Draft Concept Note

ECOSOC meeting on
The Changing Context of Development: What does it mean for Cooperation and Global Partnership
I. Background

In 2005, the United Nations World Summit created the United Nations biennial high-level Development Cooperation Forum (DCF). The DCF aims to review trends in international development cooperation; 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 first two forums in 2008 and 2010 have positioned the DCF as a universal platform where various development cooperation actors can deliberate on development cooperation issues. The next DCF will be held on 5 and 6 July 2012. Preparations for the DCF are focusing notably development cooperation for sustainable development, South-South cooperation as well as mutual accountability and aid allocations/fragmentation. Two DCF preparatory High Level Symposia have already been held on “Gearing Development Cooperation Towards the MDGs: Effectiveness and Results” and on “Working together to increase the development impact of aid” in Mali and Luxembourg respectively. The meetings have been underpinned by analytical studies.

II. Rationale and scope of the ECOSOC meeting

The global partnership for development agreed at major United Nations conferences remains the centrepiece of international development cooperation. However, in a changing development landscape, the global partnership itself is evolving as new players with new approaches to development cooperation and new aid modalities are making an increasingly important contribution to development.

ECOSOC will hold a one-day meeting on 9 February 2012. The meeting will reflect on key trends in development cooperation that have emerged in recent years and how they are shaping the future of development cooperation and the institutional arrangements that govern this cooperation.

Panel I – New dynamics of development cooperation: challenges and opportunities

At the 2010 United Nations MDG Summit, world leaders reaffirmed that, despite setbacks and a mixed performance, internationally agreed standards, principles, treaty obligations and development goals, including the MDGs, remain valid in the changing development landscape. They also agreed to “collectively advance and strengthen the global partnership for development as the centerpiece of [their] cooperation in the years ahead”.

While the internationally agreed development goals remain the compass for international development efforts, the international environment for pursuing them has evolved significantly. The international economic and financial crisis has accelerated some of the trends that were already visible in development cooperation.

The crisis has showed that aid remains a crucial element in the tool box for development. Yet, owing to fiscal constrains associated with the crisis, ODA growth is expected to slow to about 2 per cent per year during 2011-2013, compared to 8 per cent annually over the previous three years. With stark

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1 MDG Gap Task Force report
fiscal constraints, and a perceived fatigue with aid, the preexisting push for measuring and demonstrating results to justify aid expenditure has gained strength.

The projected slow down in aid growth is happening when many countries need to devote substantial resources to MDG related programmes to overcome the effect of the crisis. In some cases this is as much as 1.5% of their annual GDP. Therefore, allocating the limited amount of aid as efficiently and equitably based on needs and structural vulnerabilities is important to deliver lasting development results for the poorest. Today, a considerable number of countries continue to receive more aid than would be expected on the basis of need or performance (“donor darlings”). An almost equal number receive less than would be expected (“donor orphans”).

As highlighted at the Fourth High Level Conference on least developed countries (LDCs), aid has been particularly crucial in LDCs which often struggle to attract private flows. Due to their high level of poverty they also have less potential to generate domestic resources.

Countries in post conflict situations and situations of instability are where development cooperation faces the most acute challenges. They are lagging most behind in terms of MDG achievement. Consistent with the principle of national ownership, countries in such situations have taken the lead in identifying priority areas for support in the context of the g7+ initiative. The “New Deal for Engagement in Fragile States” which has evolved from this process is a consensus which the United Nations can draw upon in its own work.

While ODA remains vital, it is increasingly dwarfed by other financial sources. Those include notably remittances, foreign investment, bank loans or bonds as well as domestic sources such as tax revenue and domestic savings, investment and loans. Over the past years, developing and transition countries have also increasingly become important investors.

As a result, it has been estimated that aid dependency - the proportion of government spending that comes from aid - has fallen on average by a third in the poorest countries. Reducing aid dependency helps countries to increase their fiscal and policy space. It empowers them to design and implement country led and country owned development strategies.

Aid itself has played an important role in reducing aid dependency. Where aid has been used effectively, there is evidence that it has helped to mobilize additional external and domestic resources by encouraging increased savings and investment and improved taxation. At the same time, one challenge is ensuring that aid catalyses the kind of financial flows that has maximum impact on development. Another is that developing countries need to develop policies to manage aid and other resource flows in a coherent way.

Other non-aid flows have increased. This reflects the rise of important players in development cooperation. South-South- and triangular cooperation in particular is growing in importance and making important contributions to the MDGs and sustainable development.

The role of private businesses in aiding the development of poor countries has also received increased attention. There has also been growing interest in “creative capitalism” – whereby international corporations integrate “do good” in their way of doing business. Social enterprises and social entrepreneurship are also on the rise.

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2 MDG Gap Task Force
3 Real Aid 3, Action Aid, 2011
4 This concept was launched by Bill Gates at the World Economic Forum
Philanthropic foundations are also making more financial resources and knowledge available. The Gates Foundation has thus far funded approximately $ USD 17 billion worth of project for global development and health. It has also drawn attention to approaches that mix a non profit focus with a business mentality.

Likewise, NGOs, a more traditional development cooperation actors, are playing a growing role\(^5\).

