



Brussels, 04 July 2012

**NOTE FOR THE ATTENTION OF
MR. KLAUS RUDISCHHAUSER - DIRECTOR, DEVCO B**

Subject: Mission report of Laura Mascagna and María Sancho Hidalgo (DEVCO B1) - Effective Institutions Building Block Meeting, Paris, 26 June 2012.

Head of Unit B1 Jan Ten Bloemendal	Visa plus comments, if necessary
Director B Klaus Rudischhauser	Visa plus comments, if necessary

1. Purpose of the mission

The meeting of the post-Busan Building Block on Effective Institutions (hereafter referred to as BB on EI) was a follow up to the Building Block presentation in the Busan HLF to which the European Commission gave formal support. It took place on 26th June 2012 in Paris under the coordination of the BB leading group (Ghana, WB, USA, Korea, OECD).

The objectives of the meeting were to:

- Review feedback from consultations in meeting the commitments agreed under the Busan Global Partnership Agreement and New Consensus on Effective Institutions;
- Based on an initial mapping, discuss findings and emerging substantive priorities;
- Discuss continuing challenges and potential future opportunities in reaching commitments relating to making reform and capacity development happen; partner led assessments of country institutions; partner led evidence gathering; and systematic regional and global knowledge sharing; and
- Consider links with other fora working on this agenda, such as the Governance Network and discuss potential messages to the Working Party on Aid Effectiveness meeting (28-29 June).

The Effective Institutions theme touches upon relevant DEVCO work streams such as Capacity Development, Use of Country Systems, PFM, Governance and Democracy.

The main objectives of this mission for DEVCO B1 were twofold:

- as European Commission, to ensure presence and support, to have an overview of the state of play and future actions and to provide an input on how the commitments taken in Busan have been implemented within our procedures.
- as a member of the steering committee of LenCD, DEVCO B1 represented the position of the platform on the meeting objectives. It is also expected that the EC contributions to the future work of the BB will mainly be channeled through LenCD.

2. Main messages and recommendations

An initial mapping exercise was undertaken to determine the objectives of this voluntary initiative, the modalities of implementation, including monitoring of relevant commitments and initial working arrangements, on the basis of the agreements in the Busan Partnership document and in the 'New Consensus on Effective Institutions'.

The meeting served to share information on the current actions that are being undertaken by the BB members in the areas of the New Consensus on EI and to identify common challenges and potential work streams for the future.

The following key themes came out of the discussions:

- **Indicators of success in the field of Effective Institutions are difficult to measure; nevertheless relevant improvements have been achieved.** Various BB Members are working on building evidence that can allow linking the indicators with concrete development outcomes. This can make change more visible and accountable. Assessment and self-assessment exercises were highlighted as useful tools to gather the main drivers of change and capacities. It was also agreed that a broader consensus is needed so change can be measured coherently over time. Experiences of partners in this field: WB, ACBF, Nepal, PEFA, NEPAD, INTOSAI, International Red Cross, Paris 21 group, Philippines.
As EC we mentioned the priority attention to results and the common framework in discussion based on country systems (accent on the role of the EC as federator of the position at EU level, with MS)
LenCd mentioned the offer of space for discussion the possible indicators identified and the importance of concentrating on the "soft" side of any CD monitoring or evaluation exercise.
- **Political economy analysis and the use of country systems can contribute significantly to the development of effective institutions. However, donor coordination is needed.** The use of country systems is directly linked to partner's ownership and its development of capacities. It has strong political basis and it facilitates the dialogue with partners and among donors. Nevertheless, it was mentioned that a greater donor coordination and simplification of procedures is desirable. The development of common guidelines could be one of the areas of work of the Effective Institutions Building Block. Broader understanding for country partners, sharing of best practices and spaces for dialogue were some of the most relevant modalities of work discussed.
- **Emphasis was given to a broader concept of Country System** that should encompass local systems, governance, actors and strategies and not only refer to PFM

and public procurement¹. The political nature of the use (or non-use) of CS was also underlined.

EC mentioned the new programming guidelines that foresee the use of national development strategies as basis for the EC support to development. The new BS was also mentioned emphasising its contractual nature, which is based on a mutual political engagement.

LenCD underlined that the value added of the BB lays in focusing on the aspects that go beyond the technocratic approach and lead to the real change: capacity development, connector role, dialogue and the share of knowledge and experiences.

It is worth mentioning that ODI has been commissioned by USAID a study on UCS. The study will analyse the proportion of CS used by international donors and will concentrate on analysing the reasons for not using CS.

