



Centre for Aid  
& Public  
Expenditure

# 2016 CAPE conference: where next for development effectiveness?

18-19 October 2016

Goodenough College, London

Concept Note, draft as of 12 October 2016

## *Background*

The past decade has been characterised by a remarkable degree of consensus about how to deliver development finance<sup>1</sup> effectively. While the Paris Declaration was never fully implemented, the major players both providing and receiving finance had an agreed framework as to how it should be done, and some progress was made. There were a set of principles (see Annex) and targets, a monitoring process, an architecture (led by the OECD-DAC), and a series of regular global summits to review progress and agree priority actions. This agenda was updated in Busan in 2011 to reflect a wider agenda – including the role of civil society – and a larger set of players, culminating in a new set of Busan Principles (see Annex).

By 2015, the momentum behind the Paris and Busan processes had fallen, and the evidence on the effectiveness of finance delivered through Paris-style mechanisms was mixed. The development finance landscape has also now changed beyond recognition. In particular:

- New South-South Cooperation providers have emerged which reject Paris-style ‘donor and recipient’ relationships, focusing instead on horizontal partnerships, reciprocity and mutual benefit
- A growing share of development finance is now being provided through agencies which are not ‘donors’ in the traditional sense, such as departments for the environment, business, foreign affairs and defence. This trend is likely to accelerate under the new ‘comprehensive’ and ‘holistic’ approaches espoused under the SDG framework. These agencies often have little understanding of or support for Paris or Busan-style approaches.
- A new set of objectives, including using development finance to support the SDGs, including ensuring no-one is left behind, and supporting sustainability and other global public goods.
- New ways of working with the private sector, through blended finance type approaches and other forms of ‘catalytic’ funding.
- A changing set of country contexts, including a stronger focus on fragile states and lower-middle-income countries, which suffer from a ‘missing middle’ in public financing.
- Changing risk-appetite on the part of donors, leading to increased concerns about fiduciary risk and a dramatic reduction in budget support and other forms of financial aid, including from former champions such as DFID and SIDA.
- A new ‘Age of Choice’ for developing countries, with an expanded set of financing options.

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<sup>1</sup> By which we mean ODA, and beyond ODA flows which are potentially available to governments to fund their national development strategies. See Prizzon et al (2016) for a full definition of beyond ODA flows.

In this new context, there is no clear understanding of, or consensus on, how to deliver development finance effectively. There is a risk that aid providers return to the previously unsuccessful approaches to delivery, either because domestic pressure on them is high (e.g. around concerns on fiduciary risk and the need for ‘flag planting’), or because they are unaware of the evidence which led to the Paris Declaration.

On the other hand, the limited evidence base on the effectiveness of Paris style approaches also suggests that ‘more of the same’ is not an appropriate recommendation. More ‘politically smart’ forms of financing are needed, using more adaptive, flexible approaches.

A new consensus needs to be forged, which reflects the realities of development finance today, and the evidence of the past decade.

## ***The Global Partnership for Effective Development Cooperation***

From 28th November – 2<sup>nd</sup> December, Ministers and high-level officials will be meeting in Nairobi under the auspices of the Global Partnership for Effective Development Cooperation (GPEDC). The proposed agenda for plenary sessions at that meeting is as follows:

1. Progress with implementing the unfinished aid effectiveness agenda and development effectiveness commitments; identifying and addressing challenges.
2. How the Development Effectiveness Agenda supports the implementation of the SDGs and the Addis Ababa Action Agenda.
3. Improving the quality and impact of international development co-operation – learning from the experience of South-South Co-operation and Triangular Co-operation.
4. Economic empowerment of women and youth - inclusivity and mainstreaming for effective and accelerated development.
5. Leaving no-one behind – effective development co-operation for countries in special situations and vulnerable populations.
6. Creating an enabling environment for innovative and inclusive multi-stakeholder partner-ships for effective development – where can we scale up and what are the new challenges?
7. The private sector’s contribution to sustainable development.

This makes the 2016 CAPE Conference a key opportunity to help shape the agenda on development effectiveness in a new era.

