

Session 4: Where Next? Setting the Agenda for Partnerships to 2015

Session Overview Paper

Where Next? Setting the Agenda for Partnerships to 2015

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1. Introduction

Can partnerships be improved within Asia and between Asia and its development partners? Following what principles? In what areas? And in what specific ways? This paper recognises the breadth and scope of current partnerships: these are not just about aid. It illustrates the breadth of partnerships in various domains: infrastructure, finance, trade, the environment, the private sector, poverty and social exclusion, service delivery and governance. It then turns to the key choices facing Asia and its partners. These have to do with: (a) aid and aid partnerships; (b) a new regionalism in and with Asia; (c) strengthening multilateralism; (d) facilitating business partnerships; (e) civil society partnerships; and (f) driving and monitoring the relationship. The paper concludes with questions about how to drive and monitor the relationship in the future.

Ten principles and propositions regarding future partnerships in Asia form a starting point for this discussion:

First, Asia is a vital part of the world community, for its history and cultural importance, its size, its economic dynamism, its share of the global commons, and its voice in world affairs.

Second, Asia of course has interests in the rest of the world, as the rest of the world does in Asia.

Third, from a development perspective, Asia features prominently – as a source of lessons for the rest of the world, but also because a large share of global poverty is still concentrated in the region.

Fourth, the Millennium Development Goals (MDGs) remain an essential guide to development priorities in Asia, in a context where some countries are making rapid progress and others less.

Fifth, Asia's challenges in the years ahead are both domestic and international – and for that reason, shared. The challenges include: demographic changes and rapid urbanisation; changing production structures and value chains; pressure on natural resources and the need to source raw materials; and political change and the rise of civil society.

Sixth, decisions taken in Asia itself will determine how those challenges are dealt with. In the best of cases, Asia will continue to grow fast in an environmentally sustainable way, and will simultaneously sustain a high level of social justice and social inclusion, with low inequality.

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Seventh, the rest of the world can work with Asia to face its future and to manage shared interests. The instruments will include aid, but will certainly extend to include other aspects of policy. A 'whole of government' approach will be required on both sides.

Eighth, bilateral partnerships will remain important, but regional and multilateral partnerships are likely to grow in importance. In particular, Asia and its partners will need to find new ways of working together in the multilateral aid system and more generally in the UN and other international fora.

Ninth, it will be necessary to monitor and manage development partnerships. An Asia Partnership Forum may be the most effective way to do this.

Tenth, across this range of issues, partnership principles need to be central, including the idea of mutual accountability.

2. Mapping Partnerships

The agenda of development partnerships is potentially and actually vast: from support to networks linking NGOs, through new kinds of business partnership, to the design of the international aid architecture. There are already many such partnerships, operating bilaterally and multilaterally.

In Asia, development partnerships will cover aid, but also other topics. The conference overview paper describes the likely evolution of partnerships as follows:

Partnerships for the future are likely to fall into two broad categories: first, those involving some re-balancing and modification of existing relations – different ways of delivering conventional development assistance fall into this category; second, those focusing increasingly on a 'shared agenda', including but beyond immediate poverty reduction agendas, which may require innovative forms of partnership.

(Farrington 2006)

It goes on to identify two principal themes which are further elaborated in this paper:

1. new practice in development assistance; and
2. a shared agenda on topics including financial stability, the environment, the investment climate and energy.

Partnership is not a new theme, of course. Existing development partnerships are both formal and informal, entailing varying degrees of contractuality. They may cover a broad canvas.

- Formally, all countries are linked by a dense network of international agreements and treaties, ranging from multilateral instruments like the Universal Declaration on Human Rights or the Law of the Sea, to bilateral agreements like extradition treaties or bilateral investment treaties. There are, for example, over 130 bilateral investment treaties between Asian and West European countries (UNCTAD 2000). Some formal instruments are at regional level. For example, the Cotonou Agreement is an international convention covering trade, aid and political relationships, signed by the EU and now 79 countries in Africa, the Caribbean and the Pacific (ACP). The implementation of formal agreements is covered by international law.²
- More informal partnerships signal an intent to work together, either because of shared values or because a partnership looks like a good way for each side to achieve its objectives. There may be a memorandum of understanding, but no formal, contractual relationship. Many aid partnerships have this character, as do some business partnerships.

‘Development partnerships’ can be formal or informal and can (and do) cover a wide range of themes linked to growth, poverty reduction, social inclusion and governance. They also cover the provision and management of global public goods, for example, to do with knowledge or the environment. They have not normally covered ‘pure’ foreign policy, though security is increasingly a driver of development cooperation. They have, however, extended beyond narrow questions of aid delivery.

The scope can be illustrated by considering the joint statements issued at the end of the recent China-EU and India-EU summits in September 2005.³

The China-EU summit endorsed two memoranda of understanding, one protocol, one joint statement and two financing agreements.⁴ In addition, it ‘witnessed’ one further financing agreement, and listed points of agreement and disagreement in a further 23 areas, ranging from world peace and action on climate change to technology transfer and cultural exchange. We have scored each of these areas for development content: 90 per cent score medium or high. Almost none are directly related to aid.

The India-EU summit covered a similarly broad area, building on the Strategic Partnership agreed in 2004. It covered political dialogue, security and cooperation, and economic dialogue and cooperation (including trade and investment). A comprehensive action plan was agreed, to cover all aspects of implementation. A high-level trade group was established to explore ways of increasing bilateral trade flows.

