built upon to improve North-South cooperation?
2. Are some areas of South-South cooperation producing better results than others? Under what conditions is South-South cooperation considered particularly effective?
3. How can South-South cooperation be pursued further through multilateral, regional and bilateral mechanisms?
4. What are the prospects for increasing the scale and scope of triangular and decentralized cooperation?
5. How best can South-South cooperation help developing countries tackle climate change? How best can such cooperation identify and adopt mitigation and adaptation strategies tailored to the unique needs of developing countries. Are there any best practices that we can learn from?

Policy Dialogue 4: “Impact of multiple crises: Allocating resources among competing needs”

The multiple global crises during 2006-09 (rise in food and oil prices, as well as the global financial crisis) have had four major impacts on development cooperation.

First, they have increased programme country financing needs considerably, for food and energy security, as well as to fill budget and balance of payments financing gaps. For example, most programme countries had to increase food subsidies to keep prices of basic foodstuffs from rising sharply. Most non-oil producing programme countries had to finance subsidies to smooth transitions to higher oil and transport prices.

Second, the crises resulted in more analysis of programme countries’ financing needs, highlighting underlying problems related to the achievement of the IADGs which have not been tackled, and identifying preferred channels for mobilizing or providing financing, including innovative mechanisms for financing development. The Secretary-General’s High-Level Task Force on Global Food Security urged donors to double food aid assistance and increase the share of aid to agriculture from 3% to 10% of flows (or by about US\$12 billion a year) within 5 years, compared to estimated food security financing needs of US\$25-

40 billion a year. However, only around US\$2 billion a year is likely to be delivered, and most DAC donor assistance will go to food aid rather than long-term food production support (while South-South assistance focuses more on production).

Third, the food and financial crises resulted in large pledges of financing, but only small proportions of these were additional. Only US\$6 billion of the US\$22 billion pledged for food and nutrition at the G8 Pittsburgh meeting in 2009 are likely to be additional. The financial crisis resulted in pledges of US\$240 billion for programme countries at the G20 London Summit, but only around US\$100 billion of this was additional.

Fourth, the global financial crisis has reduced some donors' aid budget plans. While the impact on actual flows in 2009 was marginal, virtually all DAC donors decreased their nominal aid disbursement plans in line with the fall in their GNI. Meanwhile, although a few Southern providers have reduced their cooperation, many more have increased it, notably Brazil, China, India and Saudi Arabia. Similarly, private philanthropy (Northern and Southern) has continued to increase.

These changes occur against a backdrop where the allocation of international development cooperation is not sufficiently conducive to maximize progress towards achieving the Internationally Agreed Development Goals, including the MDGs. Since 2006, the positive trend in the proportion of aid going to low-income countries has reversed, falling from 67% to 61%. While Africa's share of global aid may rise to 35% by 2010, this is below the 2005 pledges. Large amounts of aid still go to countries with relatively small numbers of poor citizens and a considerable number of countries continue to receive less aid than would be expected on the basis of development needs or performance ("donor orphans"). It is vital to increase the proportion of aid going to those countries with the greatest development needs, financing gaps and structural vulnerabilities to external shocks.

Allocation of aid in terms of channels, sectors and types is also sub-optimal. Multilateral institutions need to receive greater shares, but with less earmarking to specific sectors or initiatives. Gender, food security, education, health, water and sanitation all need sharp increases: infrastructure and aid for trade need to continue recent rises in line with national development strategies.

Suggested questions for discussions:

1. In light of competing priorities, how have countries and other stakeholders allocated aid by sector and countries? How can decisions on aid allocations be improved so that allocations are most conducive to achieving the IADGs and national development priorities?
2. With competing new needs, it is likely that resources will be diverted away from achieving the MDGs, to climate change related financing. While this is indeed important and part of MDG7, how can we ensure that funding is additional?
3. Faced with the financing shortage, which aid programme cuts will be the less harmful for sustainable development?
4. How can we intensify the search for more resources in spite of the financial crisis and the financing shortage? How much have innovative mechanisms for financing been able to generate resources for development? How are they being used?

Policy Dialogue 5: Achieving the MDGs by 2015: an agenda for more and improved development cooperation

From 20 to 22 September 2010, world leaders will gather at the United Nations in New York to review progress towards the MDGs, take stock of initiatives that enabled to make progress on the Goals and to commit to a concrete action agenda to achieve the MDGs, as well as other internationally agreed development goals. Policy dialogue 5 aims at identifying key messages from the DCF to the MDGs plus ten summit. It will be the occasion to build on some of the ideas emanating from the previous policy dia-

logues and DCF preparations as well as to put forward new ideas on how to improve development cooperation in order to accelerate progress on the MDGs.

The Millennium Declaration set 2015 as the target date for achieving most of the Millennium Development Goals (MDGs). As the deadline approaches, the world finds itself recovering from an economic crisis that was unprecedented in its severity and global dimensions. Progress towards the goals is now threatened by sluggish economic recovery, financial instability, fewer trade opportunities for the developing countries, and possible reductions in aid flows from donor nations. At the same time, the effects of climate change are becoming increasingly apparent, with a potentially devastating impact on countries rich and poor.

Today, more than ever, the commitment to building the global partnership embodied in the Millennium Declaration must guide collective actions. At the heart of building this global partnership is improved development cooperation. This goal entails among others greater policy coherence among development stakeholders, meeting commitments on quantity and quality of aid, promoting accountable and equitable development partnerships, and engaging and encouraging the role of non-state actors in development.

Suggested questions for discussions:

1. What should be the key messages from the DCF to the MDGs + 10 Summit on ways to improve development cooperation to accelerate progress towards the MDGs?
2. What would be new commitments for accelerating aid delivery in order to achieve the MDGs by 2015? How can aid be allocated towards the countries and sectors with the greatest development needs? How can the aid effectiveness agenda be broadened to include issues of concern to all stakeholders and what would be such issues?
3. How can stakeholders come together and address the persistent systemic issues in the international financial and trading systems?
4. How can the DCF best contribute to reviewing progress towards the MDGs? How can it strengthen its role as a mutual accountability mechanism on development cooperation?