## ***Proposal for CAPE Conference 2016***

We will hold the next CAPE Conference on 18–19 October, just ahead of the November GPEDC meeting, to help shape the agenda around the new consensus on effective development cooperation for the SDGs. The aim will be to explore where the Paris, Accra and Busan Principles need to be updated, in light of the changing context, new evidence, and the SDGs.

The ODI, as a think tank, has a particular comparative advantage in the GPEDC process. Our value added will be to provide a neutral, independent convening space, where the latest research and evidence can be presented and discussed. We do not aim to duplicate any of the discussions that will be held under the GPEDC or other processes, or to run a representative, legitimate process. Instead, we aim to provide a set of fresh perspectives, present the evidence, and offer a space in which

participants can brainstorm and ‘think outside the box’, with a view to feeding into and influencing the main GPEDC meeting. We will also make a particular effort to include developing country perspectives.

There are four main areas in which the Paris and Busan Principles may need updating:

## ***Investing ODA in the private sector***

‘Catalytic aid’ and ‘blended finance’ are the current buzzwords of the international development finance community. Development Finance Institutions (DFIs), that invest public money into private enterprises, have been around for decades, but the new emphasis on using aid to leverage private investment has thrust them into the limelight. DFIs do not always confer subsidies on the private sector, but with donors now able to score contributions to DFIs as official development assistance (ODA), there is a case for ensuring that they follow development effectiveness principles. That case is stronger when donors – via DFIs or other investment vehicles - spend scarce grant resources to catalyse private investment. But whilst superficially attractive, the argument that all public development spending ought to follow the same principles is in potential conflict with a shibboleth of development effectiveness: best-practice blueprints should not be imposed regardless of context. It may be the existing development effectiveness principles, designed primarily with government-to-government aid in mind, are inappropriate when investing in private enterprises.

What principles ought donors follow when investing in private enterprises? DFIs have already articulated their own views on how to successfully promote development by investing in private enterprises, and have made their own efforts to harmonise results indicators, with little or no interaction with the GPEDC process. Can the existing Busan principles be applied, selectively, to investing in private enterprise, or would the GPEDC need to create a new and distinct approach? And is there any prospect of long-established institutions like DFIs paying any attention to the GPEDC?

- What principles can donors follow to maximise the probability that they are having an impact and not just investing in private sector activity that would have happened anyway?
- What does the concept of ownership mean in this context? To what extent can and should donor-backed investments be guided by National Development Strategies?
- What does the concept of inclusive partnerships mean in this context? There are obviously cases where affected communities must be consulted, but requiring costly processes with every investment could dramatically reduce the quantity of viable investments. How could the GPEDC locate the right point on this trade-off?
- Is there any realistic prospect of country results frameworks adequately capturing the sort of results that investment can produce? If a country’s results priorities are not a good match with what available investment can deliver, should donors refrain from making investments, even if they are there to be made?
- The existing requirements on transparency – report flows to the OECD CRS and IATI – do not capture half of what we might want to know about a publically-backed private investment. What information should donors be required to gather and disclose?

## ***A ‘politically smart’ development effectiveness framework***

The evidence from 10 years of experience following the Paris Declaration suggests that, even when fully implemented, the traditional development effectiveness approach to aid has had mixed impacts

on development outcomes. Is this partly because it does not take sufficient account of local political realities? What has the past decade of implementing an internationally-agreed development effectiveness framework taught us about how it does, or does not, impact the behaviour of governments and development partners? How could it be made more 'politically smart'?

At the same time, new adaptive, flexible and iterative approaches to aid delivery are emerging, such as 'Doing Development Differently' (DDD) and 'Problem-Driven Iterative Adaptation'. These show promise in helping to overcome governance constraints in some circumstances. Yet there may be under-explored tensions between some of the DDD imperatives and those of the existing development effectiveness framework.

