

**DEVELOPMENT CO-OPERATION DIRECTORATE
Development Assistance Committee**

Working Party on Aid Effectiveness

**FIFTH DRAFT OUTCOME DOCUMENT FOR THE FOURTH HIGH-LEVEL FORUM ON AID
EFFECTIVENESS, BUSAN, KOREA, 29 NOVEMBER - 1 DECEMBER 2011**

Proposal by the Chair

23 November 2011

This advanced draft of the outcome document for the Fourth High-Level Forum on Aid Effectiveness (HLF-4) is presented FOR DISCUSSION by the group of sherpas nominated to finalise the outcome document at its final meeting in Busan, Korea on 28 November 2011.

This version builds on discussions and areas of consensus identified in the meeting of the group of sherpas of 18 November 2011, and was informed by the fourth draft of the document presented at that meeting [DCD/DAC/EFF(2011)16].

All HLF-4 delegations are invited to review this draft and share any comments with the sherpas in advance of their final meeting of 28 November 2011.

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BUSAN PARTNERSHIP FOR EFFECTIVE DEVELOPMENT CO-OPERATION

DRAFT

1. We, Heads of State and representatives of developing and developed countries, heads of multilateral and bilateral institutions, representatives of different types of public, private, inter-parliamentary, local and regional organisations meeting here in Busan, Republic of Korea, recognise that we are united by a new partnership that is broader and more inclusive than ever before, founded on shared principles and common goals for effective international development.
2. The world stands at a critical juncture in global development. Poverty and inequality remain the central challenge. The Millennium Declaration sets out our universal mandate for development and, with the target date for the Millennium Development Goals less than four years away, the urgency of achieving strong, shared and sustainable growth and decent work in developing countries is paramount. Moreover, the Declaration identifies that promoting human rights, democracy and good governance are an integral part of our development efforts. Nowhere are our development goals more urgent than in fragile and conflict-affected states. Political will is vital if these challenges are to be addressed.
3. As we reaffirm our development commitments, we realise that the world has changed profoundly since development co-operation began over 60 years ago. Economic, political, social and technological developments have revolutionised the world in which we live. Yet poverty, inequality and hunger persist. Eradicating poverty and tackling the global and regional challenges that have adverse effects on the citizens of developing countries are central to ensuring the achievement of the Millennium Development Goals and a more robust and resilient global economy for all. Our success depends on the results and impact of our joint efforts and investments as we address challenges such as health pandemics, climate change, economic downturns, food and fuel price crises, conflict, fragility, and vulnerability to shocks and natural disasters.
4. We also have a more complex architecture for development co-operation, characterised by a greater number of state and non-state actors, as well as co-operation among countries at different stages in their development, many of them middle income countries. South-South and triangular co-operation, new forms of public-private partnership, and other modalities and vehicles for development have become more prominent, complementing North-South forms of co-operation.
5. International development co-operation has achieved many positive results. When we met in Monterrey a decade ago, we recognised that increases in volumes of financing for development must be coupled with more effective action to generate sustainable and transparent results for all citizens. Our dialogue in Busan builds on the foundations laid by previous High-Level Fora, which have been proven to remain relevant, and which have helped to improve the quality of development co-operation. Yet we recognise that progress has been uneven and neither fast nor far-reaching enough. We each reaffirm our respective commitments, and will implement in full the actions to which we have already agreed.

6. We can and must improve and accelerate our efforts. We commit to modernise, deepen and broaden our co-operation, involving state and non-state actors that wish to shape an agenda that has until recently been dominated by a narrower group of aid actors. In Busan, we forge a new global development partnership that embraces diversity and recognises the roles that all stakeholders in co-operation can play to support development.

7. Our partnership is founded on a common set of principles that underpin all forms of development co-operation. At the same time, we recognise that the ways in which these principles are applied differ across countries at various stages of development, and among the different types of public and private stakeholders involved. Lessons should be shared by all who participate in development co-operation. We welcome the opportunities presented by new and diverse approaches to development co-operation, such as South-South co-operation, as well as the contribution of civil society organisations and private actors; we will work together to build on and learn from their achievements and innovations, recognising their unique characteristics and respective merits.

