

# EFFECTIVE AID: DELIVERING RESULTS FOR THE POOREST PEOPLE

## Position Paper for the Fourth High Level Forum on Aid Effectiveness

Since 1990 exceptional progress has been made in reducing child mortality. The total number of child deaths has declined by 4 million per year. There are a number of explanations for these gains, but they could not have been achieved without aid. However, aid needs to be delivered more effectively if it is to realise its full potential as a tool for fighting poverty. To accelerate progress towards the Millennium Development Goals (MDGs), significant further reform of the international aid architecture is urgently needed.

### **BETTER AID MEANS BETTER RESULTS**

At the High Level Forum on Aid Effectiveness (HLF4), taking place in Busan, South Korea, in November 2011, aid donors (including non-Development Assistance Committee (DAC) donors) and recipients need to agree on a new, time-bound global framework. They also need to agree on a process for applying country-level frameworks, or compacts, to improve the impact of aid on poverty.

The decisions taken in Busan need to build on existing efforts, reflected in the Paris Declaration and Accra Agenda for Action. They need to take into account neglected issues such as local procurement mechanisms that support local capacity-building and country ownership,<sup>i</sup> while also being rooted in a clear analysis of the limitations of current approaches to aid effectiveness. Some of these limitations are explored in this paper.

A central part of the new global agreement should be a strong monitoring mechanism with a comprehensive list of indicators with which to track global and regional progress, as well as country-level agreements with corresponding indicators. The forthcoming Paris Declaration Monitoring Survey concludes that *"almost all (of the principles) proved relevant to improving the quality of aid and of the partnerships needed to make it work"*. But in spite of this, globally only one of the 13 Paris Declaration reform targets has been met, with performance barely improving since 2005 in six



others. This needs to change urgently if these reforms are to have any effect on progress towards meeting the Millennium Development Goals.

The Paris surveys and evaluations have been a useful means of monitoring progress but they have been hampered by a lack of indicators<sup>ii</sup> (see Annex 1) and have had insufficient influence or weight among the donor community. The HLF4 must find a way to strengthen peer accountability mechanisms. The Organisation for Economic Cooperation and Development (OECD) might be the appropriate body to coordinate this, but they will need to gain legitimacy by working with the UN Development Cooperation Forum, as well as sector-specific bodies with accountability functions, such as the International Health Partnership (IHP+), the Education for All Fast Track Initiative (FTI)<sup>iii</sup> and UN Commission on Information and Accountability.

**Save the Children believes that the Busan High Level Forum should achieve the following seven objectives:**

- 1) Give greater recognition to poverty-related **development outcomes** within the Busan Outcome Document, clearly stating that aid should be used to provide the whole package of services, interventions and opportunities required to realise the rights of the poorest and most vulnerable communities.
- 2) Commit to **building local capacity** with local institutions as partners in poverty-reduction efforts. Create partner and donor government guidance directing engagement with local and international civil society organisations during policy development and all stages of the project cycle. Aid needs to be distributed in ways that improve national capacity, strengthening partner government and local organisation systems. Identify clear metrics to track progress.
- 3) Establish strong **mutual accountability** mechanisms, which will help to ensure aid is being delivered appropriately and having the desired positive impact on development outcomes, including children's wellbeing. This means developing the tools for tax payers to monitor their government's aid commitments, for recipient governments (partner countries) to hold their donors to account, and to ensure that the beneficiaries of aid engage in development planning and prioritisation and have a voice in their own development processes – leading to aid being spent in ways that improve their situation and help to realise their rights.
- 4) Encourage increased **transparency**. Transparency is essential as an accountability tool, to ensure aid predictability, promote harmonisation and monitor results. At national level, increased transparency can improve country ownership and help achieve better development results.
- 5) Improve **harmonisation** at country level and within sectoral aid allocations. Good lessons can be learned from the education and health sectors, where global coordination mechanisms such as the FTI (soon to be renamed the Global Partnership for Education) and IHP+ have sought to align and coordinate actors and their financial flows with national plans.
- 6) Recognise that **no one size fits all**. The political, economic and social context of each country needs to be taken into account before applying the principles of aid effectiveness. A certain element of flexibility is needed depending on each individual context. This can only be achieved if there is less of a top-down process and if principles are applied to each country context, with associated monitoring and accountability tools – these might take the form of country-level compacts.
- 7) **Broaden the tent** of aid effectiveness actors. New donors are playing a role in development assistance. They need to be welcomed into the aid-effectiveness agenda, encouraged to adhere to existing principles and to share their knowledge and experiences in order to promote best practice.