Key questions to be addressed are:

- What have been the genuine successes and failures of putting development effectiveness into practice, from the perspectives of governments, providers and other stakeholders such as civil society?
- How well has the implementation of the development effectiveness agenda worked in reality to change the behaviour of development partners? Has it created any perverse incentives or unintended consequences?
- Is there a fundamental tension between the principle of predictability and the DDD requirement to iterate and adapt, to admit failure, and to change course?
- If adaptive programming is more interventionist, and sometimes involves informal coalition-building and brokering outside of conventional governance processes, what does this mean for the principles of ownership, alignment and transparency?
- How do we best plan, define, measure and evaluate results in iterative development programming? Can the imperative to use country systems and align with national results frameworks still be fulfilled under these approaches?
- What would a 'politically smart' or 'adaptive' approach to development effectiveness look like?

## ***Development cooperation and the Leave No-One Behind Agenda***

The SDG era has spawned a new set of goals, including a commitment to 'Leave No-One Behind' (LNOB). Reducing poverty has long been a goal of development cooperation, but the new LNOB agenda sharpens the focus of this issue, emphasising both the ending (rather than halving, or reducing) of extreme poverty, and the focus on vulnerable and marginalised groups, and those in fragile and conflict affected states. Leaving No-One Behind will require finance, and in some cases development cooperation, but how such cooperation should be reframed to support this agenda is not yet clear. There are also implications for ownership and alignment, as understood under the Paris Declaration. Key questions to be addressed are:

- Should development cooperation focus directly, or even exclusively, on those left behind, or help to support an enabling environment and inclusive economic growth which enable governments to do so themselves?
- Is there a role for aid to target specific groups which may have been left behind by governments, including at sub-national levels? What does this mean for ownership and alignment if so?
- What is the experience of innovative finance, private sector and other flows in supporting the LNOB agenda, and how can aid help?

- Should donors help to support specific groups which may be excluded or directly marginalised by governments, either directly or through CSOs? If so what does this mean for the principle of ownership?
- Given that many of those left behind will be increasingly concentrated in fragile states, how do donors need to tailor their approaches for such contexts?

## *Development Effectiveness from a country perspective*

In an 'Age of Choice', the country priorities on development effectiveness will be more important than ever. Countries will be increasingly free to pick and choose their development finance provider, and to reject offers of funding that don't suit their needs and priorities. But what do we know about the country view? Is Paris still the best way forward, from the country perspective? Harmonisation is a key Paris principle, and this was largely taken forward through a set of aid effectiveness coordination processes at country level. But these processes are largely breaking down, as growing numbers of non-DAC donors and other new actors don't engage. Is harmonisation still relevant at the country level, and if not what should replace it?

Key questions to be addressed are:

- Are there new principles, such as speed, that should be added to the Paris framework?
- Do the expanded range of options that countries have for financing mean that it will be more difficult for donors to address governance bottlenecks, or address the LNOB or other global agendas? Is there a risk that countries will just say 'no'?
- How should harmonisation happen at country level in light of new actors and new flows, who often don't engage in traditional aid effectiveness coordination mechanisms? Is harmonisation still a relevant principle, and if not, what should replace it?
- In a post-budget support era, how do countries want donors to best support ownership? How can project approaches be better aligned with country priorities?

# Programme

**Tuesday, 18 October 2016**

**9.30 – 10.00: Coffee and networking**

**10:00 – 10:15 Introduction**

- Welcome – **Ed Hedger**, Executive Director, ODI
- Outline of agenda – **Romilly Greenhill**, Team Leader, Development Finance, ODI

**10.15 – 11.30: Setting the scene | Challenges on the road to Nairobi: how can the GPEDC incentivise more effective financing?**

During this panel, speakers will discuss the main challenges on the road to Nairobi and where next for effective development cooperation in the SDG era. Attendees can participate in this interactive session by submitting and rating online questions to the panel.

