

## Translating Busan and the EU Agenda for Change into practice

### Emerging trends and operational challenges

Paper presented at the Practitioners Network for European Development Cooperation workshop on “Post-Busan”

Prepared by the European Centre for Development Policy Management, with the financial support of Lux Dev.

### Background

The global context in which development cooperation unfolds has changed dramatically over the last decade. One major change is the emergence of “new actors” in development cooperation, such as civil society, local authorities and the private sector and more recently, non-DAC donors, private donors, and global funds. New global coalitions are emerging around global challenges (such as global warming, food and human security, fragile states). The distribution of poverty has shifted towards middle-income countries, yet some of these middle-income countries have become donors themselves and increasingly engage in South-South cooperation. There is wider recognition that global development challenges cannot be addressed with aid alone. It is no surprise that development and international cooperation is also being revamped. The shift is moving from “aid” to “development financing”, which includes the mobilisation of domestic resources, remittances and private investment for development. And the narrow “aid effectiveness” agenda, focused on monitoring donor inputs has broadened to “development effectiveness” and improving the outcomes of donor efforts. The [Tunis consensus](#) (November 2010), summarising Africa’s vision on development effectiveness, is a good illustration of this trend, and so are its key priorities: building capable states; developing democratic accountability; promoting South-South cooperation; thinking and acting regionally; embracing new development partners; and outgrowing aid dependence.

Efforts are being made at the political and policy levels to adapt to the new global context for aid and international cooperation. In November 2011 development partners endorsed a new global framework during the fourth high-level forum on aid effectiveness – the *Busan Partnership for Effective Development Cooperation*. Busan integrates the perspectives of a wide diversity of development cooperation actors, particularly emerging economies. The partnership is based on a common set of principles (and differential commitments) to achieve the following common goals: (1) ownership of development priorities by developing countries (with the use of country systems as the default approach), (2) focus on results (including through joint risk management and country-led results frameworks) (3) inclusive development partnerships (recognising the complementary roles of different actors), and (4) transparency and accountability (particularly with regards to the availability and public accessibility of information on development cooperation and development finance). It also indicates a set of complementary actions to reach these four common goals.

In the European Union (EU), donors are working towards modernising development policy and practice, with the aim of ensuring that it becomes more relevant, efficient, and results-oriented. In October 2011 the EC issued a Communication on “*Increasing the Impact of EU Development Policy: An Agenda for Change*”. This document concerns a proposal from the Commission to the European Council and Parliament, which will feed Member States’ political statement in May 2012. The document proposes 2 major innovations: (1) Improving impact, by targeting aid to countries where highest impact can be achieved (through a differentiated approach to aid allocation) and by focusing on two priority areas: “governance, democracy and human rights” and “sustainable and inclusive growth”. (2) Ensuring best value for money, by promoting coordinated EU action and improving policy coherence for development. This new Agenda will need to be implemented by the EU (as the largest global donor) in times of financial disarray and limited prospects for increasing ODA spending. This will put great pressure to “do more with less”, to use aid as a leverage to attract other resources and to improve “developmental governance” in use of all available resources.

These new political agendas will profoundly affect the arena in which European development practitioners operate. Hence the importance of properly dissecting the changes involved: how can practitioners remain relevant and help to deliver quality in the new setting?

## This workshop

The Practitioners’ Network for European Development Cooperation (PN), with support from Lux Dev, is organising a one-day workshop on the 20<sup>th</sup> March 2012. The purpose is to identify the initiatives taken and the implementation challenges likely to be faced by development practitioners with regard to Busan and the EU Agenda for Change.

In preparation of this workshop, ECDPM has conducted a targeted survey to take stock of PN members’ reflections on the operational implications of Busan and the EU Agenda for change, as well their planned efforts to translate these new international political commitments and EU policy orientations into practice. It has also carried out a document analysis to complement the survey. The resulting Issue Paper first considers how development agencies have started to ‘pick up’ these new policy agendas. The second section discusses challenges of implementing Busan’s principles of “country ownership” and “democratic ownership”. The third section looks into the practical implications of the EU Agenda for Change, with a particular focus on: differentiation, governance, inclusive growth, and promoting EU coordinated action and policy coherence for development (PCD). Finally, the last section asks some further questions, which could serve as a basis for the discussions during the workshop.