## 1) RELEVANT AID EFFECTIVENESS HISTORY

Although aid effectiveness is not a new concept, it was only in 2005 that an international agreement, The Paris Declaration,<sup>iv</sup> was signed by ministers, heads of donor agencies and other senior officials. This Declaration was a commitment to increase efforts to ensure the effective delivery of aid so that it contributes to positive development results and improved social outcomes. The Declaration consists of five central principles, each reinforced by a set of monitorable global targets and indicators:

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

**The Accra Agenda for Action (AAA)<sup>v</sup>** was drawn up in 2008 and builds on the commitments agreed at Paris, including new agreements focused on:

- *Predictability* – Donors will provide 3–5 year forward information on their planned aid to partner countries.
- *Country systems* – Partner country systems, rather than donor systems, will be used to deliver aid as the first option.
- *Conditionality* – Donors will switch from reliance on prescriptive conditions about how and when aid money is spent to conditions based on the developing country's own development objectives.
- *Untying* – Donors will relax restrictions that prevent developing countries from buying the goods and services they need from whomever and wherever they can to get the best quality at the lowest price.

In November 2011 at the Fourth High Level Summit on Aid Effectiveness in Busan, South Korea, the progress of the Paris Declaration and Accra Agenda will be reviewed and further reforms to the aid effectiveness agenda will be decided. This is the last opportunity before the MDG target date of 2015 to reform aid in ways that will accelerate equitable progress towards the MDGs and help to realise fundamental rights.

## 2) HAS 'AID EFFECTIVENESS' HAD A POSITIVE IMPACT ON SOCIAL OUTCOMES, INCLUDING CHILDREN'S WELLBEING?

Gathering evidence to demonstrate positive outcomes from spending aid effectively is quite a challenge; for example, it is not straightforward to measure the impact that the Paris principles have on infant mortality rates, primary school enrolment, etc – in large part because the principles are concerned with aid delivery and process issues<sup>vi</sup>.

However, there are a few reports that have identified evidence of impact. They have observed improvements in the management of aid when it is delivered in ways consistent with the Paris

principles and subsequent improvements in key social services such as education and health, most notably as a result of increased ownership and/or budget support to the partner country. This suggests that when consistently and effectively implemented, the principles of aid effectiveness could improve the impact and outcomes of aid. Sections A to D below unpack the evidence on the social impacts of aid effectiveness according to the key principles.

### **Box 1: Progress on key principles and social impacts**

#### **Country ownership and alignment**

There has been considerable progress in partner countries' implementation of strong national development strategies. In Ethiopia, for example, a clear strategic vision for strengthening the health system (the National Health Extension Programme) has enabled the government to mobilise substantial external resources and coordinate donor support around national priorities. Positive results have derived from an increase in both general and sectoral budget support, eg a rise school enrolment and improved access to health services. However, there are some questions about the quality of services delivered through mass extension programmes.

#### **Harmonisation**

Aid harmonisation has made only modest progress at national level; fragmentation was found to be high in at least half of the countries surveyed as part of the 2011 Progress Since Paris Evaluation. In an effort to speed up this process, some countries have implemented Joint Assistance Strategies, for example, the Joint Assistance Strategy for Tanzania (JAST). Better progress has been made in reducing aid fragmentation at sector level. Within the health sector, the IHP+ – launched in September 2007 and inspired by the Paris Declaration's agenda aid reform – has done much in some countries to strengthen the harmonisation and alignment of donors in supporting national health priorities.

#### **Managing for development results**

The 2011 Paris Evaluation concluded that "a majority of the (country level) evaluations find at least some significant progress in development results since 2000-2005, notably in health". For example, in Malawi the implementation of the Paris principles has been credited with strengthened aid relations and increased resources to certain sectors. These increased resources are credited with improving development outcomes: "poverty data, infant mortality, education, etc all show improvement". In Bangladesh, Malawi and Vietnam, Declaration-style aid has been credited with raising awareness of the needs of the poorest and most excluded.

