

On track towards the global governance of aid (in turbulent times)

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The recent G-20 summit in London attracted broad media coverage and extensive attention among policy analysts as an emergency-inspired platform for coping with the global crisis. Focusing mainly on financial measures and macroeconomic management, development-related issues have been dealt with (and southern voices heard) rather superficially, while the evolving juncture between industrialised and emerging economies is still viewed with much scepticism. However, in other areas of global governance, more horizontal global policy-making is already acquiring real substance, as new formulae of joint response and action are generated. This is the case of the Working Party on Aid Effectiveness (WP-EFF) which, just two days before the G-20 summit, gathered 80 countries and multilateral organisations in Paris in order to renew its mandate.

Launched in 2003, the WP-EFF is hosted by the Development Assistance Committee (DAC) of the OECD and constitutes the key platform for promoting aid effectiveness. It thus addresses the implementation of the 2005 Paris Declaration (PD) principles and the commitments reflected in the 2008 Accra Agenda for Action (AAA). In development-related fora, the WP-EFF is often envied and admired for its outstanding dynamism and activism. With the economic turmoil creating a quickly changing landscape for global decision-making, international aid and development policies will now be discussed and agreed upon in a more horizontal way: the WP-EFF has been converted into a parity platform for North-South negotiations. Southern representatives and independent observers highlight the democratising logic behind this opening, which is highly sensitive in view of the predictable cuts in aid. While the WP-EFF agenda appears heavily loaded, confined to a tight timeframe and under high pressure in view of the global crisis, the steps initiated in Paris and continued in Accra are now on track to strengthen the global governance of aid.¹

WP-EFF reloaded: following the spirit of Accra

During its meeting in the OECD headquarters on 31 March and 1 April, the WP-EFF decided to reform its thematic structures in accordance with the AAA mandates. After months of at times heated discussions, the previous division in joint ventures has been transformed into a configuration of five thematic clusters which aim to reflect the Accra mandates on democratic ownership and accountability (cluster A), strengthening and using country systems (cluster B), transparent and responsible aid (cluster C), progress assessment (cluster D), and managing for development results (cluster E). These clusters and their corresponding deliverables are further split into four task teams each, while two additional (freestanding) task teams will focus on health and South-South cooperation (for more detail, see table below).

¹ The global governance of aid is a process in which good practices, standards, financing levels and aid allocation criteria are increasingly based on mutual agreements resulting from a horizontal negotiation process between aid suppliers ("donors") and recipients ("partners"). Implementation is supervised by multilateral bodies on the basis of adequately independent evidence. For previous FRIDE analysis on the global governance of aid, see Stefan Meyer & Nils-Sjard Schulz: From Paris to Accra - Building the Global Governance of Aid, FRIDE Backgrounder, August 2008, and Nils-Sjard Schulz: From Accra to 2011 - Perspectives for the Global Governance of Aid, FRIDE comment, September 2008.

The clusters and task teams aim to interact with each other in certain overlapping areas, while coordination with other DAC bodies² and international organisations and processes³ is also foreseen. Current progress among the task teams varies widely and depends on the degree of previous preparation (“scoping”) by donor and partner countries. In some areas, such as the use of country systems, substantial work had already begun⁴. However, most issues related to transparent and responsible aid (such as conditionality and predictability, which are very relevant to the priorities of recipient countries) are still to be backed by more consistent efforts. The success of the “reloaded” WP-EFF will be measured in terms of its concrete outcomes at the task team level, which should ideally be pursued in a decentralised way, with meetings in both donor and recipient countries.

Overall, the organisational reconstruction of the WP-EFF is a rather complex interpretation of the AAA outcomes. While the sense of shifting North-South relationships is implicitly reflected and thus southern priorities are included, it is not clear how this new structure will conceptually and operationally correspond to the “old” PD composition. Such tensions might appear in the interplay between the rather Paris-focused monitoring and evaluation exercises (based on the five principles agreed in 2005) and the Accra-based contents (plus arising issues) to be debated within the renewed WP-EFF structure.

