

## AFRICAN UNION COMMENTS ON THE 2<sup>ND</sup> DRAFT BUSAN OUTCOME DOCUMENT

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The following are comments from representatives of the Member States of the African Union, Parliaments, Regional Economic Communities, institutions/organizations, Civil Society including Women and Youth groups, Business and Academia, together with development partners who met at the 3<sup>rd</sup> Africa Regional Meeting, September 2011, with the aim of consolidating Africa's position on aid reforms and the need for a new global partnership. The discussions on the second draft Busan Outcome document took place under the umbrella of the Africa Union, consolidating the voice of African Members States and Stakeholders.

### **Introduction**

The AU welcomes the broadened scope of the draft Busan Outcome Document (BOD), placing aid effectiveness within the relevant context of development effectiveness. The aid effectiveness principles become even more important now that developing countries are calling for aid to play a real *catalytic role*, unlocking the full potential of productive sectors, domestic resources and sustainable capacities for development. The long term goal of effective aid and development is the end of aid dependency, taking into account that development is literally a process of empowerment and self-reliance.

The language in the current BOD needs to be strengthened in line with the commitments endorsed in the Paris Declaration and the Accra Agenda for Action. The BOD is rather silent on the principles and commitments that will guide aid reforms.

### ***Unfinished Aid Agenda***

Africa is calling for accelerated and comprehensive delivery of out-standing commitments by development partners in the Paris Declaration and Accra Agenda for Action aligned to *both* national and regional integration imperatives towards consolidating development efforts.

Central to development effectiveness, required are innovative ways to direct Aid towards developing capacity for domestic resource mobilization; thus making development cooperation responsive to Africa's desire to ensure structural transformation of its economy, with a focus on beneficiation and domestic capital formation, in stimulating growth and expansion for employment creation with a particular focus on youth and women empowerment;

The enhancement of African or domestic engagement through aid delivery development is a key focus area with sensitivity to consumer demands. These are distinct from multinationals or their Africa based subsidiaries. In summary, Aid should work with other instruments to effectively support development results. In that light, commitments around the use of country systems, elimination of conditionality, promotion of transparency, aid predictability and mutual accountability must be fully implemented;

Notably, the "Aid effectiveness 2005-10: Progress in implementing the Paris Declaration" shows that, whereas developing countries have made impressive progress in implementing their commitments, progress on the development partner side is limited and often indicates *a lack of political will*.

Busan must be the turning point where development partners and countries start to fully approach aid and development effectiveness as *not just a technical and procedural issue but acknowledge the political nature of this engagement*. This view requires that the BOD explicitly outlines the very key *actionable issues which require political commitment*, in the interest of the well being of people in the developing world and towards addressing global cooperation imbalances.

## **Key Issues Requiring Political Commitment**

Therefore, a number of amendments to the current draft BOD are necessary that are of *both political and technical nature*, as detailed below and in Annex 1. The following are a *set of key issues requiring political attention and commitments*, which African countries see as fundamental for successful implementation of the aid and development effectiveness agenda.

### ***Ownership***

Ownership is the foundation of every effective aid and development programme. We reiterate the ultimate and indispensable need for *developing countries to take full responsibility for their own development, through setting out national visions and development strategies for the effective use of both internal and external resources*. For development partners to engage effectively in development programmes, they must fully respect this partner country responsibility and not undertake any steps that could interfere with this principle. This requires development partners to understand the full weight of the measures they committed to in order to improve predictability and transparency of funding as committed in the Paris and Accra. The current wording of the draft BOD does not sufficiently emphasise the agreed international standards for country ownership.

### ***Using Country Systems***

With regard to country systems, the draft BOD focuses almost entirely on the responsibilities of developing country governments to build effective institutions with little emphasis on the responsibilities and commitment of development partners to make use of country systems. Importantly, there should be reference to the principle of enhancing endogenous institutions away from the establishment of parallel systems and processes.

It is our view that the use of country systems and choice of funding modality is no longer principally dependant on technical improvements, but is subject to political decisions and legal constraints, that are not currently addressed by development partners. The 2005-10 Aid effectiveness report shows that an impressive number of African countries have made considerable progress in strengthening country systems, yet development partners have not responded to this by increasing the use of country systems.

As yet, national ownership and democratic accountability is undermined by development partners' ongoing provision of aid off-budget, the non-use of country systems, the number of parallel and embedded implementation units and the volume of stand-alone projects. Such practices create huge transaction costs and misdirect crucial resources that could be dedicated for capacity development; hence the need for future integrated aid mechanisms that compel development partners to provide short-term plans for complete alignment with partner country systems.