#### **Accountability**

Fewer than expected direct mechanisms of mutual accountability (such as joint assessments, joint annual reviews and national databases on aid flows) have been created, but there have been some advances in key sectors, eg health, as a result of Joint Annual Reviews and Country Compacts. Where these have been implemented, donor confidence and resource flows have improved and country ownership has been strengthened. Donors have taken some steps towards improved aid transparency, and at national level there are a few good examples of how transparency monitoring systems can improve performance, eg in Mozambique. Engagement with civil society organisations (CSOs) and citizens is still ad hoc and uneven, but where it has been employed it has raised awareness of the needs of the poorest and other marginalised groups.

## A. COUNTRY OWNERSHIP AND ALIGNMENT

The Paris Declaration committed donors to using partner countries' own systems, strategies and plans to coordinate development activities. This means that partner countries have to play a central role in strengthening state institutions and tackling corruption or mismanagement.

When donors align delivery of aid with partner countries' development objectives and aid is channelled through the country's own development system, country ownership is strengthened and accountability for development policies improves. Peru is a good example; increasing use of the country's public finance systems has been attributed to increased alignment between aid and the *Sistema Nacional de Inversión Pública*, the public investment system.<sup>vii</sup>

A common first step for asserting country ownership is for a government to devise a national development strategy and/or sectoral strategies that set out key development objectives, so that donors can align their investment behind these priorities. Where there is a clear operational framework and strong institutions, donors are expected to support ownership by using the country's financial systems – for example, channelling aid through budget support and/or using national procurement mechanisms.

### *National development strategies*

All of the countries reviewed in the 2011 Final Paris Evaluation report were noted to have reasonably strong national development strategies or poverty reduction strategy plans (PRSPs); however, in practice, these strategies have been slow to become fully operational and therefore it has not been easy for bilateral aid to align behind national priorities.<sup>viii</sup> As a result of this and general donor reticence, alignment of aid with partner countries' priorities has been slow. Donors have noted this is due to a lack of confidence and trust in the countries' systems as a result of slow, inefficient procedures or alleged corruption.<sup>ix</sup>

However, where partner countries have demonstrated strong ownership through a national or sectoral plan there have been positive effects. In Ethiopia, a clear strategic vision for strengthening the health system (the National Health Extension Programme (HEP)) enabled the government to mobilise substantial external resources and coordinate donor support around national priorities. High-level political commitment has ensured that Global Fund disease-specific grants and GAVI health systems funds have also been used for this system-wide strengthening. The HEP is an ambitious government-led community health service delivery programme designed to improve access to and utilisation of preventive, wellness and basic curative services. At the heart of this programme is the hiring, training and deployment of more than 30,000 front-line community health workers. These health extension workers are posted to rural communities across Ethiopia, where they provide better and more equitable access to health services for the poor and for women and children in a sustainable manner.<sup>x</sup> As a result of the programme, the ratio of health extension workers to people increased from 1: 23,775 in 2004/05 to 1:2,437 in 2008/09. Vaccination and malarial coverage (use of a spray or bed net) both increased by an average of 15% per annum between 2006 and 2009.<sup>xi</sup>

### *Budget support*

The aid effectiveness commitments agreed upon in Rome, Paris and Accra call for increased use of partner country systems, in particular the national budget and Public Financial Management (PFM) systems. Since 2005 donors' use of these systems has been poor. As of 2010, less than half of the aid being directed to governments used recipient country PFM systems.<sup>xii</sup> Nevertheless, there have been some positive results deriving from an increase in both general and sectoral budget support,<sup>xiii</sup> where donors channel aid into the general budget and allow the government to spend it according to their development priorities or allocate aid to a particular sector such as education or agriculture.<sup>xiv</sup>

In Tanzania, general budget support (GBS) is provided by 14 donors, and together with Heavily Indebted Poor Countries (HIPC) relief makes up 20% of public expenditure. A 2005 evaluation into the effect of this GBS found that the programme had been strongly positive and had facilitated a nationally driven reform process, supporting an increase in domestic revenue collection, which grew even faster than aid. A large growth in government discretionary spending and a major expansion in health and education services were associated with the increase in GBS. However, there were few signs of improved efficiency in public spending or of long-term obstacles to service quality being addressed.<sup>xv</sup>

An Overseas Development Institute (ODI) study of ten sectors across five African countries demonstrated that the use of sector budget support led to:

- more support for the expansion of service delivery
- improved planning, budgeting and financial management
- more predictable aid flows
- improved policy implementation with strengthened government accountability and ownership of policies.<sup>xvi</sup>

Free basic services (including primary education) have been introduced in Rwanda, Uganda and Mali, and free basic healthcare in Zambia – largely due to an increase in sector budget support. This has resulted in increased demand and uptake of these services, although questions of service quality and equity remain.<sup>xvii</sup>

A joint Oxfam and EC report shows that general budget support can have a very beneficial effect on social spending (for a discussion about the quality of services provided see Section 3.C).