Furthermore, the schedule for the next two years is very tight. In 2010, a global conference in Colombia will address South-South cooperation and capacity development, the centrepieces of southern stakes in the aid effectiveness agenda (see box). In 2011, South Korea will host the IV High-Level Forum on Aid Effectiveness, in a still unpredictable global economy. Both the ambitious WP-EFF work-plans and the 2010/2011 events will be

South-South cooperation: a catalyst for the global governance of aid?

Based on a longstanding history of solidarity among developing countries, South-South cooperation (SSC) has been introduced into the AAA after a strong bid by middle-income countries such as Brazil, Colombia and South Africa. Article 19 of the AAA establishes ambitious mandates for SSC: to take the effectiveness principles as a reference point, to promote mutual learning, to foster triangular cooperation, and to ensure complementarity with North-South cooperation.

Framing SSC within the aid effectiveness agenda and generating evidence-based good practices on SSC still pose a huge challenge. These tasks will be faced by a Colombia-led task team, as endorsed and strongly supported at the recent WP-EFF meeting. However, the chairs will have to find a sensitive balance between a pragmatic use of the straightforward *modus operandi* of the WP-EFF and the need for close coordination with other multilateral platforms implied in SSC, such as DCF.

Institutionally, the task team might become a playground for identifying from within the added value of the DAC for developing countries and for widening a donor-focused agenda towards southern voices and priorities.

Another catalyst effect might arise from the potential of SSC to strengthen national capacities, enabling countries to cope with the global crisis and shortcuts in development financing. Here, stronger regional dynamics might appear among countries that share specific conditions for crisis management and desire to identify common institutional paths and solutions. Coordinating triangular efforts with conventional donors and multilateral organisations such as regional development banks could be another possibility.

It is thus a time for exploring the actual potential of SSC in political and technical terms, both of which are at the heart of the global governance of aid.

² For example, cluster A will work closely with the new GovNet workstream on Aid and Domestic Accountability as well as with other working groups at GenderNet and EvaluNet.

³ As an example, cluster C will integrate the working *modus* under the International Aid Transparency Initiative (IATI).

⁴ Cluster B will benefit from the conceptual and analytical investments by the previous Joint Venture on Procurement and Public Financial Management.

⁵ See Andrew Mold: Taking stock of the credit crunch: Implications for development finance and global governance, OECD Working Paper 277, Paris, March 2009

⁶ See as an example for this argument the recent communication of the European Commission “Supporting developing countries in coping with the crisis”, COM(2009) 160, April 2009

forced to take into account the global crisis and its impact on developing countries, including a probably serious setback in terms of aid and developing financing⁵. It is still not clear how the WP-EFF might adapt to the economic turmoil which, unsurprisingly, tends to strengthen rather than weaken the more efficiency-related aspects of the aid effectiveness discourse.⁶

Between WP-EFF and DCF: new vigour for global policy-making

Relevant steps have also been taken to improve the contribution of the WP-EFF to the global governance of aid. The number of members has been expanded to 80, with a substantial representation of southern governments. Guiding the WP-EFF towards clear deliverables, a parity-based Executive Committee with about 20 representatives from donors⁷, developing countries⁸, multilateral organisations⁹ and civil society organisations¹⁰ was launched. An even deeper institutional pillar is created by the new formula for co-chairing the WP-EFF, thus far commanded wisely by the now retiring Swedish diplomat Jan Cedergren. As of April 2009, the WP-EFF is chaired by the Director General of EuropeAid, the Dutch Koos Richelle, and the inexhaustible advisor to the Egyptian Ministry of International Co-operation, Talaat Abdel-Malek. This co-leadership in one of the most visible and attractive bodies of the DAC, a pure donor club, is very relevant to an understanding of the prospects for the global governance of aid within the WP-EFF.