Furthermore, it is fundamental to recall that the country systems approach must be understood as broadly as it was defined in the AAA as including not only public financial management and procurement, *but also, among others, accounting, auditing, results frameworks and monitoring*. Of concern is the repetitive call in the current BOD for the establishment of new systems. We emphasise that as a matter of default, existing country systems must be used, and if necessary on request of the country strengthened.

### ***Capacity Development***

We underscore that capacity development is at the heart of *all* effective development initiatives. Related to above, while the BOD priority on effective institutions is a topmost priority for Africa, capacity development in its totality has emerged as a fundamental way for Africa to attain the desired development results, hence the need to reflect the actual realities and priorities. *Therefore, the scope of*

*capacity development is limited in the BOD. The text does not reflect sufficiently the primary importance of capacity development for aid and development effectiveness. The only way development programmes can have a lasting impact on people's well being is when they address people's, societies' and governments' capacities to manage and improve their own well being successfully.*

Essentially, Africa further reiterates that at the centre of Aid delivery should be *a more systematic improvement of individual and institutional capacity, supported by enabling policy frameworks and effective knowledge-based capacities.* This is the only way of adding real value to the abundant natural resources for sustainable economies. A particular focus is on harnessing and strengthening a range of African capacities in various contexts including for post-conflict reconstruction, through utilizing and re-orienting local and regional capacities as first preference. This serves to promote fit, local ownership and leadership for sustainability.

A strong system of African expertise and experience exchanges, with attributive value, to facilitate engagement and sharing of intra-African knowledge, know-how and technical resources is called for. This is related to the strengthening of the current model of technical assistance, which primarily uses foreign expertise. Linked to this priority, is also the strengthening of existing and emerging African led processes of regional cooperation and integration which aim to pool resources.

In addition, emphasis should be placed on developing capacities for both domestic and mutual accountability with a strong citizen empowerment fundamental, as part of the monitoring and evaluation system. Hence, in order for state institutions to be effective, it is essential that there is associated and accompanying private sector, CSO, Parliaments, tertiary institutions and citizen-based capacities including women's groups for inclusive development results. Developmental states and institutions are based on robust capacities of all state and non-state actors. In order to realize all of the above CD priorities including that of effective institutions, *purposeful and development-oriented leadership capacity is a key ingredient.*

Therefore, the scope of this important issue of capacity should be determined by the question – *capacity for what? – And it is capacity for a developmental state.* This then sets the contours of the CD agenda post-Busan.

### ***Managing for Results***

The draft BOD frequently underlines the importance of results based management tools. Nevertheless, there is no clear definition of what results are. Whereas all parties might easily agree that the question of impact is important when initiating a development programme, there is a tendency among some development partners to *reduce the understanding of “result” to “quick, “tangible”, and “measurable” outcomes*”. The draft BOD seems to confirm this standpoint, presenting the measurement of results as the end-result. While these are important, development programmes must first and foremost forge change, not merely support the development of measurement tools. Development programmes must support sustainable change processes and thus require long-term commitments. Developmental change is not always a tangible process, as the *less tangible results are often strategic and important.* The language in the BOD must reflect this.

### ***Mutual Accountability***

*Mutual accountability is key in pressing for performance on all other “Paris principles” including ownership, alignment, harmonisation and results based management.* The draft BOD must therefore broaden its understanding of mutual accountability. Countries and development partners have been struggling to establish functional mutual accountability mechanisms, even though mutual accountability is critical to hold all parties responsible for targeted results and to turn development cooperation into a

true, balanced and mature partnership. If accountability is not mutual, it risks adding demands on recipients through sanctions that might not affect the other side.

*Development Partners need to develop their own accountability capacities and take measures that integrate accountability towards partner countries into their institutional management models. Clear, reliable and accurate data need to be provided on a regular basis by all parties, using national reporting systems which feed into strong country-led mutual accountability frameworks. Mutual accountability between governments and development partners need to be anchored on domestic accountability thus the need to strengthen rather than act to undermine it.*

*Accountability is not just relevant for aid, but for any development policy, as well as, outcomes. Strong and inclusive accountability mechanisms are essential to guarantee coherence between all policy instruments for development. This helps to establish a culture of transparency that is essential for private and public investment to flourish. Such measures will also assist in combating corruption on both sides.*

### ***Regional Dimension of Aid and Development Effectiveness***

Africa is strong on the regional integration approach towards securing its development goals based on inter and intra-African partnerships and solidarity. This calls for *a clear incorporation of the regional dimension to Aid Effectiveness, where the essential role of Africa's Regional Economic Communities (RECs) as primary mechanisms for South-South cooperation within the AU architecture is acknowledged.* This also applies to regional organizations.