- **Accountability remains a key challenge for both donors and partners.** Substantial dimensions of the support to effective institutions include the professionalization of this area, the importance of delivering training and developing common standards (credibility). Tools such as reporting, peer reviews, inter-institutional exchanges or sequenced assessment were highlighted and promoted as useful areas for further common work. The role of CSOs in enhancing accountability has been mentioned by several participants: CSOs being the main beneficiaries of effective institutions are best placed to provide feedback. Local authorities play too an important role in accountability and should therefore be part of the reflection on Effective Institutions (use of local country systems).
- **The main elements of Capacity Development** are areas of focus for the BB future work: sequencing of change processes, the importance of the soft aspects of a change process, identifying and exploiting change readiness and all the factors that contribute to a change process, identifying and building coalitions for change (area of work supported by: EC, LenCD, PEFA, NEPAD, International Chartered Institute of Accountants, DFID).

EC underlined that the BB on EI work can be complementary to the Busan Global monitoring framework, taking into account the CD aspects which are not directly mentioned among the Busan global indicators.

Future priorities and work modalities:

- **Concentration and specialisation of areas of work.** Due to the large number of topics mentioned during the meeting it was convened to narrow down the number of areas of work for the sake of coherence and feasibility. At the same time, synergies need to be promoted among different existing working groups in order to avoid overlapping and to take advantage of the progress already made. It was recognised that the BB work should concentrate in the areas where it has an added value: where collective action is more effective than individual one (especially when supporting the political level dialogue); champions of different work streams should be identified who can lead the work in the different areas. The priorities areas will be identified after the analysis of the members written inputs.
- **No clear agreement was reached on future working modalities.** Should the building blocks serve as a technical advisory body (steering the process) or just as a platform of exchange and knowledge sharing (supporting/facilitating the process)?

¹ In particular references were made to Supreme Audit systems, Public Expenditure systems, Anti-Corruption systems, Parliaments and democratic representation systems, CSOs.

Would it be feasible to set up working groups on different areas? Some of the members clearly expressed the opinion that no new modalities should be created to support the BB work but existing ones should be exploited (EC, LenCD, WB, Belgium, Sweden). The BB should work as knowledge sharing tool supporting country level implementation, operating in a flexible way but acting as a global pole when needed (WB). An effective community of practice which assembles like-minded people (CABRI). Other members proposed that the BB should act as an advice centre on technical issues. The GOVnet network proposed the creation of a new platform to which the EI BB work could contribute to. The platform is seen as a dialogue space where experiences of donors can be enriched by dialogue. The Gov net proposal did not receive full consensus.

The discussion on this point remained open and is left to contributions which will have to be sent to the BB secretariat by the end of July.

The day ended with a brief presentation on the Working party on Aid Effectiveness meeting taking place just after the BB meeting: (28th-29th June). In the WPEff meeting agenda discussions on effective co-operation after Busan and on the finalisation of the post-Busan governance and monitoring framework. The work of the BB on Effective Institutions is considered at the core of the Busan Global Partnership. It was rightly pointed out that the DAC might be interested (and therefore contribute to, possibly) in the work of the BB on EI.

3. Next steps

Building block on Effective Institutions. A final report is to be drafted by the moderators (Ghana, USA together with OECD) and will be shared with participants shortly. Written comments are to be sent by the end of July.

4. Conclusions

The benefits of going ahead in the follow up to the work of the BB on EI are directly associated to the positive return of global exchanges on state of the art information, practices and discussions. The value added of the spontaneous group that gathered around the theme of Effective Institutions is its composition: it does not include official donors but also very active partner countries (such as Ghana, Malawi, Zambia, Vietnam, Korea, Nepal, Honduras, Philippines) and specialized platforms, working groups, foundations and associations (CABRI, ACBF, Red Cross, INTOSAI, PEFA²).

As pointed out before, several Units in DEVCO can benefit of the BB on Effective Institutions work and it could be valuable to see whether any of the DEVCO Units concerned could champion in one of the themes identified for the BB future work. As far as the Capacity Development Section of DEVCO B1 is concerned the BB on EI work will be followed and contributions to it will be channelled via the LenCD platform.

² See the list of participants in Annex 3

signed

Laura
MASCAGNA
DEVCO B1

signed

María SANCHO
HIDALGA
DEVCO B1

C.c.: F. CONZATO, Ch. MARIJNISSEN, V. GRIMAUD, J. KADEL, K. KUVAJA, P.
HAGELSTAM, M. RUIZ RIVERA, T. HUYGEBART, F. GIANVITI

Annexes

Annex 1: Agenda

Annex 2: Zero draft of Mapping proposal

Annex3: List of participants