Similar partnership frameworks exist between countries bilaterally and between regional groupings, including within Asia. As well as the range of UN organisations, key multilateral fora include:

² For details of the Cotonou Agreement see:

http://europa.eu.int/comm/development/body/cotonou/agreement_en.htm

³ See http://europa.eu.int/comm/external_relations/china/summit_0905/index.htm and

http://europa.eu.int/comm/external_relations/india/sum09_05

⁴ For details of the summit see: http://europa.eu.int/comm/external_relations/news/barroso/sp05_478.htm

- ASEAN: Association of Southeast Asian Nations⁵
- SAARC: South Asian Association for Regional Cooperation⁶
- APEC: Asia-Pacific Economic Cooperation⁷
- ASEM: Asia-Europe Meeting⁸
- AEBF: Asia Europe Business Forum

Whether partnerships are contractual or not, the core principles which underpin success are not difficult to discern. They include a high level of trust, long-term commitment, transparency and accountability. In the development field, particularly, there has been increasing interest in mutual accountability: finding ways in which rich countries can be held to account in the same way as poor ones.

3. The Substance of Partnerships

The substance of partnerships will include lesson-learning between countries, support for joint action within the region, and cooperation across regional boundaries.

3.1. Infrastructure

A recent study carried out jointly by the Asian Development Bank (ADB), the Japan Bank for International Cooperation (JBIC) and the World Bank (WB) (2005) estimates that East Asia alone will need to spend US\$200 billion per year for the next five years at least.

The scope for partnership is evident: in planning and coordination across national borders; in working with the private sector and civil society; and in making links to financial institutions. The ADB, among others, is pioneering new instruments and forms of finance to encourage public-private partnerships (PPPs), for example, in Pakistan (Shah 2005). Other donors have also highlighted the importance of public-private partnerships in infrastructure. For example, the UK Department for International Development (DFID) has 13 separate initiatives underway or under development, many with other donors who form part of the Private Infrastructure Development Group (Annex 1).⁹

Two partnerships have considerable potential for responding to growing Asian needs for improved energy efficiency. The first is the Renewable Energy and Energy Efficiency Partnership (REEEP), launched as an independent public-private partnership following the Johannesburg World Summit on Sustainable Development in 2002.¹⁰

⁵ <http://www.aseansec.org>

⁶ <http://www.saarc-sec.org/main.php>

⁷ <http://www.apec.org>

⁸ <http://asem.inter.net.th>

⁹ <http://www.pidg.org>

¹⁰ <http://www.rec.org/releep>

The second is the Energy Investment Framework being developed by the World Bank with the regional development banks, including the ADB.

The regional dimension is also important. Thus, the initiative of the ADB's Greater Mekong Subregion shows that a larger benefit can be reaped by taking a regional perspective and by focusing on cross-border infrastructure-building. Similar initiatives include the ADB's South Asia Subregional Economic Cooperation or the Central and South Asia Trade and Transport Forum.

3.2. Finance

Griffith-Jones and Gottschalk declare for prudence in macroeconomic management and capital account liberalisation, and observe that: 'strengthening regional and multilateral mechanisms for crisis prevention and better management remains a priority' (Griffith-Jones and Gottschalk 2006: 13).

There is obviously a strong regional dimension to monetary management in Asia. The Manila Framework Group was established in November 1997 as a forum comprising senior finance and central bank officials from 14 countries, as well as representatives from the ADB, the International Monetary Fund (IMF) and the World Bank, to discuss matters affecting financial stability in the region. In October 1998, ASEAN finance ministers agreed on a framework for closer consultations on economic policies, called the ASEAN Surveillance Process.

Attempts to create a fund for regional liquidity have evolved via the Chiang Mai Initiative (CMI) to two different regional facilities for providing liquidity: the ASEAN Swap Arrangement (ASA) and the Bilateral Swap Arrangement (BSA).

Asian economies have also sought to 'self-insure' since the crisis, through the accumulation of foreign currency reserves. Partnerships designed to share expertise for the establishment of national investment funds would encourage the responsible and productive investment of some of these reserves into national and regional economies.

3.3. Trade

Trade partnership issues revolve largely around the WTO, and the immediate agenda relates to the post-Hong Kong negotiations.

The conference will wish to note the present state of negotiations, and the proposal for a meeting to be hosted by the Indian Commerce Minister, to be held in London in March 2006.

3.4. Environment

Multilateral and bilateral agencies have a role to play in providing expertise and finance for improved resource management, soil conservation and renewable energy sources. Investments in science and innovation can help to promote increased efficiency in resource utilisation. Accelerated technology transfer may be required to improve energy efficiency and develop carbon-

friendly applications. Collaboration in international fora is necessary for effective management of the global commons.¹¹

As an example, the EU summits with China and India have established important partnerships. The EU and China have signed a Memorandum of Understanding for EU-China near Zero Emissions Coal (nZEC) project. This could be the basis for a more wide-ranging strategic partnership on climate and energy security while the UN Framework Convention on Climate Change (UNFCCC) remains the forum for reaching binding agreements on the international framework.

3.5. Private Sector

The investment climate paper written for the conference by Phillips (2006) proposes specific actions:

- Scale up work on competition policy, including building capacity of governments to conduct competition assessments and analyse the impact of regulations on key sectors of the economy.
- Additional analysis of financial constraints to investment.
- DFID is planning to set up a Regulatory Impact Analysis unit in the Bangladeshi central government, in an attempt to implement better regulatory systems at the national level. Such measures are also needed at the regional level and in other countries.
- A more effective and systematic public-private dialogue process should be encouraged to engage the private sector's help in improving public policy for private sector development in the region.

A conference organised by the Commonwealth Business Council in February 2006 resolved to establish a Business Asia Network for Sustainable Development. Its aims are to develop a programme of action that includes promoting dialogue between business and government on key policy issues, strengthening partnerships between businesses and community organisations, and measures to strengthen the investment climate, infrastructure development, support for small and medium enterprises and financial services for the poor.

