

## EAI Commentary No. 23

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## After the Busan Forum: Transformation of the International Development Aid Regime

December 31, 2011

### The Significance of Busan HLF-4

The 4<sup>th</sup> High Level Forum on Aid Effectiveness (HLF-4) was held in Busan, South Korea from November 29 to December 1, 2011. This forum was the last of the four High Level Forums which were arranged to enhance the effectiveness of foreign aid from major donor countries led by the Organization for Economic Cooperation and Development-Development Assistance Group (OECD-DAC). Following the first HLF, the 2005 Paris Declaration on Aid Effectiveness which contains specific action plans was endorsed at the second HLF. Then in 2008, the international development aid regime was finally institutionalized with the third HLF in Accra. The fourth HLF in Busan was expected to evaluate the progress made by the previous forums and to seek a comprehensive expansion of the existing international “aid” regime into a new international “development” regime. Considering that the deadline for the UN Millennium Development Goals is 2015, the Busan HLF-4 held particular significance as a rearrangement of international governance on aid effectiveness. Moreover, the Busan Forum was also a testing ground for South Korea’s soft power diplomacy which was related to the “development issues” that Seoul, during its presidency of the G20 in 2010, presented as a scheme to reduce the gap between developed and developing countries. In this context, it is important to evaluate the significance of Busan HLF-4 from the following three perspectives.

Firstly, the agenda promoted most vigorously by the Busan Forum was to undertake a paradigm shift in development aid. This shift from “aid effectiveness” to “development effectiveness” encourages a multi-dimensional change in the international development aid regime. The shift reflects the international society’s efforts to desist from the conventional method of aid provision centered only on traditional donors, and to extensively and comprehensively embrace more development issues as well as a wider variety of aid providers as part of a more long-term development plan. This new concept of “development effectiveness” can also be found in the draft of the Busan Outcome Document (BOD) that was published after four successive meetings of the OECD-DAC “aid effectiveness” work team. However, if the sprawling concept of “development effectiveness” is not refined with apt and concrete principles, the Busan HLF-4 runs the risk of merely reiterating the five pillars of the Paris Declaration.

Secondly, the forum was an attempt to integrate and restore the governance function of the international aid regime which is divided between the OECD-DAC-centered body of donors and the Non-OECD-DAC Donors (NODDs) that are pursuing an independent path. The so-called South-South Cooperation, consisting of NODDs such as China, India, and Brazil is widely welcomed by fragile states in Africa and East Asia for their focus on constructing infrastructure and prioritizing mutual respect and equality. This can however, disrupt the established international aid

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framework. The debate on aid effectiveness in 2010 predominated by the Paris Declaration regime was very much confined to the standard model of aid provision centered on DAC and its member states. Therefore, making the participation of emerging donors in the aid effectiveness commitments compulsory was a task of utmost significance at the Busan HLF-4. The involvement of the leading NODDs such as China in the Busan Forum elicited tentative hopes for an expansion of the international aid regime, and the proposition of traditional donors for South-South-North Triangular Cooperation during the forum also succeeded in expanding the point of compromise.

Thirdly, another distinctive feature of the Busan HLF-4 was that it took place under the slogan of “Inclusive Partnership,” pursuing change that encourages the participation of diverse actors in the field of international development at the forum. This stood in contrast to previous forums where only the traditional donors of OECD-DAC were invited. For example, at the HLF-1 in Rome and the HLF-2 in Paris, only OECD-DAC member states, major multilateral organizations, and some partner recipient countries were invited to the forums. Civil Society Organizations (CSO) only came to be recognized as independent partners in the field of development assistance at the HLF-3 in Accra, but their proposals were still not reflected in the forum’s outcome to any substantial degree owing to the perfunctory level of their participation. The Busan HLF-4, however, embraced a much more extensive range of participants from the NODDs to civil sector participants such as CSOs and multinational corporations. This broader participation was possible because South Korea itself has experienced a successful transition from a recipient country

to a donor country. With this background, South Korea could bridge the gap between recipients group and donors group. Moreover, CSOs led by Better Aid, a global organization for development cooperation, organized the “Open Forum for CSO Development Effectiveness” in the run-up to the Busan Forum. The CSOs strived to apply their policies on human rights, gender equality, and creation of healthy jobs to the Busan Outcome Document (BOD). Whether the inclusion of a diverse range of participants can bear substantive results depends on how well the demands of these actors can be reflected and translated into effective policies in the final draft of the BOD.