*Regional integration is a fundamental tool for ensuring aid and development effectiveness. Key components of regional integration are enhanced productive capacity, trade and regional infrastructure covering transport, ICT, energy and water management.*

Such regional investments require the expansion of innovative financing mechanisms such as the leveraging of ODA to mobilize private financing resources and the possibility for multilateral institutions to lend directly to regional organizations particularly RECs for implementation of cross-border programmes and projects of regional significance. *The strengthening of requisite large scale project planning, implementation, monitoring and evaluation capacities is of primary significance.*

Consequently, regional aid management shall include effective monitoring mechanisms that enhance mutual accountability for transparency, predictability, ownership, alignment and the use of own systems and procedures.

### **“Beyond Aid” and Towards a New Development Cooperation Architecture**

Africa undertakes to utilize self-organizing ‘beyond Aid’ mechanisms to reduce Aid reliance and stimulate a strong and varied development finance base for sustainability. This objective is connected to the priorities stated above and overall need for development assistance to be particularly directed at Africa’s real economy;

Africa is committed to building and strengthening coalitions that will consolidate Southern-led cooperation at the intra and inter-regional levels. Forging creative partnerships that will promote more inclusive, equitable and sustainable forms of development cooperation is paramount. This new architecture also calls for the adoption of *robust African driven mechanisms to monitor progress and outcomes post-HLF4 aligned with the African development structure.*

## **South-South Cooperation**

New forms of South-South Cooperation are evolving as the most promising partnership approach to support African-owned and led processes of building and managing a knowledge economy for development as well as solidarity amongst developing countries;

Africa lends stronger support for horizontal and triangular partnerships. This favours the fostering of institutionalized space for peer review and mutual learning drawing on experiences among African countries and other Southern partners, including emerging economies.

South-South Cooperation is also a mechanism for developing local capacities through the use of southern-based expertise and resources including exchanges in technology and information. This agenda enhances Africa's own pan-African agenda on development effectiveness. This premise is supported by an evidence base on SSC and CD from studies undertaken in the African region.

### ***Global Monitoring and Evolving Cooperation Architecture***

The draft BOD should clearly acknowledge the full importance of continued efforts to make inclusive the international monitoring of the implementation of the Paris, Accra and Busan agreements. Such *monitoring, through comprehensive and time bound indicators, is vital in maintaining political momentum to implement these agreements.* It is also important that the focus of monitoring is not narrowed further. While, the current focus of monitoring has led to an effective level of honouring many of the Paris and Accra commitments, *there is scope for inclusiveness through a necessary expansion of actors for sustainability.*

The monitoring framework must be renewed and enhanced through an *inclusive, representative and accountable mechanism with strong and formal representation of Africa.* The mechanism should have *explicit linkages to national and regional level monitoring* to serve as an indispensable tool for international pressure on the implementation of Paris, Accra and Busan commitments. Such pressure is absolutely necessary.

Within the African development frame, RECs and regional organizations play a critical role based on the Continent-wide commitment to regional integration, and as such are *indispensable actors* and should be signatories to the BoD. This is essential for credibility and legitimacy of post-Busan commitments in Africa. Therefore, the inclusion of Heads of RECs and regional institutions is important as these are currently excluded from signing on any of the formal processes.

Therefore, alongside with other actors, heads of RECs and organizations should be signatories to the BOD as they consistently engage with countries at national and regional development. Reference to "countries" as used here is inclusive of domestic stakeholders and supportive regional organizations primarily because these organizations have more direct influence on national development based on their positioning in securing regional value-chains.

### **The post-Busan Agenda**

An inclusive aid architecture is fundamental in addressing entrenched global imbalances for an adequate African voice. This calls for a partnership framework that respects Africa's endogenous systems and assets at national and regional levels. Partners' interface with Africa should serve to *consolidate the continued mobilization of emerging regional and national systems and processes for localized and more effective knowledge sharing.* This should also form the basis for monitoring and evaluating progress of Post-Busan commitments on AE and DE.

African is committed to the establishment of locally driven and regionally linked global M & E systems that will help to foster alignment, quality and effective coordination between providing and receiving Southern partners.

The monitoring framework must be renewed and enhanced through an *inclusive, representative and accountable mechanism with strong and formal representation of countries alongside Africa's RECs and regional organizations*. The mechanism should have explicit linkages to national *and* regional level monitoring to serve as a vital tool for international pressure on the implementation of Paris, Accra and Busan commitments.

