



# Commonwealth Finance Ministers Meeting

Washington DC, 21 September 2011

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**Provisional Agenda Item 4**

**FMM(11)(O)3**

## **MEETING OF COMMONWEALTH SENIOR FINANCE OFFICIALS**

### **Draft Commonwealth Statement on Accelerating Development with More Effective Aid<sup>1</sup>**

Commonwealth Secretariat  
Marlborough House  
London SW1Y 5HX

13 September 2011

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<sup>1</sup> This statement has been prepared by the Commonwealth Secretariat based on high-level technical discussions which were held at a pan-Commonwealth meeting on aid effectiveness in London on 8<sup>th</sup> and 9<sup>th</sup> September. This statement will be discussed by Commonwealth Senior Finance Officials on 21<sup>st</sup> September and considered by Commonwealth Finance Ministers on 21<sup>st</sup> September at their meeting in Washington DC.

## **Draft Commonwealth Statement on Accelerating Development with More Effective Aid<sup>2</sup>**

Commonwealth Ministers of Finance met in Washington DC on 21<sup>st</sup> of September to discuss aid effectiveness and to consider the role the association can play in building international consensus ahead of the Fourth High-Level Forum (HLF-4) in Busan, Korea from 29 November – 1 December 2011. We offered several recommendations to achieve this.

2. We recalled the long-standing contribution of the Commonwealth to the global discourse on aid effectiveness including substantial Commonwealth contributions to all previous High-Level Forum Meetings on Aid Effectiveness, in Rome (2003), Paris (2005) and Accra (2008). The Commonwealth currently occupies a central and influential position in global aid flows with a large number of members comprising aid recipients and a growing number as aid donors. Commonwealth members of the Development Action Committee (DAC) of the OECD provide annual aid exceeding \$23 billion while aid received by Commonwealth developing countries aggregates some \$28 billion. Our members account for 18 per cent of global ODA disbursements and 22 per cent of receipts from DAC donors.

3. We noted that the Commonwealth contains an increasing share of the world's poorest people, placing significant importance on the ability of the Association's poorest, smallest and most vulnerable members to secure reliable, consistent and additional sources of financing for development, including protecting existing flows of aid. The sustainability of such aid therefore remains crucial to the Commonwealth's developing countries. We agreed that it is therefore crucial that developed countries meet their aid commitments.

### **Busan High-Level 4 Meeting**

4. We agreed that HLF-4 will represent a milestone for international development and a defining moment in the provision and use of global aid. It will reflect collective efforts by donors, developing countries and all development stakeholders to implement the international framework to improve the quality of aid, while seeking to modernise the current aid architecture and take account of a new generation of aid-related challenges and opportunities. We recognized important progress in aid reform, which has helped to change behaviour, strengthen aid effectiveness and improve development results from aid. We also noted that aid reforms have been uneven, with recent evidence signalling relatively stronger progress among partner countries, where reforms have taken hold and momentum sustained through political changes and through external crises; while with some noticeable exceptions, many donors have proved risk averse and reluctant to make a number of anticipated changes. We agreed that more balanced progress should be achieved and considered how best the Commonwealth can contribute to achieving this.

### **A Commonwealth Contribution to HLF-4**

5. We considered the Commonwealth's characteristics as a diverse, plurilateral consensus-based association of 54 members. A track record of profound and long-standing

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experience of aid, our historical contributions to the development of the current international aid architecture and our detailed member country experiences in aid provision and aid management, make the Commonwealth uniquely suited to contributing effectively to the HLF-4. We also recognised the Commonwealth Secretariat's extensive work since 2010 in preparing a platform for broader Commonwealth advocacy ahead of HLF-4.

6. HLF-4 will address and seek to resolve a wide range of aid architecture issues. We cautioned against an excessive expansion of the agenda, which might dilute or distract from earlier more specific commitments, some of which have yet to be implemented. We also recognised that the Commonwealth's collective contribution will need to be carefully focused and calibrated to our unique strengths – diversity, extensive experience and our shared values. We resolved to contribute collectively and significantly to the success of the Busan meeting. We agreed that the HLF-4 Outcome Document should build on the principles of the previous High Level Fora in Paris and Accra, focusing on a core agenda designed to improve the effectiveness of aid. Accordingly we considered and agreed on a number of recommendations set out below. We also agreed that the success of HLF-4 will also hinge on ensuring that aid is better located within a more cohesive system of development finance and we offered some further recommendations to address this challenge.

## **Recommendations**

7. We have made several recommendations which we request the Commonwealth Secretary-General to promptly convey to the Chair of the Working Party on Aid Effectiveness and to other relevant international agencies involved in the preparation of the HLF-4. We also commend for their attention, these recommendations to Commonwealth Heads of Government at their forthcoming meeting in Perth, Australia. The key recommendations we have agreed upon are:

### **(i) Mutual Accountability**

8. Mutual accountability has lagged progress made elsewhere and is a priority issue for reform. We recognized that the manner in which aid is delivered can impact domestic accountability of both partner and donor countries. Accordingly we recommend that mutual accountability be strengthened, in order to improve domestic accountability. Improvements in the framework for mutual accountability will need to be supported by improved transparency and a realistic acceptance and management of risks. We also welcomed recent evidence showing a renewed emphasis on tracking development results. Noting that the achievement of results often hinges on factors beyond the control of partner countries, we agreed that care needs to be taken to prevent the escalation of conditionality for external assistance based on these results. We also recognized the inherent tensions which can emerge in the interplay between political systems and administrative and bureaucratic systems, each with differing expectations, processes and accountabilities. Evidence has shown that these tensions can compromise success in achieving mutual accountability. We recognized that in most instances these challenges are readily addressed, however, where they are not there may be value in some cases in using third-party facilitation and mediation, at national, regional and where appropriate international levels.