3.6. Poverty and Social Exclusion

For some countries in Asia the problems of chronic poverty and social exclusion are principally issues of lagging regions within rapidly growing economies, while in others, severe poverty remains pervasive.

¹¹ Personal communications with Yvan Biot regarding environmental partnerships.

For countries that face the continued challenge of pervasive poverty, conventional development assistance is still required, in the form of financial assistance for the development and implementation of national poverty reduction strategies or PRSPs.

For the rapidly growing economies, development finance is less of an issue than the sharing of knowledge and experience.

3.7. Service delivery

Governments in Asia have primary responsibility for financing and providing public services. But in some countries there is inadequate financing for public services, either because health and education do not receive adequate attention in policy, or on account of low tax revenues that limit expenditure outlays.

There will be a continued need for the foreseeable future for donor finance to increase expenditure on public services in less developed countries where state capacity is limited or where substantial numbers of poor people are excluded on account of limited resources.

In countries where financing is not a major constraint, or where there are well-established alternatives to state provision and financing (in the form of private provision and health insurance), the main challenge lies in experimenting with new models of provision to improve access and quality.

Partnerships in service delivery are not confined to national policy responses. New health challenges in the form of SARS and the HIV/AIDS pandemic have spill-over effects that transcend national boundaries and require a coordinated regional response.

3.8. Governance

Asian governments are in a strong position to exhibit leadership in governance reforms by demonstrating the centrality of building effective state institutions in generating positive outcomes for growth and poverty reduction. There is scope for greater learning within Asia from successful approaches to governance reform, especially from initiatives to strengthen state capacity and efforts to broaden citizen participation and enforce accountability

Aid donors can support Asian governments in deepening commitment to a reform agenda through a variety of measures: active support for domestically-driven initiatives; developing aid instruments that recognise and reward positive outcomes; and facilitating exchange of positive experience in the region.

Regional organisations are well placed to take a more active role in promoting governance reform initiatives through the provision of technical assistance and information exchange based on successful domestic initiatives.

4. Cross-cutting Themes for Future Partnerships

Cutting across these sectoral issues are six major themes that are likely to shape the evolution of partnerships in the years ahead. Each of these raises questions that the conference will wish to discuss. Both aid and non-aid issues are important. We begin with aid. We then turn to regional and multilateral partnerships and to the roles of business and civil society partnerships. Finally, a key question is how to manage the partnership overall.

4.1. Aid and Aid Partnerships

The data show aid to Asia falling sharply through the 1990s, but then recovering. Iraq accounts for a large share of additional volume, but the figures seem to show recovery in both South Asia and the Far East. South Asia, however, includes Afghanistan, which explains most of the increase there. Of course, the tsunami will produce greatly increased figures for 2005: according to TEC (2005), more than US\$14 billion was raised (c.f. US\$7 billion for all humanitarian aid in 2004). The Pakistan earthquake will also have a bearing on these figures.

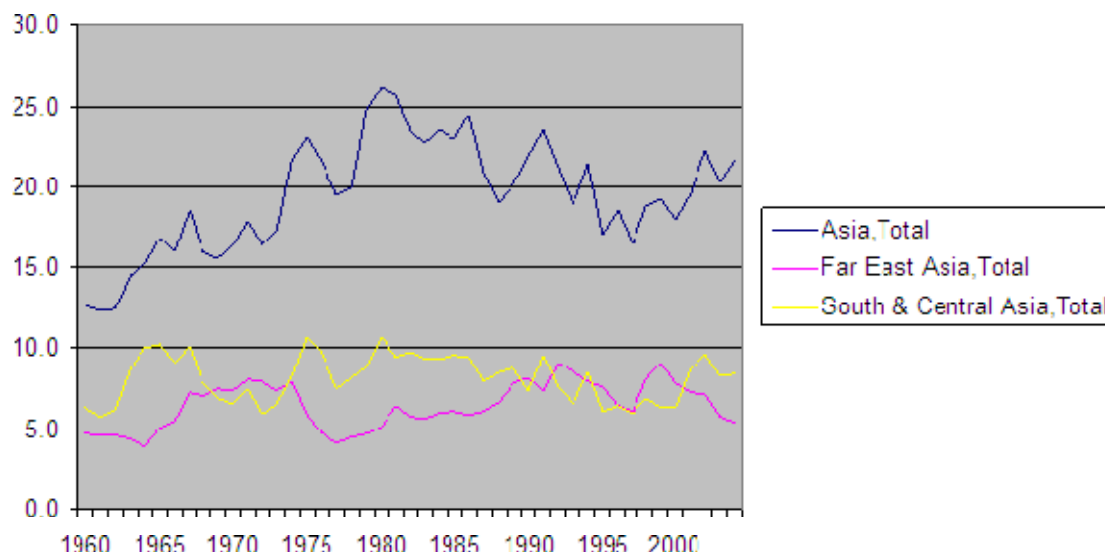
There are some other summary data on the OECD (Organisation for Economic Co-operation and Development) website.¹² They show:

- Asia's share of global aid in the range 25–30 per cent in the period 1995–2003
- aid *per capita* of 6 US cents in Asia, c.f. a global average of 14 and Africa 31
- aid as a share of gross domestic product (GDP) varying widely, from 0.1 per cent or 0.2 per cent in the cases of India, China and Malaysia, to between 10 per cent and 20 per cent in some poorer countries, and even as high as 44 per cent in Timor-Leste
- the top ten donors in 2003 as being: the USA, Japan, the International Development Association (IDA), the EC, the UK, the ADB, Germany, France, the Netherlands, and the UN Relief and Works Agency (UNRWA)
- the top recipients in 2003 as being: Iraq, Vietnam, Indonesia, Afghanistan, Bangladesh, China, Jordan, Pakistan, Palestine and India
- in general, aid focuses less on health and education in Asia than the average, more on economic infrastructure.