Government spending on education has increased by nearly a third (31%) in eight of the countries that receive some of the largest amounts of the EC's general budget support. Apart from one country, all experienced a rise in primary school enrolments. One outstanding example is Madagascar, where the percentage of children enrolled in primary education rose from 69% to 92% in one year.<sup>xviii</sup>

But the relevance and effectiveness of budget support is highly dependent on the context, the type of national governance, and the strength and transparency of state institutions. In conflict-affected or fragile states, and/or where there is weak governance, it can be risky, from a fiduciary point of view, to give aid directly to partner countries.<sup>xix</sup> In addition, there have been concerns in some countries in relation to the fungibility of aid – for example, that partner country governments in receipt of budget support may reduce their own expenditure on a certain service or may transfer aid funds to a non-targeted expenditure.<sup>xx</sup> However, this should be overcome with clear development priorities, laid out in the national strategy or sectoral plan behind which donors have aligned themselves.<sup>xxi</sup>

Using budget support to help a fledgling government develop schools, hospitals and infrastructure will be important for the wellbeing of children. But also important will be continued allocation of aid to development partners who are able to connect with those communities that are hardest to reach, in areas with little infrastructure (for more discussion on assessing context, see Section 3.E) along with capacity-building and coordination of government and non-government actors.

## B. HARMONISATION

Lack of harmonisation and coordination among donor agencies can result in the duplication of programmes and uneven distribution of aid.<sup>xxii</sup> It can also increase the amount of paperwork and bureaucracy that recipient governments and public sector professionals must manage in order to secure funding. A 2005 report commissioned by the Bill and Melinda Gates Foundation found that, among a sample of district medical offices in Tanzania, staff spent 40–50% of their time writing reports (most of which were due in some way to the demands of donors) and another 10–20% hosting uncoordinated donor missions. This limited the time the offices could dedicate to effectively managing services.<sup>xxiii</sup>

Lack of coordination among donors can be tackled through the use of:

- programme-based approaches,<sup>xxiv</sup> including sector-wide approaches<sup>xxv</sup>
- pooled funding arrangements
- joint country plans and other common arrangements.

Through the use of programme-based approaches, donors contribute to funding a set of development activities at national, sectoral, sub-sectoral or thematic level. The most typical way is by making funds and other resources available to support the development and implementation of a single country-led strategy.

### **Box 2: Rwanda – positive impact of budget support and public finance management**

Rwanda has gained immensely from increasing use of budget support by donors. Due to a stable finance inflow, the government has been able to ensure targeted money for long-term objectives within the social sector.

Along with budget support, capacity development for the improvement of the government's public financial management systems resulted in strengthened policy, planning and budgeting systems.

Between 2004 and 2006, budget support amounted to 26% of aid flows, which meant the government could:

- increase its spending on education as a percentage of GDP, prioritise basic education, increase the number of teachers and funding for teacher training, and eliminate user fees for primary and early secondary school education
- increase spending on treating those living with HIV and AIDS
- provide agricultural loan guarantees to farmers.

Sector-budget support and policy change in Rwanda has had successful outcomes in the education sector, including more efficient service provision at school level, increased primary enrolment rates, decreased dropout rates, and improvements in a number of key sector outputs such as number of classrooms, textbooks and teaching resources at school level.