8. Sustainable development results are the end goal of our commitments to effective co-operation. While development co-operation is only part of the solution, it plays a catalytic and indispensable role in supporting poverty eradication, social protection, economic growth and sustainable development. We reaffirm our respective commitments to scale up development co-operation. More effective co-operation should not lead to a reduction in resources for development. Over time, we will aim to increase independence from aid, always taking into account the consequences for the poorest people and countries. In this process, it is essential to examine the interdependence and coherence of all public policies – not just development policies – to enable countries to make full use of the opportunities presented by international investment and trade, and to expand their domestic capital markets.

9. As we partner to increase and reinforce development results, we will take action to facilitate, leverage and strengthen the impact of diverse sources of finance to support sustainable and inclusive development, including taxation and domestic resource mobilisation, private investment, aid for trade, philanthropy, non-concessional public funding and climate change finance. At the same time, new financial instruments, investment options, technology and knowledge sharing, and public-private partnerships are called for.

Shared principles to achieve common goals

10. As we embrace the diversity that underpins our partnership and the catalytic role of development co-operation, we share common principles which – consistent with our agreed international commitments on human rights, decent work, gender equality, environmental sustainability and disability – form the foundation of our co-operation for effective development:

- a) *Ownership of development priorities by developing countries.* Partnerships for development can only succeed if they are led by developing countries, implementing approaches that are tailored to country-specific situations and needs.
- b) *Focus on results.* Our investments and efforts must have a lasting impact on eradicating poverty and reducing inequality, on sustainable development, and on enhancing developing countries' capacities, consistent with the priorities and policies set out by developing countries themselves.
- c) *Inclusive development partnerships.* Openness and mutual respect lie at the core of effective partnerships in support of development goals, recognising the different and complementary roles of all actors.

- d) *Transparency and accountability to each other.* Mutual accountability and accountability to the intended beneficiaries of our co-operation, as well as to our respective citizens, organisations, constituents and shareholders, is critical to delivering results. Transparent practices form the basis for enhanced accountability.

11. These shared principles will guide our actions to:

- a) Deepen, extend and operationalise the democratic ownership of development policies and processes;
- b) Strengthen our efforts to achieve concrete and sustainable results. This involves better managing for results, monitoring, evaluating and communicating progress; as well as scaling up our support, strengthening national capacities, and leveraging diverse resources and initiatives in support of development results;
- c) Broaden support for South-South and triangular co-operation, helping to tailor these horizontal partnerships to a greater diversity of country contexts and needs;
- d) Support developing countries in their efforts to facilitate, leverage and strengthen the impact of diverse forms of development finance and activities, ensuring that these diverse forms of co-operation have a catalytic effect on development.

12. We recognise the urgency with which these actions must be implemented. Beginning implementation now – or accelerating efforts where they are ongoing – is essential if our renewed approach to partnership is to have the maximum possible impact on the realisation of the Millennium Development Goals by 2015, as well as on development results over the longer term. We will hold each other accountable for implementing our respective actions in developing countries and at the international level. As we focus on implementing our commitments at the country level, we will form a new, inclusive Global Partnership for Effective Development Co-operation to support implementation at the political level.

Realising change: complementary actions to reach common goals

13. Today's complex architecture for development co-operation reflects a world in which the sources of development solutions have become geographically diverse. The traditional donor-recipient relationship has given way to a model in which resources and knowledge are shared in a range of directions among different types of actors, as well as countries at different stages in their development. Many emerging economies have become important providers of development co-operation. While North-South co-operation remains the main form of development co-operation, South-South co-operation continues to evolve, providing additional resources for development. The challenges faced by many emerging economies mean they remain eligible to benefit from development co-operation provided by others, yet they have increasingly taken upon themselves the responsibility to share experiences and co-operate with other developing countries. While the modalities and approaches relating to South-South co-operation differ from those of North-South co-operation, each of us is encouraged to increase efforts to fulfil the principles and actions agreed here, based on our respective situations. At Busan, we all form an integral part of a new and inclusive agenda for effective co-operation founded on common goals, shared principles and differentiated actions.

Improving the quality and effectiveness of development co-operation

14. Progress has been made in advancing the aid effectiveness agenda, yet major challenges persist. Evidence has shown that – despite the challenges encountered in the implementation of our respective commitments – many of the principles underpinning the Paris Declaration on Aid Effectiveness and Accra Agenda for Action have contributed to higher quality, more transparent and effective development co-operation.