The large increase in aid to East Asia in the late 1990s was related to the region-wide financial crisis of 1997–8.

¹² See http://www.oecd.org/departement/0,2688,en_2649_34447_1_1_1_1_1,00.html

Figure 1: ODA* to Asian Countries: 1960–2004 (constant 2003 US\$ billions)



*Includes DAC countries, non-DAC countries and multilateral donors.

Source: International Development Statistics: www.oecd.org/dac/stats/idsonline

A trend not yet picked up in the statistics is the emergence of a significant number of Asian donors, especially evident in the aftermath of the tsunami, but also otherwise. ODI research shows that non-DAC donors (the Development Assistance Committee of the OECD), most of them Asian, provided up to 12 per cent of humanitarian aid between 1999 and 2004, with the figure peaking at over US\$700 million in 2001 (Harmer and Cotterrell 2005).

The context for a discussion of future aid to Asia is that total aid volumes will roughly double by 2010, from around US\$65 billion to approximately US\$130 billion (DAC 2005). There will continue to be a strong focus on reaching the MDGs, with a consequent bias in resources to the poorest countries. ‘Good donorship’ will be an overarching theme. The Paris agenda on harmonisation and alignment will play strongly in aid agencies and will shape partnership agreements.¹³ The Vietnam government is one that has made good use of these principles: it drew up a set of principles with its development partners in July 2005 known as the Hanoi Core Statement on Aid Effectiveness that provide an illustration of how the Paris agenda can be realised in practice (see Annex 2).

There remain important issues, however, both globally and regionally. They include:

- the distribution of aid between countries
- the distribution of aid between bilateral and multilateral channels
- the future role of the multilateral development banks
- absorptive capacity and other problems of scaling up

¹³ Source: <http://www.oecd.org/dataoecd/57/60/36080258.pdf>

- transition issues for middle-income countries
- the role of different instruments, including vertical funds
- the need for new instruments, especially in public-private partnerships
- the desirability of long-term development and aid partnerships
- the question of whether Asian countries will continue to grow as aid donors, and, if so, whether they should join the DAC.

It is important to note that these issues are much debated internationally, for example, in the DAC and the UN Economic & Social Council (ECOSOC), as well as the research community – although less so among Southern governments and researchers (FFA 2006). The Secretary General of the UN has set up a high-level panel on UN system-wide coherence in the areas of development, humanitarian assistance and the environment. The UK Chancellor, Gordon Brown, has made important proposals to the G8, including:

- a call-down facility for humanitarian relief
- a new environmental fund
- MDG country-level delivery plans (which is something Jeff Sachs has called for)
- a new initiative to fund medical research and development
- the proposed IMF shocks facility
- a new US\$20 billion loan and grant fund for investment in alternative energy
- aid for trade
- debt relief.

(Source: Gordon Brown article in *The Guardian*, 11 January 2006)

A number of scenarios might be foreseen. For example, a status quo option might see aid to Asia increasing somewhat, with the sharpest increases to the poorest and most populous countries, and with a strong focus on aid harmonised with national poverty reduction strategies and delivered largely as budget support. There would continue to be a large number of players, with vertical funds active. Many Asian countries will become aid donors and some will join the DAC. There will be more long-term partnerships, based on independent monitoring and accountability. For example, DFID is currently developing a series of ten-year development partnerships with a number of Asian partner countries.

An alternative scenario might similarly see a gradual increase in aid to Asia, but with a significant change in the aid architecture and in the way aid is organised. Instead of most aid being bilateral, there might be a much greater proportion delivered multilaterally, with fewer bilateral donors and perhaps also fewer vertical funds or special purpose vehicles. Furthermore, there might be greater

efforts to link public and private finance, for example, through multilateral development banks (MDBs) taking equity shares rather than taking loans. A greater share of aid might also be directed to regional projects. Again, Asian donors will grow and join the DAC. There will be many more long-term partnerships.

4.2. A New Regionalism in and with Asia

It is clear from papers submitted to the conference that regional issues are important (for example, in infrastructure, natural resource management, trade or financial stability). It is also clear that Asia's own commitment to regionalism is deepening, in both political and economic arenas. Institutions like ASEAN or SAARC are becoming more influential.

A number of questions arise, however.

First, 'Asia' is not an easy construct, ranging as it does from the Bosphorus to the Bering Straits. There are many different sub-groups and regions within Asia, and many overlapping geographical units. Does Asia itself have a view on the future of regional groupings? Are there choices to be made?

Second, it is sometimes difficult to decide whether Asia and its partners should engage mainly on a bilateral basis or mainly on a regional basis. For Europeans, for example, a recurrent question is whether it is most useful to engage through the EU. Sometimes, as is the case on trade, the decision is straightforward, because the EU has exclusive competence. Sometimes there is a choice, because competence is shared: aid is an example. The Asia-Europe Meeting (ASEM) process is deliberately wide-ranging in scope.¹⁴

Third, there are issues about the multi-purpose role of regional institutions, like APEC or SAARC. In Africa, it has been interesting to see the Organisation of African Unity evolving into the African Union,¹⁵ and widening its mandate beyond the political to include more specifically developmental concerns: economic policy, so to speak, as well as peacekeeping. Will the same happen in Asia?

Looking to the future, it is possible to imagine a world in which regional organisations, including bodies like ESCAP (United Nations Economic and Social Commission for Asia and the Pacific) and ADB, play a much larger role in development partnerships.¹⁶ Both sides, however, would have to give this political impetus. Will there be an 'Asian Union'?