**Sources:** Oxfam (2010) *21<sup>st</sup> Century Aid: Recognising success, tackling failure*, Oxfam Briefing Paper, 20 May 2010, p17; ODI (2009) *Sector-Budget Support in Practice: Rwanda Education Case Study*, London: ODI, p13

However, aid harmonisation has made only modest progress at national level; fragmentation was found to be high in at least half of the countries surveyed as part of the 2011 Progress Since Paris Evaluation.<sup>xxvi</sup> In an effort to speed up the process, some countries have implemented Joint Assistance Strategies. Tanzania has set up the Joint Assistance Strategy for Tanzania (JAST), along with the subsequent JAST Action Plan and Monitoring Framework, which provides clear guidelines on ways to ensure harmonisation. These guidelines are agreed by both partners and donors through signing of a Memorandum of Understanding (MoU). The JAST asks donors to:

- rationalise the number of sectors or cross-cutting areas they engage in
- limit the number of donors in each sector
- appoint a lead partner for each sector,
- harmonise their activities, missions, meetings and reviews.<sup>xxvii</sup>

The JAST has had positive discernible effects, although some have criticised it and the related sectoral Development Partners Group for Health, as division of labour discussions have encouraged the European Union (EU) to withdraw its support for the health sector.<sup>xxviii</sup>

Better progress has been made in reducing aid fragmentation at sector level. The Education for All – Fast Track Initiative (soon to be renamed the Global Partnership for Education), was launched in 2002 as a global partnership between donor and low-income partner countries. FTI focuses on country-level processes and partnerships, providing governments and local donor groups with a platform for collaboration in the education sector. The FTI has been credited with supporting the development of sound operational education sector strategies and results-oriented performance assessment frameworks, which have encouraged better donor cooperation through local donor groups, use of programme-based approaches (eg, sector-wide approaches for education), joint field missions, and shared analytic work.<sup>xxix</sup>

Within the health sector, the IHP+ has done much to strengthen the harmonisation and alignment of donors in supporting national health priorities.<sup>xxx</sup> The IHP+ encourages donors and recipients to work together to develop one plan and one budget that all donors will then use to direct their funding to the health sector, and to agree to one coordinated process for assessing progress in implementation. An example of progress that has been promoted by IHP+ is in Nepal. A Joint Funding Agreement has been signed by six leading donors, including USAID and GAVI, who have agreed to support the health plan and to use one reporting mechanism and one shared audit.<sup>xxxi</sup>

## **C. MANAGING FOR DEVELOPMENT RESULTS**

Managing for development results<sup>xxxii</sup> is the most fundamental principle of aid effectiveness, as it ensures that aid is always focused on achieving development outcomes as opposed to process improvements. It ensures that development programmes and activities are centred on achieving maximum benefit for the most vulnerable men, women and children in developing countries.

The 2011 Paris Evaluation concludes that “a majority of the (country level) evaluations find at least some significant progress in development results since 2000-2005, notably in health. Most also find some (if uneven) contributions by aid to those improved results, in some cases substantial”.<sup>xxxiii</sup> For example, in Malawi the implementation of the Paris principles has been credited with strengthening



aid relations and increasing resources to certain sectors, and these increased resources are credited with improving development outcomes: “poverty data, infant mortality, education, etc all show improvement”. In Bangladesh, Malawi and Vietnam Declaration-style aid has been credited with raising awareness of the needs of the poorest and most excluded.<sup>xxxiv</sup>

Managing for development results is often assessed by looking at the result-focus of a sectoral development strategy; where results-based strategies have been employed, there have been marked improvements in service delivery. One example of this in Malawi, where the Global Fund reallocated a programmes budget to improve human resources for grant management after an assessment showed weak performance. Following the reallocation, there was a 32% decline in HIV prevalence among pregnant women aged 15–19. Although the Global Fund cannot be held fully accountable for this improvement, it does show quite a substantial correlation.<sup>xxxv</sup>

In spite of its sound objective, the principle of managing for results has had some perverse effects, as some donors have interpreted it as managing ‘by results’ as opposed to ‘for results’. This has resulted in an emphasis on indicators and easily monitorable targets, with some development actors focusing on easy-to-reach populations (‘low-hanging fruit’) with negative effects for the poorest and hardest-to-reach children.<sup>xxxvi</sup> In addition, the emphasis placed on reporting has encouraged a proliferation of monitoring and evaluation indicators. Reporting on these indicators occupies a considerable amount of bureaucrats’ and professionals’ time, compromising time spent on governance or service delivery.