15. We will sustain our high-level political leadership to ensure that the commitments made here in Busan are implemented. Within this context, those of us that endorsed the mutually agreed actions set out in Paris and Accra will intensify our efforts to implement our respective commitments in full. A growing range of actors – including middle-income countries, providers of South-South co-operation and civil society organisations – have joined others to forge a broader, more inclusive agenda since Paris and Accra, embracing their respective and different commitments alongside shared principles.

16. Drawing on the evidence generated through periodic monitoring and the independent evaluation of the Paris Declaration, we will be guided by a focus on sustainable results that meet the priority needs of developing countries and their citizens, and will make the urgently needed changes to improve the effectiveness of our partnerships for development.

Ownership, results and accountability

17. Together, we will increase our focus on development results. To this end:

- a) Developing countries' efforts and plans to strengthen core institutions and policies will be supported through approaches that aim to manage – rather than avoid – risk, including through the development of joint risk management frameworks with providers of development co-operation.
- b) Transparent, country-led results frameworks and platforms will be adopted as common tools to assess performance with all concerned actors, based on a manageable number of indicators drawn from the development priorities and goals articulated by developing countries. Providers of development co-operation will minimise their use of additional frameworks, refraining from requesting the introduction of performance indicators that are not consistent with countries' national development strategies.

- c) We will partner to implement an Action Plan to enhance capacity for statistics to monitor progress, evaluate impact, ensure sound, results-focused public sector management, and highlight strategic issues for policy decisions.
- d) As we deepen our efforts to ensure that mutual assessment reviews are in place in all developing countries, we encourage the active participation of all development co-operation actors in these processes.
- e) Pursuant to the Accra Agenda for Action, we will accelerate our efforts to untie aid to the maximum extent. We will, in 2012, review and publish our plans to achieve this. In addition to increasing value for money, untying can present opportunities for local procurement, business development, employment and income generation in developing countries. We will improve the quality, consistency and transparency of reporting on the tying status of aid.¹

18. The use of developing countries' systems remains central to our efforts to build effective institutions. To this end, we will build on our respective commitments set out in the Paris Declaration and Accra Agenda for Action to:²

- a) Address any constraints to the implementation of our respective commitments to use country systems as the first option for development co-operation in support of activities managed by the public sector.
- b) Where full use of country systems remains challenging, resources provided in the context of development co-operation to the public sector should – at a minimum – be integrated with the strategic plans of government entities, reported in budget documentation, included in the revenues and expenditures approved by parliament, and the financial reports produced by government.
- c) Providers of development co-operation will continue to state clearly the reasons for which country systems are not used, reviewing their positions at regular intervals.

19. We must accelerate our efforts to achieve gender equality and the empowerment of women through development programmes grounded in country priorities, recognising that gender equality and women's empowerment are critical to achieving development results. Reducing gender inequality is both an end in its own right, and a prerequisite for sustainable and inclusive growth. As we redouble our efforts to implement existing commitments we will:

- a) Accelerate and deepen efforts to collect, disseminate, harmonise and make full use of data disaggregated by sex to inform policy decisions and guide investments, ensuring in turn that public expenditures are targeted appropriately to benefit both women and men.
- b) Integrate targets for gender equality and women's empowerment in accountability mechanisms, grounded in international and regional commitments.

1 . Note: at the time of release of this draft, Rwanda and the African countries it represents were unable to confirm their endorsement of the text contained in this paragraph, citing the absence of a time-bound commitment for aid untying as a constraint.

2 . Note: at the time of release of this draft, Rwanda and the African countries it represents were unable to confirm their endorsement of the text contained in this paragraph, citing the absence of a commitment to use country systems as the default approach for the delivery of development co-operation as a constraint.

- c) Address gender equality and women's empowerment in all aspects of our development efforts, including peacebuilding and statebuilding.

20. Parliaments and local governments play critical roles in linking citizens with government, and in ensuring broad-based and democratic ownership of countries' development agendas. To facilitate their contribution, we will:

- a) Accelerate and deepen the implementation of existing commitments to strengthen the role of parliaments in the oversight of development processes, including by supporting capacity development – backed by adequate resources and clear action plans.
- b) Further support local governments to enable them to assume more fully their roles above and beyond service delivery, enhancing participation and accountability at the sub-national levels.