4.3. Strengthening Multilateralism

A similar set of issues arises in the case of multilateralism, particularly the UN, but also non-UN processes like the WTO. Here, there are both national and international interests at stake, with key issues being about the delivery of global public goods, including peace and security, but also a sustainable environment.

¹⁴ http://europa.eu.int/comm/external_relations/asem/intro

¹⁵ <http://www.africa-union.org>

¹⁶ See, for example, the essays in Kaplinsky 2006.

There are three sets of policy questions. The first is to make sure that Asian voices are sufficiently represented in the multilateral system:

- on the Security Council and other bodies of the UN
- on the boards of the IMF and the World Bank
- in the activities of the WTO.

Progress or lack of it on those topics is well known. This is probably not a major topic for the conference, but the UN MDG Summit in September 2005 made little progress on Security Council membership, despite preparatory work by the High-Level Panel on Challenge, Change and Threats¹⁷ and in the Secretary General's subsequent report, *In Larger Freedom*. The door remains open, however. The relevant paragraph of the Outcome Document says that:

We support early reform of the Security Council – an essential element of our overall effort to reform the United Nations – in order to make it more broadly representative, efficient and transparent and thus to further enhance its effectiveness and the legitimacy and implementation of its decisions. We commit ourselves to continuing our efforts to achieve a decision to this end and request the General Assembly to review progress on the reform set out above by the end of 2005.

(UN Secretary-General, draft outcome document, Resolution 153)

On the question of representation on the boards of the Bretton Woods Institutions, progress seems easier. There will be proposals to rebalance voting weights at the autumn meetings of the Bank and Fund.

The second set of questions is about how Asia and its partners can work together more effectively in multilateral fora on such questions as global warming. This is really a question about how to improve the quality of collective action. Useful steps can be taken in such areas as trust-building, but also that civil society pressure plays an important part in creating expectations that cooperation will take place. The point about creating the institutions for cooperation is important. Organisations like the Commonwealth, which provide a 'safe space' for discussion and trust-building, are especially valuable.

A third set of questions is how to help the UN development system be more effective in Asia. In particular, how can coordination and impact be improved at country level? And how should the UN work with other donors, including the proliferating global funds?

¹⁷ <http://www.un.org/secureworld>

It would be useful to have discussion at the conference on the key issues where better cooperation in the multilateral system is most urgent, and what the constraints are to working together more effectively.

4.4. Facilitating Business Partnerships

The discussion on the substance of business partnerships emphasises both how important they are and also how they are changing. There is great potential for new business partnerships, not only to deliver better business opportunities, but also to benefit poverty reduction. Businesses can deploy their skills and competences to work with local government and communities, at little cost to themselves. They can change buying practices in order to help businesses in their supply chain to improve quality and competence. They can support efforts to improve financial accountability and corporate governance. In all these ways, their social footprint can exceed their direct contribution to employment, exports and revenue, and certainly exceed philanthropic contributions.

The question is whether governments and aid agencies need to incentivise better partnerships, and how they can do so. To a certain extent, businesses themselves benefit from the measures described above, if only through an improved 'licence to operate'. In some cases, however, they may need subsidies or other incentives to overcome inertia or to sustain progress.

Governments have already devised many initiatives to encourage public-private partnerships, described above. For example, the Public-Private Partnership for the Urban Environment promotes collaboration between municipalities, business and civil society for the delivery of infrastructure services to the urban poor (www.undp.org/pppue).

An interesting case is the use of compliance standards to drive change. Michael Warner reviews the Equator Principles and reports that:

Clients of the IFC who enter into project finance, equity investment, corporate finance or intermediary finance deals with IFC will shortly have to comply with these new standards. Many commercial banks – Barclays, HBSC, JPMorgan Chase, Standard Chartered and others – are already following IFC practice in this area. As such we may well be witnessing the dawn of a new international financial benchmark for environmental and social risk management for project finance in emerging markets. The new standards are aimed at private sector clients, firmly resting responsibility for achieving their compliance with these parties. The standards are operationalised through a new internal IFC policy on Social and Environmental Sustainability, a new policy on Disclosure, new internal IFC procedures, and various supporting guidance for clients (see Fig. 1).

Another area worth developing relates to 'output-based aid', essentially a way of managing subsidies for the poorest in private sector-led infrastructure projects:

Figure 1 New IFC Social and Environmental Policy and Performance Standards

Responsibility	Requirements	Implementation
IFC	Policy on Social and Environmental Sustainability Policy on Disclosure	Environmental and Social Review Procedure
Client	Social and Environmental Performance Standards: #1 - Social and Environmental Assessment and Management System #2 - Labour and Working Conditions #3 - Pollution Prevention and Abatement #4 - Community Health and Safety #5 - Land Acquisition and Involuntary Resettlement #6 - Conservation of Biodiversity and Sustainable Natural Resource Management #7 - Indigenous peoples #8 - Cultural Heritage	Guidance Notes on the Performance Standards Environmental Health and Safety Guidelines Best Practice Materials

Source: Warner (2006).

In January 2003, the United Kingdom's Department for International Development (DFID) and the World Bank established the Global Partnership on Output-Based Aid (GPOBA), a multi-donor trust fund administered by the World Bank. The goal of GPOBA is to provide increased access to reliable basic infrastructure and social services to the poor in developing countries through the wider use of OBA approaches. GPOBA will demonstrate and document OBA methods of supporting the sustainable delivery of basic services (water, sanitation, electricity, telecommunications, transportation, health and education) to those least able to afford them and to those currently without access.

A new window of opportunity has opened for output-based aid projects. In March 2005, DFID approved a £20 million Challenge Fund (or, Window 3 of GPOBA's mandate), whereby GPOBA will be able to expand the existing scope of its activities to include the funding of subsidy payments for pilot tests of OBA approaches in the infrastructure sectors. Effective use of Window 3 could lead to significant scale-up of OBA approaches through the piloting of subsidy payment schemes with secured funding via grant agreements with GPOBA.