### **A New Development Cooperation Partnership and Embracing the South-South Cooperation**

Based upon the three features analyzed above, the Busan HLF-4 can be summed up as half success and half failure. The Busan Forum clearly contributed to the expansion of the international development regime by adopting the “Inclusive Partnership” model and embracing South-South Cooperation. However, this contribution is limited since the BOD is only a resolution which is lower than the declaration reached in Paris. Furthermore, the results of the Busan Forum were dampened by the political compromises made on the existing principles of international development cooperation in order to reach a consensus on the BOD.

First, the Busan HLF-4 failed to promote the proposed concept of “development effectiveness” to the main agenda. This would suggest that the Busan Forum was unsuccessful in overcoming the influence of the 2005 Paris Declaration on Aid Effectiveness. Introducing

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concepts which lacked clear terminological agreement while at the same time emphasizing broader development issues made drawing an actual consensus on “development effectiveness” difficult. The concept of aid effectiveness in the Paris Declaration comprised of five principles; Enhanced Ownership, Aid Alignment, Aid Harmonization, Focus on Results, and Mutual Accountability. The BOD is made up of four similar principles; Ownership of Development Priorities by Developing Countries, Focus on Results, Inclusive Development Partnerships, and Transparency and Accountability to each other. Except for the parts on Inclusive Development Partnerships and Mutual Transparency, the principles adopted at the Busan Forum are almost a reproduction of the Paris Declaration. The concepts of Mutual Equality and Sustainable Green Development proposed by the South Korean government and the Rights-based Approach suggested by the CSOs are not explicitly included in the BOD. In the end, the originally planned title for the BOD as the “Busan Partnership for Development Effectiveness” was modified to the “Busan Partnership for Effective Development Cooperation.” This change signaled a retreat away from the “development effectiveness” concept.

Second, the effort to incorporate emerging donors into the existing international aid regime beginning with China resulted in regressive political compromises that limited the principles of international development and cooperation. Due to the ongoing financial crisis in traditional donor countries, the budgets for development aid have decreased. At the same time, emerging donors such as China, India, and Brazil have intensified their strategic development aid. Given these circumstances, OECD-DAC member states are attempting to attract NODDs. Tony Blair,

Chair of Africa Governance Initiative and former British Prime Minister, stated at the forum that China has made more investments into Africa’s infrastructure than the World Bank. At the Busan Forum opening ceremony U.S. Secretary of State Hillary Clinton hinted at the possibility for a revival of tied aid and geopolitical changes. Her speech expressed the U.S. view that while it supports the expansion of untied aid in principle, it is also wary of the risk of undermining aid effectiveness that is posed by the adamant insistence upon untied aid. She also stated that the United States believes in upholding aid transparency to compensate for at least partially allowing tied aid. However, such statements in fact indicate the U.S. strategic aim to restore the aid budget of traditional donors which is being diminished as a result of their comprehensive partnership with the NODDs. They also denote the U.S. intention to regulate tied aid which emerging donor states abuse to mask their ancillary gains by integrating them into the OECD-DAC and contain China’s development assistance. In other words, the United States is taking center stage in the formation of a new foreign aid regime where there is no choice but to pursue Triangular Cooperation with the South-South Cooperation states such as China despite criticism of tied aid and the assistance of non-democratic regimes. In this process of embracing the emerging donors however, the Busan HLF-4 took a regressive step in international development assistance and cooperation by deferring the consensus on one of its principles, the expansion of untied aid, and partially approving tied aid as a political deal to elicit the cooperation of emerging donors.

Lastly, the “Inclusive Partnership” can be evaluated positively as various actors actually took part in the forum. The scope of defini-

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tion for new partners who sign the BOD has been expanded to include not only traditional developing and developed countries but also the heads of multilateral and bilateral institutions, representatives of different types of public, civil society, private, parliamentary, local and regional organizations. The Istanbul CSOs Development Effectiveness Principles was also officially approved, improving the status of civil society. This was visible at the opening ceremony of the Busan Forum where a joint declaration was read by the South Korean President Lee Myung-bak, the UN Secretary General Ban Ki-moon, the Rwandan President Paul Kagame, U.S. Secretary of State Hillary Clinton, and the representative of Better Aid, all in representation of civil society. The problem however, was that in spite of its improved status, only a fraction of the proposals by CSOs to improve development effectiveness were actually discussed and reflected at the forum. In fact, a number of issues included in the second draft of the BOD were set aside for future discussions, including achieving transition to untied aid, the question of selecting International Aid Transparency Initiative(IATI) as the standard for measuring transparency, reducing fragmentation of aid, establishing long-term aid programs and arranging a post-Busan Forum monitoring regime. In particular, the insistence of CSOs on human rights, democratic ownership, transparency, and a consistent policy was not reflected in the BOD. This is to be fundamentally attributed to the reluctant or passive attitude of the majority of donors in agreeing to new commitments, creating specific action plans for the fulfillment of such commitments or setting their deadlines. The Busan HLF4 therefore can be seen as a sort of practical compromise, having achieved the participation of diverse actors, but failing to reflect

diverse opinions.