21. Civil society organisations (CSOs) play a vital role in enabling people to claim their rights, in shaping development policies and partnerships, and in overseeing their implementation. They also provide services in areas that are complementary to, or go beyond, those provided by states. Recognising this, we will:

- a) Implement fully our respective commitments to enable CSOs to exercise their roles as independent development actors, with a particular focus on an enabling environment that maximises the contributions of CSOs to development.
- b) Encourage CSOs to implement practices that strengthen their accountability and their contribution to development effectiveness, guided by the Istanbul Principles and the International Framework for CSO Development Effectiveness.

Transparent and responsible co-operation

22. We will work to improve the availability and public accessibility of information on development co-operation and other development resources, building on our respective commitments in this area. We will also work to make development co-operation more predictable in its nature. To this end, we will:

- a) Make the full range of information on publicly funded development activities, their financing, terms and conditions, and contribution to development results, publicly available.
- b) Focus, at the country level, on establishing transparent public financial management and aid information management systems, and strengthen the capacities of all relevant stakeholders to make better use of this information in decision-making and to promote accountability.
- c) Implement a common, open standard for electronic publication of timely, comprehensive and forward-looking information on resources provided through development co-operation, taking into account the statistical reporting of the OECD-DAC and building upon the complementary efforts of the International Aid Transparency Initiative and others. This standard must meet the information needs of developing countries and non-state actors, consistent with national requirements. We will agree on this standard and publish our respective schedules to implement it by December 2012, with the aim of implementing it fully by December 2015.
- d) Those of us who committed, through the Accra Agenda for Action, to improve medium-term predictability will implement fully our commitments in this area, introducing reforms where needed. By 2013, they will provide available, regular, timely rolling three- to five-year indicative forward expenditure and/or implementation plans as agreed in Accra to all developing countries

with which they co-operate. Other actors will aim to provide developing countries with timely and relevant information on their intentions with regard to future co-operation over the medium term.

23. We welcome the diversity of development co-operation actors. Developing countries will lead consultation and co-ordination efforts to manage this diversity at the country level, while providers of development assistance have a responsibility to reduce fragmentation and curb the proliferation of aid channels. We will ensure that our efforts to reduce fragmentation do not lead to a reduction in the volume and quality of resources available to support development. To this end:

- a) We will, by 2013, make greater use of country-led co-ordination arrangements, including division of labour, as well as programme-based approaches, joint programming and delegated co-operation.
- b) We will improve the coherence of our policies on multilateral institutions, global funds and programmes. We will make effective use of existing multilateral channels, focusing on those that are performing well. We will work to reduce the proliferation of these channels and will, by the end of 2012, agree on principles and guidelines to guide our joint efforts. As they continue to implement their respective commitments on effectiveness, multilateral organisations, global funds and programmes will strengthen their participation in co-ordination and mutual accountability mechanisms at the country, regional and global levels.
- c) We will accelerate efforts to address the issue of countries that receive insufficient assistance, agreeing – by the end of 2012 – on principles that will guide our actions to address this challenge. These efforts will encompass all development co-operation flows.
- d) Providers of development co-operation will deepen and accelerate efforts to address the problem of insufficient delegation of authority to their field staff. They will review all aspects of their operations, including delegation of financial authority, staffing, and roles and responsibilities in the design and implementation of development programmes; they will implement measures that address the remaining bottlenecks.

Promoting sustainable development in situations of conflict and fragility

24. Fragile states are for the large part off track to meet the Millennium Development Goals (MDGs). Achieving these goals will depend on our collective ability to understand the unique challenges facing fragile states, overcome these challenges, and promote foundations for lasting development. We endorse the New Deal agreed by the International Dialogue on Peacebuilding and Statebuilding, and will undertake actions to implement it. In doing so, we will:

- a) Use the Peacebuilding and Statebuilding Goals (PSGs) – which prioritise legitimate politics, security, justice, economic foundations and the strengthening of countries' revenues and services – as an important foundation for progress towards the MDGs in fragile and conflict-affected states. We will monitor progress towards each goal at the global and country levels, with fragile states and international partners agreeing on indicators by September 2012.
- b) Focus on new ways of engaging, supporting inclusive transitions out of fragility led and owned by countries themselves. We will use country-led assessments of fragility, single plans backed by a common vision, and a country compact to support implementation, integrating these elements in ways that strengthen country institutions and systems.