(www.gpoba.org)

An interesting question is, what fora exist to identify, promote and monitor such initiatives in Asia? Is the Asia Europe Business Forum (AEBF) the answer? Or will the proposed new Business Asia Network for Sustainable Development play this role?

4.5. Civil Society Partnerships

The penultimate issue relates to the role of civil society partnerships. Civil society itself obviously has a role to play, in Asia and elsewhere, and its role has been documented in the conference papers. Areas where civil society has a positive role include improving the accountability of governments, mobilising demand for services, and involving citizens in decision-making processes. Civil society organisations also have an important role in identifying and reaching socially excluded groups and supporting them with services where government provision is weak or absent. There is scope for improved partnerships between governments and civil society in the region, to learn from and scale up successful local initiatives and to foster experimentation with new approaches.

The question about partnership is broader than building stronger relationships between governments and civil society. It extends to how NGOs, trade unions, co-operative movements, universities, think-tanks and political and parliamentary bodies can work together to contribute to improved growth and better poverty outcomes in Asia. There is positive experience within the region and among development partners that can be drawn upon to improve legislative frameworks, the functioning of oversight and co-ordination bodies, and the effectiveness of accountability mechanisms.

There are various models that have relevance in the Asian context:

- The Millennium Campaign provides a vehicle for linking campaigns like 'Make Poverty History' around the world (www.millenniumcampaign.org).
- International bodies like Civicus provide a way to link NGOs in Asia and elsewhere (www.civicus.org).
- There are many bodies linking universities, like the Association of Commonwealth Universities (www.acu.ac.uk).
- And there are bodies like the Inter-Parliamentary Union (www.ipu.org/english/home), which link parliaments around the world.

The key policy question is whether governments will commit to supporting these non-governmental institutions in promoting greater accountability and participation in policy making.

4.6. Driving and monitoring the relationship

Finally, an important set of issues for the conference is how the development partnership between Asia and its friends can best be managed. One option is not to manage it at all – in other words, to allow issues to be tackled on an ad hoc basis, in whatever forum seems most appropriate. A second option is to provide only the lightest management, using conferences like this one to review the field, generate new ideas and provide a way of updating past initiatives. A third option is to establish a more structured conversation. This could involve an Asia Action Plan for achieving the MDGs and other development objectives, and perhaps an Asian Partnership Forum at senior level

to monitor progress. Whichever option is chosen, there is an underlying issue of mutual accountability, linked to questions of peer review.

In the OECD, and in financial circles, peer review has become an accepted way of doing business. It is described in an OECD paper as follows:

Peer review can be described as the systematic examination and assessment of the performance of a State by other States, with the ultimate goal of helping the reviewed State improve its policy making, adopt best practices, and comply with established standards and principles. The examination is conducted on a non-adversarial basis, and it relies heavily on mutual trust among the States involved in the review, as well as their shared confidence in the process. When peer review is undertaken in the framework of an international organisation – as is usually the case – the Secretariat of the organisation also plays an important role in supporting and stimulating the process. With these elements in place, peer review tends to create, through this reciprocal evaluation process, a system of mutual accountability.

(Pagani 2002: 4)

Key factors shaping success are defined as: (a) value sharing, (b) adequate level of commitment, (c) mutual trust, and (d) credibility. Successful peer review also translates into gentle peer pressure.

Mutual peer review may be particularly valuable in helping to create a framework of accountability in development policy, which pays due attention to coherence between aid, trade, financial and security policies. Development partnerships then become a ‘whole of government’ arena, rather than a sector- or instrument-specific activity.

Further issues include mechanisms to ensure that partnerships are long term and results-based, relying on shared interests and strengthening capacity-building. There will not be one single model, so partnership approaches have to recognise the opportunities that diverse practices offer.

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Annex 1: International Programmes Supported by DFID to Promote Private Participation in Infrastructure

The UK Department for International Development (www.dfid.gov.uk) supports a range of international programmes to promote private participation in infrastructure that contributes to growth and poverty reduction. All are being implemented jointly with other donors. DFID, the Netherlands, Sweden, Switzerland and the World Bank have formed the Private Infrastructure Development Group (PIDG) to coordinate work on promoting private participation in infrastructure. It is hoped that others will join PIDG (www.pidg.org).

Operational Programmes

PPIAF		The Public-Private Infrastructure Advisory Facility advises governments on improving the enabling environment (policies, laws, regulations and institutions) for private sector participation in infrastructure. www.ppiaf.org
DevCo Advisory		Project development facility, operated by the IFC, which provides transaction advice to governments on bringing in private ownership and investment into infrastructure. www.ifc.org/ifcext/psa.nsf/Content/DevCo
EAIF	Funded by PIDG	The Emerging Africa Infrastructure Fund provides long-term lending on commercial terms to private infrastructure projects in sub-Saharan Africa. www.emergingafriacafund.com
GuarantCo		GuarantCo will provide guarantees to encourage local currency funding of infrastructure investment by domestic financial institutions and municipalities. Contact: sjansson@guarantco.com
InfraCo		A project development company that will put together infrastructure projects to the stage of being financeable, and then tender these to private investors. Contact: j-hodges@dfid.gov.uk
TAF		The Local Capacity Building Technical Assistance Facility provides grants for local capacity building alongside projects funded by PIDG facilities. Contact: jflora@worldbank.org
GPOBA		The Global Partnership for Output-Based Aid supports the design and piloting of performance-based approaches for targeting public funding on the delivery of basic services to the poorest. www.gpoba.org
PPPUE		The Public-Private Partnership for the Urban Environment promotes collaboration between municipalities, business and civil society for the delivery of infrastructure services to the urban poor. www.undp.org/pppue
CLIFF		The Community-Led Infrastructure Finance Facility, being piloted in India, provides bridge finance and technical assistance to community-led urban regeneration projects. www.theinclusivitycity.org/cliff.htm