#### **The Mission for Post-Busan HLF-4**

After the Busan HLF-4, there are now more questions that need to be answered. The most urgent agenda is for each donor country to implement the BOD. The Busan HLF-4 was able to draw agreements on the scheme to establish a monitoring regime by June 2012, but failed to stipulate its contents. In addition, further measures should be taken to instill more binding power in the IATI as a standard for the newly included concept of development aid transparency. Another important post-Busan task is to specifically determine how to ensure the cooperation of the large number of emerging donors that were brought in under the “Inclusive Partnership” slogan and their commitments to international standards. By failing to stipulate the timeframe for transitioning to untied aid, the atmosphere at the Busan Forum was transformed by approving tied aid to some degree. A post-Busan reemergence of commercially-oriented tied aid which caters to the interests of the donor states is therefore a non-negligible possibility. In order to preserve the global governance function of the international aid regime, forms of global cooperation which can respond to the changing landscape of the international development regime must be discussed. One possible solution is to establish a Triangular Cooperation-related organization where conferences can be held to discuss policies in regard to development effectiveness and the rising NODDs. Of the development strategies put forward by the OECD, not only Official Development Assistance (ODA), but also those that promote innovative methods of securing development resources such as Tobin Tax and Green Tax warrant the consideration

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of the post-Busan international aid regime.

The Busan HLF-4 was also constrained by its failure to provide an accurate evaluation of the Paris Declaration. Adding substantive content to the development aid regime was stifled by the overemphasis placed on encouraging the democratic participation of diverse aid-related actors without sufficient agreement on the new concept of development effectiveness. Hence, if the Busan HLF-4 is not revised to produce concrete and practical programs, the agreements reached at the forum will only end up to be empty promises. Of particular necessity is to ponder the direction that could be taken to ensure the formation of an organic connection between the UN MDGs and the post-Busan development aid regime that could reconstruct the fundamental principles of development aid and achieve the common goals of the international community.

### **South Korea's Soft Power Expansion**

Despite its limits, the Busan HLF-4 demonstrated South Korea's growing diplomatic soft power. For the Busan Forum, Seoul successfully invited diverse actors such as governments of donor and recipient countries civil society, private enterprises, and multilateral and bilateral organizations. It also effectively carried out the role as a bridge for the development aid regime by encompassing emerging donors such as China. The challenge though is whether South Korea can continue to maintain the bridge between the traditional and emerging donors in the post-Busan regime. In this regard, the South Korean government needs to adopt a holistic approach to comprehend the changing trends of the foreign aid regime rather than being confined only to technical or regional perspectives. In

addition, emphasis must be placed on producing substantive accomplishments such as aiding the Capacity Development of fragile states and ensuring the accountability of long-term development programs rather than on pursuing outward expansion. South Korea's transformation from a Least Developed Country (LDC) into an OECD-DAC member state can also serve as a paragon to other LDCs. In this way, South Korea is able to influence such countries with its own unique development agendas such as *Saemaul* movement and also possesses the know-how to assist this form of development more effectively than other traditional donors. South Korea's promotion of its unique models of development however, should remain within sensible grounds so as not to contradict its advocacy for the universality of aid policies. Rather, such unique development models must be integrated into the larger development framework promoted by the international aid community to produce policies that are globally acceptable.

Development aid is regarded as a crucial element of soft power. Nonetheless, it should be noted that development aid does not consist of soft power alone, as it is really a combination of both soft and hard power. Therefore, recognizing development aid as a form of hard power which reflects the vital economic and political interests of the donor states instead of perceiving it merely as a form of secondary soft power is of paramount importance. Only then will the international community be better equipped to overcome the dilemma of assimilating the universality of development effectiveness and the reality of pursuing national interests, and consequently adapt to the changing landscape of the foreign aid regime. Faced with the conflicting positions of China whose aid policies prioritize its national interests and traditional European donors whose

universal cooperation regime is represented by “aid effectiveness,” the United States has adopted the practical approach of partially approving tied aid and promoting cooperative relations with emerging donors in order to embrace China. Amidst this complex environment, South Korea should transcend the confines of only pursuing either development effectiveness or national interests, and take on a more flexible and comprehensive leading role in the construction of the development aid regime. ■

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