## 1. Operational motors are heating up

The survey indicated that most EU development agencies are still waiting for their management to communicate a follow-up response to the commitments made in Busan, as well as an official reaction to the proposals put forward by the EC in its EU Agenda for Change (in preparation for forthcoming Council meeting in May). As a result, several agencies are keeping key operational decisions on hold until the political line is clear, and were reluctant to participate in the survey. As put by one PN member: “*the questionnaire comes a bit too early*”. But this does not mean that development agencies have not taken any initiative to follow-up internally and reflect on the practical implications of Busan and the EU Agenda for Change. The survey responses indicate that most Network members are currently involved in undertaking one or more of the following three types of efforts:

1. **Socialise documents among staff.** Some agencies have organised or are in the process of organising debriefing sessions with staff, as well as meetings with management to discuss about the operational implications of the new policy framework. Several survey respondents indicated that despite the importance of the documents, they remain largely unknown to most of the staff, beyond the units specifically dealing with “aid effectiveness”, or EU policy.
2. **Elaborate a follow-up response:** Some of the initiatives identified include setting-up of working group to further explore possible short-term actions and necessary longer-term reforms that will be required to implement commitments made in Busan (an action plan); identifying windows of opportunity (such as the revision of vision documents and multi-annual strategies and workplans) to

reflect on how to better align priorities and approaches to new policy commitments; and organising informal and internal working groups to follow-up on Busan commitments (untying aid, results-based financing, governance support, democratic ownership and redefining engagement strategies with local authorities and civil society organisations, ...).

3. **Continue implementing previous commitments:** Busan strengthens previous commitments to country ownership and the use of country systems. Several agencies had already started to devise new approaches to using country systems and supporting democratic ownership throughout their programme execution, adapting guidelines, and developing guidance for their staff.

## 2. Busan's commitments to "country" and "democratic" ownership in practice

The first key principle of the Busan Outcome Document (BOD) is the "ownership of development priorities by developing countries". This goes much further than aligning to national development policies and strategies. Development partners commit to the use of country systems as the default approach, and to rely on joint assessments of country systems, joint risk management frameworks, and country-led results frameworks. Furthermore, Busan commits parties to "deepen, extend and operationalise the democratic ownership of development policies and processes". But what do these principles mean in practice?

### Promoting multi-actors dialogue for policy reform

The Accra Agenda for Action expanded the notion of ownership from 'government' to 'country' ownership. Busan goes one step further with its commitment to "democratic ownership": it stresses the governance dimensions of development by recognising the critical role that parliaments, civil society and local authorities play in promoting domestic accountability and the need to improve interactions between government administrations, checks and balance institutions and citizens. This trend reflects also a shift in most development agencies towards accepting that their cooperation seeks to support national political change processes (e.g. to unblock development-oriented reforms). But are donors ready to fully embrace the consequences of becoming facilitators and supporters of partner-led change? Are they equipped to promote spaces for multi-stakeholders' dialogue related to domestic policy-making, sector and state reform processes in partner countries?

Recent policy-oriented research suggests that in order to be effective, donor interventions need to be underpinned by solid and ongoing context analysis of the political economy of partner countries. Many agencies are already investing resources in building staff capacity to use political economy analysis (PEA). But how well do development agencies translate context analysis into sophisticated programming, and use PEA insights to navigate through implementation? And are the right institutional incentives<sup>1</sup> in place to handle the country and democratic ownership approach? What does a more political approach to cooperation mean for the task division between political masters and implementing agencies?

### Using country systems and the required mix of aid modalities

Busan has underlined the importance of ownership and further insisted on the use of systems-approaches, with any deviance explained to beneficiary countries. Yet how will this principle be applied in the future? Will there still be sufficient scope for sector and budget support operations in the new political setting for cooperation (with its emphasis on fundamental values and more demanding eligibility criteria?) How to ensure the right mix of aid modalities (portfolio approach)? In this context, one should not assume that falling back on the project approach is necessarily a "second best" option. In fact, in countries where the conditions are not ripe for using programme-based approaches, the project approach may actually be the modality through which donors can better create the conditions to scale-up reform processes, strengthen local and national institutions and systems (i.e. of procurement, control, accountability) and feed policy

<sup>1</sup> These incentives relate to core functions in cooperation processes> that are compatible with BOD such as engaging in political and policy dialogue with multiple actors; building formal and informal networks; assuming new roles as facilitator/broker; taking (more) risks and be equipped to manage the risks; focusing on the quality of spending rather than on the quantity; ensuring a realistic reporting on results achieved, etc.

dialogue, even when adequate policy frameworks are not (yet) available. Projects can be designed to be “on” as much as possible (on-policy, on-budget, on-procedures, and on-audit). How can development agencies incentivise a gradual use of country systems, and ensure a sequenced approach to aid modalities?

## Reconciling the “results agenda” and “country ownership”

Showing short-term results may not be entirely compatible with engaging in long-term development processes under country ownership. Development agencies can no longer postpone a deep reflection on appropriate indicators of the quality of aid, change and results. Yet, as put by one survey respondent, one of the greatest challenges will be to “*change mindsets and accountability procedures towards taxpayers and check-and-balance institutions with regards risk-taking in development cooperation*”. The shift from aid effectiveness to development effectiveness entails, among others, shifting the focus from activities and outputs, to outcomes. It also means challenging the assumption that development results are predictable and measurable in quantitative terms. The current practice on reporting on results does not yet entirely reflect these shifts. How to ensure that results-based management is based on partners’ country institutional system for M&E?