Programmes in development

SUF	The Slum Upgrading Facility will provide technical assistance, capacity building and bridge finance to municipalities and local NGOs and community-based organisations (CBOs) to design projects for financing by public, private or donor sources. Contact z-hensby@dfid.gov.uk
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Programmes under investigation

AsPIFF		Following a scoping study, the PIDG is commissioning a feasibility study for a new infrastructure debt fund for Asia. Contact: j-hodges@dfid.gov.uk
Local currency hedging	PIDG	PIDG has commissioned a study of how to strengthen the availability of local currency hedging instruments. Contact: c-lutyens@dfid.gov.uk
Mini-Infrastructure		PPIAF is undertaking a pre-feasibility study to assess the demand for a long-term debt fund to assist
Apex Programme		Small Scale Infrastructure Providers (investments of less than US\$5 million). Contact: Peter.schuurman@minbuza.nl

Source: DFID.

Annex 2: Hanoi Core Statement on Aid Effectiveness Ownership, Harmonisation, Alignment, Results

Background Statement

We, the Government of Vietnam and development partners, agree to take far-reaching and monitorable actions to make aid more effective as we look ahead to the achievement of Vietnam's Development Goals (VDGs) by 2010, and the Millennium Development Goals (MDGs) by 2015.¹ We recognise that while volumes of aid and other development resources are increasing to achieve the VDGs, aid effectiveness must also increase significantly to support Vietnam's efforts to strengthen governance, to improve development performance, and to enhance development outcomes. We agree at this workshop to localise the conclusions of the High Level Forum on Aid effectiveness held in Paris in March 2005 ('The Paris Declaration') to reflect circumstances in Vietnam. We resolve to increase the impact of aid in reducing poverty and inequality, increasing growth, building the capacity of human resources and institutions, and accelerating achievement of the VDGs.

Partnership Commitments

Developed in a spirit of mutual accountability, these Partnership Commitments reflect the ambitions and structure of the Paris Declaration and build on the on-going efforts and experiences of development in Vietnam.

1. Ownership

Vietnam defines operational development policies

1. The Government of Vietnam exercises leadership in developing and implementing its 5 Year Socio-Economic Development Plan (SEDP) through a broad consultative processes which integrates overseas development aid into mainstream planning (**Indicator 1**).
2. The Government of Vietnam further strengthens its leadership role in co-ordinating aid at all levels.

2. Alignment

Donors align with Vietnam's strategies and commit to use strengthened country systems

3. Donors base their support on the Government of Vietnam's SEDP and related national, regional and provincial, and sectoral plans (**Indicator 2**).
4. Donors base dialogue on the poverty reduction and growth agenda articulated in the SEDP.

¹ Vietnam's progress in meeting the MDGs will be presented to the UNGA Summit in New York, September 2005.

5. The Government of Vietnam and donors establish mutually agreed frameworks that provide reliable assessments of country systems, procedures and their performance.
6. Donors use country systems and procedures to the maximum extent possible. Where use of country systems is not feasible, donors establish additional safeguards and measures in ways that strengthen country systems and procedures (**Indicator 5, 6 and 8**).
7. Donors avoid creating parallel structures (PMUs) for day-to-day management and implementation of aid-financed projects and programmes (**Indicator 3**).
8. Donors phase out paid incentives for government officials administering aid financed activities and do not establish incentives in future activities.

**Vietnam strengthens institutional capacity with support from donors;
 donors increasingly use government systems**

9. The Government of Vietnam integrates capacity building objectives in the SEDP and related national, regional and provincial, and sectoral plans and leads a comprehensive capacity building programme with co-ordinated donor support (**Indicator 4**).
10. The Government of Vietnam undertakes reforms, such as public administration reforms (PAR) that promote long-term capacity development.
11. The Government of Vietnam undertakes reforms to ensure that the legal framework, national systems, institutions and procedures for managing aid and other development resources are effective, accountable and transparent.
12. The Government of Vietnam and donors commit sufficient resources to support and sustain reform and capacity building in public procurement and public financial management.
13. Donors progressively rely on the Government of Vietnam's procurement system once mutually agreed standards have been attained (**Indicator 5**).
14. Donors progressively rely on the Government of Vietnam's public financial management system once mutually agreed standards have been attained (**Indicator 6**).
15. The Government of Vietnam publishes timely, transparent and reliable reports on budget planning and execution (**Indicator 6**).
16. Donors enhance the predictability of future aid through transparent decision making processes, provide reliable indicative commitments of aid over a multi-year framework (including aid commitments covering multi-year expenditures of projects) and release aid in a timely and predictable fashion in relation to the Government of Vietnam's budget cycle (**Indicator 7**).
17. The Government of Vietnam, supported by donors, develop specialised technical and policy capacity for social and environmental analysis (SIA and EIA) and enforcement of legislation (**Indicator 8**).

3. Harmonisation and Simplification

Donors implement common arrangements and simplify procedures

18. The Government of Vietnam and donors jointly conduct and use core diagnostic reviews such as Country Financial Accountability Assessment (CFAA), Public Expenditure Review (PER), Country Procurement Assessment Report (CPAR), etc. and the Government of Vietnam and donors work together to share other reviews and carry out more joint reviews (**Indicator 9**).