Not only is the democratisation of the WP-EFF in full motion, but real progress has been made in adapting existing global governance structures to an increasingly volatile international context. The industrialised world is exploring the possible role of the OECD as an informal G-20 secretariat, and European donors in particular wish the WP-EFF to become a central body for North-South negotiations. For southern countries, an immediate opportunity is to use the WP-EFF as a platform that increasingly complements the strengthened Development Cooperation Forum (DCF), a multilateral body launched by ECOSOC in mid-2007. Some WP-EFF task teams, such as South-South cooperation, are already planning to link their work to the DCF and other UN organisms such as UNDP/UNDG. At the chair level, Mr Abdel-Malek is suitably experienced to ensure convergence, as he is a member of the DCF advisory group.

External constellations will undoubtedly reinforce this new vigour in the global governance of aid. References to the financial and economic crisis were rather hesitant in Paris. But its impact on more horizontal global decision-making, as reflected in the shift from G-8 to G-20¹¹, should accelerate the search for an appropriate strategic division of labour between the WP-EFF (with its ability to agree on norms and good practices) and the DCF (dedicated to the more political dimensions of aid and development). The former will most probably concentrate on pushing the aid effectiveness agenda in times of increasing adversity for development financing. The latter should be able to attend to the bigger picture, particularly regarding shifting power relations between North and South, and the "dilution" of development models. Both donors and recipients (as well as the "in-betweens" such as Brazil, Mexico and South Africa) need to consider using these two layers of global policy-making pragmatically. Here, one of the most interesting entry points is South-South cooperation, which might have ties to both the WP-EFF and the DCF (see box).

Building a smart agenda: turbulent times as an opportunity

While paying for a crisis caused by the industrialised world, developing countries, especially emerging economies and middle-income countries, could take a stance of moral superiority to promote deeper changes in the international system, including the reform of the Bretton Woods institutions, a better anchorage of the G-20 at the regional level and a stronger focus on

⁷Among them, Germany, Netherlands (Nordic+), Japan, Switzerland, the US and the European Commission.

⁸Among them, Colombia, Ghana, Sri Lanka, Philippines, South Africa and Tanzania.

⁹Such as UNDP/UNDG, and the Inter American and African Development Banks.

¹⁰Compared to the HLF Accra, the participation of NGOs was limited, even if the WP-EFF is principally open to members from the civil society. BetterAid was the only platform actively involved in the Paris meeting with three representatives and will take a seat in the Executive Committee.

¹¹See Philip Stephens: Summit success reflects a different global landscape, Financial Times, 3 April 2009.

development in the medium term as opposed to frantic crisis management. Beyond the rather casual call for inclusiveness, a renewed and flexible multilateralism will have to match a quickly rescaling multipolarity of stakeholders and their options on global policies.

As it shifts between the WP-EFF and the DCF, the aid effectiveness agenda might indeed constitute more than just one of the most rewarding ways of putting to test the more horizontal decision-making between North and South. It could also become an antidote against pessimism in turbulent times, setting a clear example of smart global governance.

Clusters and task teams at the “reloaded” WP-EFF

Clusters	Main issue	Task teams
Cluster A: Ownership and accountability (Switzerland and Tanzania)	Quality of recipient country leadership in promoting development	Mutual accountability Domestic accountability Broad-based ownership Country leadership and capacity development
Cluster B: Strengthening and using country systems (Ghana and the US)	Aid channelled through recipient's public financial management and procurement systems.	Using country systems Assessing the quality of country systems in a country-led process Effective capacity for reform Accountable and results-driven country system
Cluster C: Transparent and responsible aid (South Africa and Germany)	Donors' responsibilities in ensuring good quality aid	Division of labour Aid transparency Conditionality Predictability
Cluster D: Assessing progress (Japan and Sri Lanka)	Monitoring and evaluation of the implementation of the Paris Declaration	Monitoring the implementation of PD and AAA Evaluating the implementation of the PD Monitoring the implementation of the fragile states principles Documenting progress for the IV High-Level Forum
Cluster E: Managing for development results (AfDB/IADB and Philippines)	Country-based capacities for achieving development and fighting against poverty	MfDR and country systems Good practices and guidance on MfDR Incentives for aid and development effectiveness Improving donor results reporting
Freestanding task teams		Health as a tracer sector (tbc) South-South cooperation (Colombia and tbc)

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