- Keynote address: **H.E. Mr Goodall Edward Gondwe**, Minister of Finance, Economic Planning and Development, Republic of Malawi
- Chair: **Ed Hedger**, Executive Director, ODI
- **Gina Casar Perez**, Executive Director, AMEXCID, Mexico
- **Gülden Türköz-Cosslett**, Deputy Assistant Administrator, UNDP
- **Brenda Killen**, Deputy Director, OECD DCD

**11.30 – 11.45: Coffee break**

**11.45 – 13.00: Question Time | Country perspectives on the Nairobi agenda in an SDG era**

Informal and interactive interview-style discussion on the changing development finance landscape at country level and what this means for development effectiveness. Country representatives will be drawn in from the floor to outline their priorities for Nairobi. Attendees can participate in this interactive session by submitting and rating online questions to the panel.

- Presentation: **Annalisa Prizzon**, Research Fellow, ODI
- Chair: **Ishbel Matheson**, Director of Communications, ODI
- **Heng Chou**, Director, Policy and Aid Coordination, Council for the Development of Cambodia
- **Yvonne Quansah**, Director of External Resource Mobilisation, Bilateral, Ministry of Finance, Ghana

**13.00 – 14.00: Lunch break**

**14:00 – 15:30 Policy simulation**

Participants will be split into different stakeholder groups and each allocated a specific group of priorities (or proposals) as part of their objectives for the new development effectiveness agenda. Through balancing conflicting interests with their fellow players, building bridges across stakeholder

groups and balancing priorities, participants will discover more about the practicalities of implementing a new development effectiveness cooperation.

Facilitator: **Paul Jansen**, Programme Director, Salzburg Global Seminar

15:30 – 16:00: **Coffee break and networking**

16:00 – 17:00: **Debate | Do development effectiveness principles apply to the private sector?**

The new financing for development agenda places more emphasis than ever on leveraging all flows, including private flows, which dwarf traditional public external flows. The GPEDC framework is similarly insistent on the need for increased multi-stakeholder partnerships and involvement of private actors in this agenda. Should, and could, development effectiveness principles – existing or newly created – apply to blended, or even purely private, finance? This debate session will have a proponent and an opponent, with interactions from the floor. At the end of the debate, participants vote on whether the proponent or opponent has made the most convincing case.

- Chair: **Paddy Carter**, Research Fellow, ODI
- Presentation: **Catherine Blampied**, Research Officer, ODI
- Proponent: **Jesse Griffiths**, Director, Eurodad
- Opponent: **Neil Gregory**, Head of Thought Leadership, International Finance Corporation

17.30 – 19.00: **Drinks reception**

## Wednesday, 19 October 2016

08.30 – 10.00: **Optional Breakfast Event | Smarter Aid Allocation: Looking across the multilateral-bilateral spectrum**

*Numbers are limited so please email [e.hefer@odi.org.uk](mailto:e.hefer@odi.org.uk) to register your interest for this event.*

Interactive conversation with a small panel and group of participants. Donor governments face growing demands to justify the allocation of foreign aid resources across multilateral, bilateral and multi-bi channels. They are also recognising that choosing the appropriate aid channel creates opportunities to make aid more effective, as well as providing an important backdrop for the performance of global institutions. This event will bring together policymakers and researchers to discuss recent research on aid channels and to consider policy options for smarter aid allocation.

- Facilitators: **Romilly Greenhill**, Team Leader, Development Finance, ODI and **Nilima Gulrajani**, Research Fellow, ODI
- **Bernhard Reinsberg**, Research Fellow, University of Cambridge
- **Gwen Hines**, Director for International Relations, DFID, UK
- **Suzanne Steensen**, Manager, Development Finance Architecture Unit, OECD DCD

10.00 – 10.15: **Recap of Day 1 and Introduction to Day 2**

- **Catherine Blampied**, Research Officer, ODI

### 10.15 – 11.15: **Debate | Does the ‘Leave No-One Behind’ agenda trump country ownership?**

Leaving no-one behind is a core tenet of the new SDG agenda, and one which is hard to argue with. But focusing on individuals and countries who are left behind may raise uncomfortable questions for those who support country ownership. What happens when governments themselves are systematically marginalising particular groups? Does ownership apply even in very difficult governance environments, where those ‘left behind’ will increasingly be living?