Post-Busan, the Continent will work on an African Charter<sup>1</sup> to define 'development assistance good practice' to govern relationships between AU member states and northern or southern development partners. This would allow for the creation of norms that incorporate Africa's current reality, partnership principles and aims, and serve as a basis for a new paradigm for development assistance.

Annexed are in-text and broad comments on the current version of the BoD.

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<sup>1</sup> *The NEPAD* "will establish a forum of African countries so as to develop a common African position on ODA reform, and to engage with the Development Assistance Committee (DAC) of the OECD and other donors in developing a charter underpinning the development partnership. This charter will identify the Economic Governance Initiative as a prerequisite for enhancing the capacity of African Countries ..." *NEPAD, 2001, para 148. Among specific "Actions"* – "constitute an ODA forum for developing a common African position on ODA reform, as a counterpart to the OECD/DAC

## **Annex 1: In-text and broad comments on 2<sup>nd</sup> BOD**

### **General Comments**

1. The terminology used to refer to stakeholders must be made uniform for clarity, e.g., aid provider, aid recipient, developing countries, etc.
2. The use of “we” needs to be carefully applied. It is necessary to have a specific and consistent meaning particularly with reference to “stakeholders”. Without a clear cut definition, the broad use of “we” can be discriminatory as it often implies an exclusion of some groups, similar to the use of “those of us”. This can also serve to compromise the ownership principle in specific paragraphs. African countries are supported by these organizations based on a well coordinated and linked vision of growth and prosperity.
3. As a matter of principle, the use and strengthening of existing frameworks incl systems and processes at country level is demanded. The use of country systems serves many purposes for sustainable delivery, M & E etc including the enhancement of the same systems (which in essence is capacity development). Therefore, the African Union (AU) does not commit to the creation of a new frameworks, systems etc in cases where these exist. These should be used as basis for strengthening in order to secure sustainability; the creation of parallel processes and structures erodes ownership and serves to fragment African efforts on national development and the aligned regional integration.
4. Future aid mechanisms must compel and support development partners to provide short-term plans for complete alignment to partner country and regional systems.
5. The current version of the Busan Outcome Document (BOD) is weak on actionable steps. The BOD must be specific in order to allow for a development of time-bound targets.
6. Overall, the AU is greatly concerned that the language in the current Busan Outcome Document is weaker than the commitments endorsed under the Paris and Accra.
7. The AU requires recognition of the tremendous progress made by partner countries in honouring the Paris principles as stated in the Monitoring report. We appreciate progress made by some development partners. We deem important, however, to point out that progress made on the side of development partners is less consistent – and the lack of political will as referenced in the monitoring report is a matter of great concern. The issue of capacity development as detailed in the Monitoring report also requires due attention.
8. Greater attention should be paid throughout the document to the principle of “mutual accountability” with due respect to ownership.

### **Preamble**

- Para 7: The AU appreciates progress made with the development of the 2<sup>nd</sup> BoD in accommodating a broad range of interests. We particularly welcome the reference made to catalytic aid, reduction of aid dependency, policy coherence, and very tangible commitments to development effectiveness. In this regard, we reiterate that aid should be focused on capital

investments, infrastructure and capacity development and less on consumption and running costs.

### ***Shared Principles for a Global Partnership for Development Effectiveness***

- Para 10. (a) : Reference should not be limited to poverty and inequality objectives but to Africa's fundamental goal of growth and wealth creation. A framework that encompasses the two important aspects implies a richer mix of tools and approaches, which is a key ingredient for sustainable results.
- Para 10 (b): Measuring results should not become an end-result. Investment must serve to forge changes as primary with the measuring of results serving a learning purpose. Linked to this is the reality that effective development can only be realised through long-term commitments and not short term quick fixes - the language should reflect this. We therefore require language that reflects (a) we will like to track progress overtime, and (b) delete "concrete" as changes are always not tangible. This is in recognition that in CD there are tangible and less tangible results.
- Para 10 (d): Development support must give priority to interventions that will lead to domestic resource mobilisation.
- Para 10 (g): "taking steps to promote" is too weak a phrase. There is need for definitive commitments to ensure transparency and accountability as well as predictability.
- Para 11 (a): In the spirit of Paris and Accra, the use of country systems should be the default position. In taking this important principle further, it is necessary that the ownership commitment is taken in its strictest sense to embrace the fact that developing countries define their monitoring framework drawing upon their own context-specific experiences.
- Para 11(b): Replace collaboration with real commitment. We should "commit" to monitor, rather than "collaborate".
- Para 11 (c): We recommend that this paragraph is moved to paragraph 28, as this should be applicable for all actions in the Busan document.