19. Donors rationalise their systems and procedures by implementing common arrangements for planning, design, implementation, M&E and reporting to Government of Vietnam on donor activities and aid flows (**Indicator 10**).
20. Government of Vietnam and donors increasingly use programme based approaches (Defined in Box 3.1, Chapter 3 'Sector Approaches' of Harmonising Donor Practices for Effective Aid Delivery, Volume 2 (OECD, 2005))² (**Indicator 11**).
21. Decentralisation and delegation of authority to the country level is maximised for each donor (**Indicator 12**).

Complementarity: more effective division of labour

22. The Government of Vietnam provides clear views on donors' comparative advantage, different aid modalities and on how to achieve donor complementarity at country or sector level.
23. Donors make full use of respective comparative advantage at sector level by aligning support and agreeing, where appropriate, lead donors for co-ordinating programmes, activities and tasks, including delegated co-operation.

Incentives for collaborative behaviour

24. Government and donors devise practical means to encourage harmonisation, alignment, and results based management.

4. Managing for results

Managing resources and improving decision making for results

25. The Government of Vietnam and donors jointly use results-oriented performance assessment frameworks to maximise aid effectiveness and manage implementation of the SEDP and related national, regional, provincial and sectoral plans (**Indicator 13**).
26. Donors link country programmes and resources to achieve results that contribute to, and are assessed by, Government of Vietnam performance assessment frameworks, using agreed indicators.

5. Mutual Accountability

Government of Vietnam and donors are accountable for development results

27. The Government of Vietnam and donors jointly assess, and carry out annual independent reviews, on progress in implementing agreed commitments on aid effectiveness and improved development outcomes through existing and increasingly objective country level mechanisms (**Indicator 14**).
28. Donors provide timely, transparent and comprehensive information on aid flows and programme intentions to enable Government of Vietnam to present comprehensive budget reports to legislatures and citizens, and co-ordinate aid more effectively.

² In this definition programme-based approaches share the following features irrespective of aid modalities: i) Leadership by the host country; ii) Single Comprehensive programme and budget framework; iii) Formalised process for donor co-ordination and harmonisation of procedures; and iv) Efforts to increase use of local systems for the whole project cycle.

Hanoi Core Statement Indicators and Targets

Indicator	Indicative Targets to 2010 ³
Ownership	
1 5 Year Socio-Economic Development Plan (SEDP) is finalised, CPRGS principles are integrated; SEDP is effectively implemented.	5 Year SEDP targets are achieved
Alignment	
2 Donor assistance strategies are aligned to the SEDP and related national, regional, provincial and sector strategies	All donor assistance strategies
3 Donors strengthen GoV capacity by avoiding parallel PMUs	No parallel PMUs
4 Capacity building objectives are clearly set out in the SEDP and related national, regional, provincial and sector strategies, and PAR. GOV and partner agencies lead comprehensive capacity building programmes with co-ordinated donor support – <i>Percent of aid for capacity building per se delivered through partner-led and coordinated programmes</i>	100% partner-led and coordinated programmes
5 Public procurement systems are strengthened to mutually agreed standards taking into account such recommendations as CPAR, PAR – <i>Percent of aid flow and percent of donors using GoV procurement systems.</i>	At least 50% of aid flows and at least 50% of donors channelling at least 50% of their funds through country systems
6 a) Public financial management systems strengthened and PER / CFAA recommendations are implemented b) GoV publishes timely, transparent and reliable reporting on budget execution, audited by State Audit of Vietnam in accordance with INTOSAI ⁴ <i>Percent of aid flows and percent of donors that use the national budgeting, financial reporting, and auditing system.</i>	At least 50% of aid flows and at least 50% of donors channelling at least 50% of their funds through country systems
7 More predictable aid – <i>Percent of aid disbursed according to agreed schedules in annual or multi-year frameworks</i>	75% of aid disbursed on schedule
8 GoV and donors improve environmental and social safeguards – <i>Percent of EIAs and SIAs implemented to international standards and using government systems</i>	At least 100% of EIAs and SIAs under donor funded projects implemented to international standards and at least 30% of these carried out using government systems.
Harmonisation and Simplification	
9 Fewer, better, core diagnostic and country analytical reviews of Vietnam's development needs. – <i>Percent of country/sector diagnostic reviews and studies used by 2 or more donors.</i>	Core diagnostic reviews used by all donors; at least 75% of country analytical reviews used by 2 or more donors
10 <i>Common project cycle management tools agreed and used throughout the project/programme cycle (planning, design, implementation, management reporting etc.)</i> – Percent of donors using common project/programme cycle tools	At least 50% of donors
11 <i>Donor interventions are co-ordinated within GoV-led policy and sector frameworks, including general / sector budget support and project modalities. The % use of different aid modalities (by volume) will be monitored each year</i>	At least 75% of aid is national or sector programme based
12 <i>Donors enhance capacity of country offices and delegate authority to them</i> – Percent of donors and aid interventions that are managed at the country level	At least 75% of aid interventions
Managing for Results	
13 Results framework developed and used to assess the performance of the SEDP and sector programmes – Composite score based on 4 characteristics of a results-oriented framework (objectives, availability of indicators, M&E capacity and information use in decision making)	Score of 3 based on DAC criteria ⁵ and continuous monitoring
Mutual Accountability	
14 Periodic mutual assessment of progress in implementing agreed commitments on aid effectiveness	Annual assessment

Source: www.dfid.gov.uk/pubs/files/hanoi-core-statement.pdf.

³ Targets may be modified following finalisation of the Indicators of Progress (Part III of the Paris Declaration). Interim targets to be established in the V-HAP.

⁴ International Organisation of Supreme Audit Institutions (INTOSAI).

⁵ This is based on the OECD DAC scoring system detailed in their questionnaire 'Baseline Survey Paris Declaration on Aid Effectiveness, 2005'.