## 3. Beyond the slogans, what will the EU Agenda for Change mean for practitioners’ daily work?

### Differentiation also means sophistication

According to the AfC, one of the keys to achieving maximum impact and value for money is a differentiated approach to aid allocation and partnerships. Decisions will be based on country’s development needs, with a focus on low-income and fragile countries. Partners’ commitment to EU values such as democracy and human rights will be taken into account when deciding the aid modality, and more attention will be paid to partners’ commitment to policy reforms. Grant aid may no longer feature in cooperation with middle-income countries, where cooperation will rely more on loans and technical cooperation. Efforts are underway to adapt programming guidelines to reflect new aid allocation criteria, devise transitional strategies to phase out grant-based development cooperation in MIC countries and explore and improve practice with regard to peer learning, institutional twinning, knowledge brokering and triangular cooperation. In addition, development agencies will also need to differentiate their approaches to taking risks. Although decisions on when to use conditionality remain political, are development agencies equipped with appropriate (aggregate) indicators for measuring progress in democracy consolidation and political transition?<sup>2</sup>.

### Enhanced focus on political and policy dialogue

According to the AfC, support to governance will feature more prominently in all partnerships through political dialogue, incentives for results-oriented reform and stricter conditionality. The EU expresses a clear commitment to continue using BS in support of nationally owned reforms. Yet it also plans to introduce several innovations aimed at strengthening contractual relations, transparency and accountability as well as risk management. General budget support, for instance, will be tied to partner countries’ commitment to the fundamental values of human rights, democracy and the rule of law.

This new approach provides both opportunities and risks. Equipped with tools that are fit for purpose the EU and related development agencies could exploit the opportunities offered by the growing emphasis on transparency, budget oversight and domestic accountability. A critical tool in implementing this more political approach to cooperation is dialogue. The Agenda for Change fully recognizes the critical importance of political and policy dialogue. How will this work out in different country contexts? When political issues arise at the operational (sector) level, how and who addresses them with the partner country? How do different development agencies articulate policy and political dialogue? What role can technical agencies play?

<sup>2</sup> Holding elections and passing laws are indicators that can be assessed... but how do you measure progress in implementing reforms?

## Integrating development instruments in the new global agenda

The new global agenda, besides poverty reduction and the Millennium Development Goals, includes challenges such as dealing with climate change, maintaining security, ensuring access to energy, raw materials, water, keeping world trade going while reducing emissions, etc. To address this huge agenda, globally much more finance is necessary than ODA can deliver. Reflecting this concern, Busan partners committed to “take action to facilitate, leverage and strengthen the impact of diverse sources of finance to support sustainable and inclusive development”. This commitment is also at the heart of the EU Agenda for Change, which states that “a higher percentage of EU development resources should be deployed through existing or new financial instruments, such as blending grants and loans, in order to leverage further resources and increase impact”. The question seems to be: How can development agencies join hands with emerging economies, multi-nationals, banks and private investors? Are development agencies equipped to track non-official flows, especially complex flows of innovative instruments? The experience of development banks could be highly relevant for those development agencies that are still at the beginning of the learning curve.

## Engaging with the private sector

The second priority area put forward by the AfC is inclusive and sustainable growth for human development. The focus is on developing “new ways of engaging with the private sector with a view to leveraging private sector activity and resources for delivering public goods”. However, the Communication offers little practical guidance on how to do this. How can development agencies contribute to setting government regulations that encourage companies to adopt inclusive business models? Are development agencies equipped with the right toolkit to engage efficiently with the private sector in different areas – energy, infrastructure, agriculture, etc? What could drive the private sector to adopt more inclusive business models that engage low-income communities across the value chain? Is the private sector equipped and ready to appreciate societal needs and collaborate across profit/non profit boundaries?

## Taking joint EU action further

AfC points to the EU’s failure so far to deal effectively with aid fragmentation and promoting coordinated action. Despite efforts made to improve coordination and complementarity during the past decades, fragmentation of EU aid has in fact increased according to recent studies. Progress remains very slow. Donors seem to have difficulties in overcoming their desire to “plant a flag” and be visible, to show quick results, and to be accountable to HQ and home constituencies. What is being done to address this? Regarding sector concentration, as one survey respondent said “*it hurts*” – and differentiation may actually exacerbate the pain, as it will be difficult to reconcile thematic and geographic choices. Is there an appropriate instrument to make decisions on who should work where? Concentration may particularly affect “multi-dimensional sectors”, such as governance. How will development agencies ensure that governance (in its multiple dimensions – civil society, domestic accountability, anti-corruption, etc... features across their interventions priority sectors? Another implication is that agencies will need to reorganise their human resources at both HQ and field level and reallocate any expertise that is made redundant.