### ***Ownership, results and accountability***

- The clustering of ownership, results and accountability weaken the pillar principle of "ownership". Ownership is the foundation of all successful development engagement and we propose that this should be stated as such. The ownership principle furthermore deserves to be specifically addressed in a standalone dedicated section.
- 14 (a): "Agreed" must be deleted, replaced with "national development plans".
- 14 (c) : This paragraph should be replaced by "transparent, individual country results framework.
- 14 (d): This paragraph should read as "Development partners commit themselves to support" instead of "we will work together to develop".

- 14(e): Clarity is needed regarding the intention and application of “mutual assessment reviews”. This is merely one tool to be used in a broader mutual accountability framework, and should not be jointly developed but must come from existing mechanisms. Both ownership and use of country systems is compromised in this current paragraph.
- 14(f): The current definition of untied aid needs to be revisited and amended to reflect the current and future reality. We require more participatory and transparent methodologies in monitoring and reporting on untied aid. For instance, donor procurement practice is an issue of great concern to the AU and needs to be fundamentally reviewed. Indeed, current practices come as formally untied but in reality still favour firms from donor countries, making it virtually impossible for firms from partner countries to compete. Such practices must be brought to an end. Developing countries must be given the right to maintain preferences for procurement of local goods and services in order to have development impacts on national productive sectors.
- 15: We require language in this section to clearly reflect that corruption is not only a developing country problem but a global challenge. We therefore call for a global commitment to eradicate corruption both in developed and developing countries (see also paragraph 26).
- 17 (a): In strengthening the role of parliaments, specific attention should be given to existing commitments on transparency and accountability. Such commitments must be adhered to.

### ***Transparent and responsible cooperation***

- 18 (a): This is not equal partnership, but remains the responsibility of partner countries with *support* from developed countries where requested.
- 18 (b): the emphasis should not be “establishing” but “strengthening”. Strengthening should come from the use of existing systems.
- 18 (c): We should design and implement a *minimum* standard.
- 18 (d): Both aid providers and recipients shall implement. Reference should be made to all who committed in the various and related global meetings, and not only limited to those that endorsed the Accra Agenda for Action. Predictability should cover both in-year and medium-term.
- 19 (a): Replace “this involves greater use of .....” with “This will be a country-led arrangement”.
- 19 (b): Delete the second sentence.
- 19 (c): Delete the second sentence. Global criteria should be developed to determine withdrawing of funding support, and there need to be a global mechanism to ensure that withdrawal does not create aid orphans.

### ***Promoting sustainable development in situations of conflict, fragility and vulnerability***

- 20: The new global framework for aid architecture must be created to accommodate achieving the MDGs. In this regard, strengthening of institutional capability must be emphasized. It needs to be targeted to where most needed, thus, weakest states.
- 20 (a): Country ownership must be emphasized.
- 21: It is the prerogative for partner countries to determine what gets prioritized. Delete “our” in the second sentence.

### ***From aid to development effectiveness***

22: Development effectiveness does not substitute aid. Aid is part and parcel of development effectiveness. The second paragraph should be rephrased as: “We therefore commit under the guidance of partner country to implement actions”. Emphasis should not be on poverty reduction but wealth creation. Gender equity, transparency and participation must be referenced.

### ***Knowledge sharing for sustainable development***

- 24 (b): The scope and application for south-south cooperation cannot be prescribed by the HLF.

### ***and development***

- 25: Include the role of multi-lateral cooperation in the preamble. Change public-private collaboration to public-private partnership. Also address cooperation for social responsibility and the role of domestic private sector and the informal businesses which are mainly owned by women.
- 25 (c): Aid must give specific focus to strengthening partner countries’ private sector capacities including the women informal sector.
- 25 (d): Expand to include trade at both continental and regional level. The reference to capital market failure must be removed as capital markets have unacceptable ideological underpinnings.
- 25 (e): Re-design global benchmarks should be included.

### ***Combating corruption and illicit flows***

- 26: Specific reference must be made to the fact that corruption is a problem for both developed and developing world. Of urgency are reforms to global financial policies and systems in governing the flow and ease of repatriation of illicit capital flows back to Africa. Such forms of capital are vital forms of development finance for Africa.

### ***Climate change finance***

- 27 (a): Climate change financing addressed in the BOD must be subject to the outcomes of CoP 17 and other global meetings.
- 27 (b): Should be rephrased as “to consider lessons from development effectiveness, including aid effectiveness”. Emphasis should be put on the use of country systems. Delete “aid” in the last sentence.

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

- 28: replace “a limited set of indicators” with “indicators”. A global framework should be accompanied with corresponding measures to ensure adherence to a specific standard for shared objectives, ease of monitoring and evaluation, knowledge exchanges and learning for continuous improvement.