## **Transparency**

9. We reaffirmed our commitments on transparency and predictability in the Accra Agenda for Action in 2008 and urged that these commitments be implemented in a timely fashion. To accelerate progress within the Commonwealth, we have agreed to collectively support the adoption of IATI<sup>3</sup> or an IATI-compatible common standard to ensure that efforts on aid transparency have the maximum impact. We recognized that achieving this goal will require several commitments. Consequently we have agreed that our donor members will issue a timetable for the achievement of these common standards; and will ensure that our partner countries are supported in establishing information systems which reduce the fragmentation of existing aid information, better integrate aid information into budget systems and set out a clear set of rules and processes for the management and integration of aid information. We have also agreed that our partner countries will progressively strengthen fiscal transparency. Achieving a universally accepted standard is important for consistency. In this respect and to achieve more effective aid, Commonwealth partner countries have urged all donors to adopt IATI, to fast-track the implementation of key components needed to deliver on aid effectiveness commitments including publishing information on results, conditions, activity-level budgets and future flows: to explore how best to include non-ODA flows in IATI, including the rapid integration of climate finance into IATI; and to ensure that contractors employed by donors use IATI.

### **(ii) Managing Risk and Use of Country Systems**

10. Recognising that the absence of mutual trust among donors and partner countries can undermine aid effectiveness, we called for consideration of a more direct approach to recognizing and mitigating risks. This can be achieved through a process of joint risk assessment and the development of a joint risk management plan and we urged that greater attention be paid to this issue in finalizing the HLF-4 Outcome Statement. We also noted that many donors are not using partner country systems to the extent foreseen by the Paris and Accra declarations; and that this practice is occurring even when the quality of those systems has improved. We noted that perceptions of risk by donors are often at the root of the lack of incentives for the use of country systems. We have agreed that country systems can and should be better used by donors. To address this, we urge the joint assessment at the country level of the adequacy of country systems; and where deficiencies are noted, call for improvement action plans to be jointly developed and agreed by partner countries and donors. These should be supported by donors. Commonwealth partner countries also urge the international community to move to a common minimum standard for the assessment of country systems and urge all donors to phase out the use of parallel project implementation units, both of which should be reached by a specific timeline.

### **(iii) Non-DAC Actors**

11. We discussed the rapidly evolving nature of development co-operation, in which countries can be at the same time providers and users of development finance and know-how and in which non-aid and non-official sources assume ever greater importance. These new perspectives and voices need to be recognized in the Busan process and its outcomes.

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<sup>3</sup> International Aid Transparency Initiative was launched in Accra 2008. It is a voluntary initiative where participants agree on a common standard. This standard was agreed in February 2011.

(iv) **Climate Finance**

12. We discussed international initiatives to accelerate climate finance, and noted that the global architecture for climate finance is expanding, proliferating and assuming greater complexity. We recommended that greater attention be paid to lessons learned from decades of experience with development assistance. Many key aid effectiveness principles are relevant to climate change financing, in particular, the importance of integrating climate change finance with country priorities and delivery systems. Accordingly we called for a closer application of aid effectiveness principles to climate finance and urged that climate finance be mainstreamed more effectively into planning and decision-making at all levels.

(v) **Post-Busan Architecture**

13. The Post-Busan system of international aid will require a cohesive framework which ensures that Paris and Accra commitments are met; which becomes more inclusive; and which situates aid within a broader development finance context to ensure that all efforts to support development are complementary and have a transformative impact on development outcomes. We recognised that the monitoring process established in Paris in 2005 has in itself been valuable, and is appreciated by partner countries in particular, as a tool for holding parties to account. We recommended that an effective mechanism to monitor progress and assess outcomes is maintained but that this is streamlined and focussed on fewer indicators. We consider there to be much merit in closer collaboration between the UN and the OECD to maximise their comparative advantages and recommend that their respective roles be clarified in planning the post-Busan era.

**Conclusions**

14. We have found consensus on a wide range of key issues to be addressed at HLF-4. We have made several recommendations which we request the Commonwealth Secretary-General to promptly convey to the Chair of the Working Party on Aid Effectiveness and to other relevant international agencies involved in the preparation of the HLF-4. We also commend for their attention, these recommendations to Commonwealth Heads of Government at their forthcoming meeting in Perth, Australia. We urge all Commonwealth members to promote and reflect Commonwealth advocacy and consensus on our shared views in the various international meetings which will take place prior to HLF-4. We asked the Secretariat to provide recommendations to members in the coming weeks on a select number of issues on which further clarity and members' dialogue is still required. We asked the Secretariat to maintain the momentum of collective Commonwealth contributions in the lead up to HLF-4, including continued liaison and contributions to the Working Party and through the identification of further opportunities for Commonwealth advocacy and the promotion of global consensus, ahead of and at HLF-4. We agreed to explore the opportunity for our members to meet at the HLF-4.

15. We have asked the Secretariat to continue with its work programme on aid and aid effectiveness, including consideration of how best the Commonwealth can contribute to implementing consensus-based outcomes which will have emerged from HLF-4 and how best to foster intra-Commonwealth partnerships in implementing these outcomes.

16. We wish the Government of Korea, as host of the Busan HLF-4, success with the HLF-4 meetings.