- c) Build mutual trust by managing resources – including those provided through development co-operation – more effectively and with a focus on results. We will achieve better results in situations of conflict and fragility through the full implementation of our commitments to improve transparency, predictability and risk management, and to make use of strengthened institutions and systems.

Partnering to strengthen resilience and reduce vulnerability in the face of adversity

25. We must ensure that development strategies and programmes prioritise the building of resilience among people and societies at risk from shocks, especially in highly vulnerable settings such as small island developing states. Investing in resilience and risk reduction increases the value and sustainability of our development efforts. To this end:

- a) Developing countries will lead in integrating resilience to shocks and measures for disaster management within their own policies and strategies.
- b) Responding to the needs articulated by developing countries, we will work together to invest in shock resistant infrastructure and social protection systems for at-risk communities; in addition, we will increase the resources, planning and skills for disaster management at the national and regional levels.

From effective aid to co-operation for effective development

26. Aid is only part of the solution to development. It is now time to broaden our focus and attention from aid effectiveness to the challenges of effective development. This calls for a new vision for development. Within this vision:

- a) Development is driven by strong, sustainable and inclusive growth;
- b) Governments raise their own revenues to finance their development needs and, in turn, are accountable to their citizens for the development results they achieve;
- c) Effective state and non-state institutions design and implement their own reforms and hold each other to account;
- d) Developing countries increasingly integrate, both regionally and globally, creating economies of scale that will help them better compete in the global economy.

To realise this vision, we will rethink what aid should be spent on and how, in ways that are consistent with agreed international rights, norms and standards, so that aid catalyses development.

27. Effective institutions and policies are essential for sustainable development. Institutions fulfilling core state functions must be reformed and strengthened, alongside the policies and practices of providers of development co-operation, to facilitate the leveraging of resources by developing countries. Developing countries will lead in efforts to strengthen these institutions, adapting to local context and differing stages of development. To this end, we will:

- a) Support the implementation of institutional and policy changes led by developing countries, resulting in effective resource mobilisation and service delivery, including national and sub-national institutions, parliaments and civil society.

- b) Assess country institutions, systems and capacity development needs, led by developing countries.
- c) Support the development of improved evidence on institutional performance to inform policy formulation, implementation and accountability, led by developing countries.
- d) Deepen our learning on the determinants of success for institutional reform, exchanging knowledge and experience at the regional and global levels.

South-south and triangular co-operation for sustainable development

28. The inputs to sustainable development extend well beyond financial co-operation to the knowledge and development experience of all actors and countries. South-South and triangular co-operation have the potential to transform developing countries' policies and approaches to service delivery by bringing effective, locally owned solutions that are appropriate to country contexts.

29. We recognise that many countries engaged in South-South co-operation both provide and receive resources and expertise at the same time, and that this should enrich co-operation without affecting a country's eligibility to receive assistance from others. We will strengthen the sharing of knowledge and mutual learning by:

- a) Scaling up – where appropriate – the use of triangular approaches to development co-operation.
- b) Making fuller use of South-South and triangular co-operation, recognising the success of these approaches to date and the synergies they offer.
- c) Encouraging the development of networks for knowledge exchange, peer learning and co-ordination among South-South co-operation actors as a means of facilitating access to important knowledge pools by developing countries.

Private sector and development

30. We recognise the central role of the private sector in advancing innovation, creating wealth, income and jobs, mobilising domestic resources, and in turn contributing to poverty reduction. To this end, we will:

- a) Engage with representative business associations, trade unions and others to improve the legal, regulatory and administrative environment for the development of private investment; and also to ensure a sound policy and regulatory environment for private sector development, increased foreign direct investment, public-private partnerships, the strengthening of value chains in an equitable manner, and the scaling up of efforts in support of development goals.
- b) Ensure the participation of the private sector in the design and implementation of development policies and strategies to foster sustainable growth and poverty reduction.
- c) Further develop innovative financial mechanisms to mobilise private finance for shared development goals.
- d) Promote “aid for trade” as an engine of sustainable development, focusing on outcomes and impact, to help address market failures, strengthen access to capital markets, and to promote approaches that mitigate risk faced by private sector actors.