## Moving forward the PCD-agenda: what role for practitioners?

The Communication recognises EU’s leadership in promoting Policy coherence for Development (PCD). It mentions that the Multi-Annual Financial Framework, post 2013, should be designed in a way that reinforces PCD. Yet, PCD is a highly political, complex, multi-stakeholder process driven by conflicting interests, and by actors with varying degrees of exerting influence in policy-making processes. What role could development agencies/practitioners usefully play to achieve progress in this field?

## Suggested questions for debate

There is no shortage of issues that could be discussed arising from these new policy agendas. However, the focus of this workshop should be on the implications of Busan and the EU agenda of Change for practitioners operating in the frontline. The debates should be geared at challenges that will affect the work

of practitioners and where it is needed to “hear the voice of the field” in order to design realistic implementation strategies.

In this context the following questions could be considered during the workshop:

**1. How to manage the “politics” of the new policy agendas without jeopardising the delivery of meaningful and result-oriented aid programmes? How to build bridges between the political and development actors involved in EU cooperation processes?**

Elements to consider here are the possible tension between emphasis on democratic ownership (Busan) and a growing concern with political and governance fall-outs in developing countries; the clear shift in EU policies to put fundamental values upfront (following the Arab Spring); the pressure donors face to pull out of budget support; the risk of separating too much political decision-making processes and field realities/concerns of implementing agencies.

In this context, practitioners could exchange on issues such as: What are relevant experiences in terms of the effectiveness of those instruments designed to strengthen country systems? Are there particular roles that agencies can fulfil in support of country systems? Are there emerging practices of effective support to state-society relations that are conducive to development? How to build effective bridges between political actors and implementing agencies at EU/bilateral level?

**2. How to engage more strategically and efficiently with other/new actors? How far and how to integrate their development instruments (including finance) into the new global agenda (beyond the MDGs)?**

Elements to include here are ways and means to achieve progress in the field with strengthening European cooperation/division of labour/delegated cooperation. The PN members can share early experiences on how they did this and how well it worked or not. Practitioners should also reflect on how to increase the catalytic effects of ODA on other financial resources. Other issues to consider here from an agency perspective include: What is it that aid can do that other external sources of financing for development definitely cannot address? What roles do aid agencies play in knowledge development? What are the areas for improvement?

**3. How to put governance at the centre of cooperation programmes?**

Both the Busan document and the Agenda of Change reiterate the central role of governance for development to occur. Over the past two decades development agencies have invested widely in governance, with varying levels of success. The challenge at hand is to identify smarter ways to support governance changes on the ground in line with the Busan principles of country ownership, multi-actor policy dialogue, domestic accountability, etc. This means adopting a governance approach in all sectors and towards all actors of cooperation (e.g. in support strategies to civil society or local governments). It also means venturing into relatively new areas such as right-based approaches to development, natural resource management, domestic resource mobilisation, taxation policies, etc. Agencies are challenged to implement a much more pragmatic, developmental way of supporting transparency and accountability of government, private sector, non-governmental organisations and their interactions that supports deep changes in what may be called 'everyday' governance. How can implementing agencies contribute to this multi-dimensional governance agenda? What implications will a stronger focus on domestic resource mobilisation have for their own programming and/or design of development interventions?

**4. How do you plan to deal with the proposed “joint programming” and how can this benefit effective EU development cooperation?**

The EU Agenda for Change urges the Member States to engage in joint programming in order to push forward the Busan agenda and enhance overall effectiveness/efficiency of EU development cooperation. How realistic is this call? Are the right political and institutional incentives in place for this to happen? What are the second-best options that could be considered?



## 5. How to manage the more rigid demands on results ("value for money") and risks?

There is a wide range of interpretations of what "results" matter for development (and for domestic audiences/constituencies). Similarly it seems that risks relate more to a "gut feeling" than to explicit analysis. Pressures within donor countries largely drive discussions about results and risks. This may not be compatible with Busan principles (including on 'joint risk management').

In this context the practitioner's view could enrich this debate by bringing in more forcefully the field perspective. Questions to consider include: What types of "results" need particular emphasis? Is sufficient attention going to the "enabling environment" for development? What roles can agencies play in the domains of institutional and social transformation? What "results" need more emphasis in the debates about the post-2015 global goals that should replace the MDGs? What roles can agencies play in making the "risk" agenda more explicit? What experience has been gained in supporting developing countries to take the lead in the elaboration of national monitoring frameworks?

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### ECDPM Briefing Notes

ECDPM Briefing Notes present policy findings and advice, prepared and disseminated by Centre staff in response to specific requests by its partners. The aim is to stimulate broader reflection and debate on key policy questions relating to EU external action, with a focus on relations with countries in the South.

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