All these actors are not only contributing important resources for development. They are also bringing new approaches to development cooperation. At the same time, the proliferation of development cooperation actors and of aid providers has also lead to increased fragmentation\(^6\), making aid management more complex and costly for developing countries.

This gives rise to at least three major challenges.

The first one is how to ensure that development cooperation is owned and led by developing countries. Development cooperation also has to be consistent with what developing countries consider to be effective and good quality cooperation, which is not easy to ensure nor gauge in such a diverse environment.

The second challenge relates to coordination. It is hardly new. At national level, Governments must have the lead role in coordinating external assistance. They however often lack the capacities for doing so. The various actors are also not always willing to engage in such coordination.

The third one is the need to build synergies and partnerships between the various development cooperation actors, including developing countries, traditional donors, NGOs and philanthropy. A number of examples show that international businesses can also be brought into such partnerships.

At international level, the DCF, given its universal and multistakeholder nature, has a critical role to coordinate activities of development actors. It needs to determine how it can strengthen its role in delivering on this mandate.

The opportunities and challenges coming with the rise of new actors were recognized at the 2010 DCF and the Busan Fourth High-Level Forum on Aid Effectiveness. Busan marked the shift from an approach focused on aid effectiveness to a broader concern for development effectiveness – or the effectiveness of development cooperation.

The 2012 DCF will provide an opportunity to discuss how international development organizations, including the United Nations and the DCF should respond to the invitation that the Busan High-level Forum extend to the DCF to play a role in consulting on the implementation of its outcome. This may provide an occasion to reflect not only on the role of DCF but also on the changing landscape of development cooperation and its implications for the UN.

The panel discussion will provide an opportunity to discuss these issues:

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\(^5\) The biggest international NGOs such as World Vision International or SSave the Children foundations marshal between $ 1 billion and 2.5 billion annually [Aiding development, Assistance reform for the 21st CenturyBrookings Blum Roundtable 2010.

Panel II Gearing development cooperation towards sustainable development

Sustainable Development is a concept that is designed to integrate policies pertaining to economic growth, social development and environmental protection. While the concept of sustainable development remains valid today, the process of integration of the three pillars of sustainable development has been disappointingly slow since the first Rio Conference held in 1992. Slow progress is being attributed to both the absence of an over arching operational framework as well as institutional gaps.

In June 2012, the Conference on Sustainable Development (Rio+20) will address two themes, namely, (i) Green Economy, in the context of sustainable development and poverty eradication; (ii) Institutional Framework for Sustainable Development (IFSD).

Green Economy is being presented as one pathway to sustainable development. Designed properly, green economy policies and programmes can directly contribute to poverty eradication by helping to align environmental and social objectives. Each country will need to tailor its transition to its specific situation. The green economy is best used as a decision making framework to foster an integrated consideration of the three pillars of sustainable development rather than as a rigid set of rules. Yet, such a transformational transition would require a major rethink of the way development cooperation is pursued.

A more systematic inclusion of sustainable development considerations into development cooperation will have wide ranging implications for national policy making and for international development cooperation. These have not yet been fully grasped - let alone translated into systematic policies, actions and institutional structures.

What is clear today is that development cooperation has a central role to play in facilitating the transition to a more sustainable development path and a green economy. At least half of the required green investments will need to be realized in developing countries. The Rio+20 summit is expected to bring greater clarity and agreement on the green economy and how to best pursue it in the context of sustainable development and poverty eradication. Development assistance can also be used as an important catalyst in mobilizing domestic resources for the transformation.

The bulk of the work to carry out a technological transformation will have to occur at the country level. A central challenge will hence be to better integrate sustainable development in national policies. Such national efforts must be supported and complemented by stronger mechanisms of global governance and coordination. Greater coherence will be required among the multilateral architectures for environment, technology transfer, trade, aid and finance. The United Nations Development
Cooperation Forum, with its work on the quantity and quality of aid and on policy coherence, can make a contribution to both issues.

The panel discussion will provide an opportunity to discuss this issue with leading experts.

- **What are the implications of a transitioning towards a green economy for countries at different stages of development?** Is this trend likely to further exacerbate divisions between donor orphans and donor darlings or can it help ameliorate the situation?

- **How can the lessons learned and principles on aid effectiveness and effective development cooperation be used in guiding development cooperation for sustainable development?**

- **What role can the DCF play in rethinking the new architecture for development cooperation that is responsive to the challenges of sustainable development?**

### III. Expected outcome

The outcome of the discussion will be a summary by the ECOSOC President. It will be transmitted to the UN membership in New York and made available on the ECOSOC website.

### IV. Proposed format

The two three-hour panel discussions will be a multistakeholder event featuring speakers from developing and developed countries, civil society, parliamentarians, the UN and other international organizations. The 7’ minute presentations by the panellists will be followed by an interactive discussion with participants.

The meeting will be chaired by the President of the Economic and Social Council. The first panel will be moderated by Ms. Sigrid Kaag, Assistant Secretary-General and Assistant Administrator and Director of the Partnerships Bureau of the United Nations Development Programme (UNDP). The second panel will be moderated by Mr. Sha Zukang, Under Secretary-General for Economic and Social. The three to four speakers on each panel will make short statements/presentations, which will be followed by a moderated Q&A session.