- e) Invite representatives of the public and private sectors and related organisations to play an active role in exploring how to advance both development and business outcomes so that they are mutually reinforcing.

Combating corruption and illicit flows

31. Corruption is a global plague that seriously undermines development, diverting resources that could be harnessed to finance development, damaging the quality of governance institutions, and threatening human security. It often fuels crime and illicit goods, and contributes to conflict and fragility. We will intensify our joint efforts to fight corruption and illicit flows, consistent with the UN Convention Against Corruption and other agreements to which we are party, such as the OECD Anti-Bribery Convention. To this end, we will:

- a) Implement fully our respective commitments to eradicate corruption, enforcing a culture of zero tolerance for all corrupt practices. This includes efforts to improve fiscal transparency, strengthen independent enforcement mechanisms, and extend protection for whistleblowers.
- b) Accelerate our individual efforts to combat illicit financial flows by strengthening anti money laundering measures, addressing tax evasion, and strengthening national policies, legal frameworks and institutional arrangements for the tracing, freezing and recovery of illegal assets. This includes enacting and implementing laws and policies that facilitate improved international co-operation.

Climate change finance

32. Global climate change finance is expected to increase substantially in the medium-term. Recognising that this resource flow brings with it new opportunities and challenges, we will endeavour to promote coherence, transparency and predictability across our approaches for effective climate finance and broader development co-operation, including to:

- a) Continue to support national climate change policy and planning as an integral part of developing countries' overall national development plans, and ensure that – where appropriate – these measures are financed, delivered and monitored through developing countries' systems in a transparent manner.
- b) Continue to share lessons learned in development effectiveness with those entities engaged in climate activities and ensure that broader development co-operation is also informed by innovations in climate finance.

The road ahead: Partnering for progress towards and beyond the MDGs

33. We will hold each other accountable for making progress against the commitments and actions agreed in Busan, alongside those set out in the Paris Declaration on Aid Effectiveness and Accra Agenda for Action. To this end, we will:

- a) At the level of individual developing countries, agree on frameworks for monitoring progress and promoting mutual accountability in our efforts to improve the effectiveness of our co-operation and, in turn, development results. Developing countries will lead in the elaboration of such frameworks which, together with any indicators and targets agreed, will respond to their specific needs and will be grounded in their aid and development policies. The results of these exercises will be made public.
- b) Agree, by June 2012, on a selective and relevant set of indicators and targets through which we will monitor progress on a rolling basis, supporting international and regional accountability for the implementation of our commitments. We will build on the initiatives led by developing countries and learn from existing international efforts to monitor aid effectiveness. We will periodically publish the results of these exercises.
- c) Support initiatives at the national and regional levels led by developing countries that strengthen capacities to monitor progress and evaluate the impact of efforts to improve development effectiveness.

34. We accept that the strengthening of our co-operation and the adherence to both common goals and differentiated commitments calls for continued high-level political support, as well as an inclusive space for dialogue, mutual learning and accountability at the global level. Regional organisations can and should play an important role in supporting implementation at the country level, and in linking country priorities with global efforts. The UN Development Cooperation Forum is also invited to play a role in consulting on the implementation of agreements reached in Busan. To this end, we will:

- a) Establish a new, inclusive and representative Global Partnership for Effective Development Co-operation to support and ensure accountability for the implementation of commitments at the political level. This Partnership will offer an open platform that embraces diversity, providing a forum for the exchange of knowledge and the regular review of progress.
- b) Agree, by June 2012, on the working arrangements for this Global Partnership, including its membership and opportunities for regular ministerial-level engagement that complements, and is undertaken in conjunction with, other fora.
- c) Call on the Working Party on Aid Effectiveness (WP-EFF) to convene representatives of all countries and stakeholders endorsing this document with a view to reaching agreement on the working arrangements for the Global Partnership – and the indicators and channels through which global monitoring and accountability will be supported – in preparation for the phasing out of the WP-EFF and its associated structures in June 2012.
- d) Invite the Organisation for Economic Co-operation and Development and the United Nations Development Programme to support the effective functioning of the Global Partnership, building on their collaboration to date and their respective mandates and areas of comparative advantage.

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