- **Romilly Greenhill**, Team Leader, Development Finance, ODI
- **Helder Da Costa**, General Secretary, G7+
- **Javier Surasky**, Research and Policy Coordinator, CEPEI

### 11.15 – 11.45: **Coffee break**

### 11.45 – 13.00: **Panel Discussion | Implementing Development Effectiveness – A Reality Check**

This session will explore frankly the successes, failures and politics of the development effectiveness principles in practice. What has the past decade of implementing an internationally-agreed effectiveness framework taught us about how it actually impacts (or does not impact) the behaviour of governments and development partners? Has it created unintended consequences or perverse incentives? How could we make the principles more ‘politically smart’? For example, what would a locally-driven and problem-based approach to the development effectiveness framework look like? Are there fundamental tensions between the principles of predictability, ownership and transparency, and the ‘Doing Development Differently’ imperatives of flexibility, iteration and (sometimes) informal brokering and coalition-building?

- Chair: **Leni Wild**, Head of Politics and Governance Programme, ODI
- **Brenda Killen**, Deputy Director, OECD DCD
- **Neil Cole**, Executive Secretary, CABRI
- **Antonio Tujan**, Executive Director of IBON International
- **Anna Henttinen**, Head of Profession for Evaluation, DFID

### 13:00 – 14.00: **Lunch break**

### 14:00 – 15:30: **Speed geeking session | Priorities for Nairobi and beyond**

A small number of ‘speed geeking’ participants propose one priority to be included in the Nairobi Declaration. Other participants form into small groups around tables. The ‘speed geeks’ move around tables for a limited period of time to pitch their ideas. At the end of the session, participants vote for their priorities.

- Facilitator: **Gideon Rabinowitz**, Policy Manager, Development Finance, Oxfam

### 15:30 – 16:00: **Coffee break**

### 16:00 – 17:00: **Closing Session | How should the Paris, Accra and Busan Principles be updated for a new era?**

Through this summary session, speakers and participants will reflect on key issues emerging from the panel debates and dialogues on how to effectively deliver development cooperation in the SDG era. Participants will have the opportunity to input final thoughts and discuss the role that the organisers will take in moving this agenda forward.

- Chair: **Gwen Hines**, Director for International Relations, DFID, UK
- **Henry Rotich**, Cabinet Secretary to the National Treasury, Republic of Kenya
- **Ambassador Jeroen Verheul**, Special Envoy of the Co-Chair of the Global Partnership for Effective Development Cooperation, Netherlands
- **Susanne Osterlund**, Team Leader, Aid Effectiveness, DG International Cooperation and Development, European Commission
- **Romilly Greenhill**, Team Leader, Development Finance, ODI

**Closing Remarks: Marta Foresti**, Executive Director, ODI

## Annex: Existing Principles and Commitments

### The Paris Principles on Aid Effectiveness

The Paris Declaration (2005) is a practical, action-oriented roadmap to improve the quality of aid and its impact on development. It gives a series of specific implementation measures and establishes a [monitoring system to assess progress](#) and ensure that donors and recipients hold each other accountable for their commitments. The Paris Declaration outlines the following five fundamental principles for making aid more effective:

- 1. Ownership:** *Developing countries set their own strategies for poverty reduction, improve their institutions and tackle corruption.*
- 2. Alignment:** *Donor countries align behind these objectives and use local systems.*
- 3. Harmonisation:** *Donor countries coordinate, simplify procedures and share information to avoid duplication.*
- 4. Results:** *Developing countries and donors shift focus to development results and results get measured.*
- 5. Mutual accountability:** *Donors and partners are accountable for development results.*

Source: <http://www.oecd.org/dac/effectiveness/parisdeclarationandaccraagendaforaction.htm>

### The Busan Principles for Effective Development Cooperation

- 1. Ownership** of development priorities by developing countries: Countries should define the development model that they want to implement.
- 2. A focus on results:** Having a sustainable impact should be the driving force behind investments and efforts in development policy making
- 3. Partnerships** for development: Development depends on the participation of all actors, and recognises the diversity and complementarity of their functions
- 4. Transparency and shared responsibility:** Development cooperation must be transparent and accountable to all citizens