In Uganda, the current emphasis on quantitative health targets has led to burdensome parallel reporting systems and may have influenced funding to focus on areas easier to monitor, such as number of patients in treatment, rather than prevention.<sup>xxxvii</sup> In Ethiopia’s health sector, the Health Sector Development Program (HSDP III) includes 93 indicators, 17 of which are considered core and approximately 35 of which were used for the report to the 2007/08 Annual Review Meeting. In addition, each *woreda* (an administrative area, of which there are over 800) has targets for 27 indicators in the HSPD-III annual core plan for 2008/09 – implying over 20,000 targets in total. The Ethiopia IHP+ Compact has a further 46 indicators. In many cases, there is deliberate and considerable overlap between these indicators. The New Health Management Information System has approximately 105 indicators, 18 of which are related to HIV.<sup>xxxviii</sup>

Although monitoring and evaluation (M&E) are vital elements of effective aid delivery and can help to ensure that aid is delivering the appropriate results, monitoring efforts need better global coordination and need to be implemented with greater sensitivity to the equity of achievements. In addition, quantitative monitoring methods need to be balanced with other qualitative M&E methods, which can help to measure the full realisation of rights.

## **D. MUTUAL ACCOUNTABILITY**

Mutual accountability is an integral part of the aid effectiveness agenda. Existing empirical evidence demonstrates that foreign aid functions better – both at the macro level of aid flows and at the micro level of individual aid projects – when there is more government and implementing agency accountability.<sup>xxxix</sup> In spite of this, the principle of mutual accountability has suffered from a lack of clarity on what it means and elaboration of what is expected on each side.<sup>xl</sup> The complexity of mutual accountability stems from it referring to three different groups – donors, partner countries, and citizens – all of whom are expected to be accountable to each other, albeit through different

ways and means. Furthermore, donors must also be accountable to their taxpayers for how effectively aid is spent. Thus, in reality it is a “complex chain of accountability relationships, all of which need to be substantially strengthened if we are to achieve our goals”.<sup>xli</sup>

In Paris, an indicator was set to monitor progress on mutual accountability. This is “the number of partner countries that undertake mutual assessments of progress in implementing agreed commitments on aid effectiveness including those in this Declaration”.<sup>xlii</sup>

The 2011 Paris Declaration Evaluation concludes that progress towards this objective has been slow since 2005 (although the number of partner countries who have officially complied with this indicator will not be known until the 2011 Indicator Survey is finalised in October 2011). Fewer than expected direct mechanisms of mutual accountability (such as joint assessments, joint annual reviews and national databases on aid flows) have been created and any progress that has been made appears to be scattered and quite limited. In 2009, ODI reported that at country level there were no examples of fully developed mutual accountability systems having had any significant transformational impact on the aid relationship.<sup>xliii</sup>

At donor level, there are similar challenges. Although many donors are taking steps to improve their aid transparency (as part of the International Aid Transparency Initiative), there is no coherent approach for establishing accountability mechanisms (eg, regularity of reporting to legislative bodies) and some donors have no mechanism whatsoever.<sup>xliiv</sup>

Nevertheless, efforts to strengthen mutual accountability between donors and partner governments (as in, for example, Tanzania, Mozambique and Vietnam) have encouraged a clearer definition of roles and responsibilities, and this has led to a stronger leadership of recipient governments in terms of aid management.<sup>xliv</sup> Governments have also become more confident and assertive in reproaching donor behaviour and advocating for improved donor practice. This can have positive effects on aid predictability.<sup>xlvi</sup>

### **Box 3: Mutual accountability mechanisms in Mozambique**

In 2000, budget support donors in **Mozambique** formalised their coordination efforts in a Joint Programme, superseded in 2004 by an MoU between the government of Mozambique and its programme donors, outlining commitments on both sides to improve the quality and effectiveness of programme aid. The Mozambique government has signed up to a Performance Assessment Framework (PAF), which now provides the basis for an annual joint review process whereby donors assess the government’s progress and make aid commitments for the following year in a coordinated way. Since 2003, donors in Mozambique have themselves been assessed under the Programme Aid Partners (PAP) Performance Assessment Framework (PAF), which is proving effective in generating pressure on donors to improve their performance in key areas such as alignment, predictability, and reduction of conditionality and transaction costs. The MoU/PAF system’s main limitation is that it applies only to programme aid (budget support accounts for only one-third of total aid).

**Source:** De Renzio P and Mulley S (2006) *Promoting Mutual Accountability in Aid Relationships: Addressing the power imbalance between donors and recipients is necessary to promote real partnerships*, Briefing Paper No.1, London: ODI.

Despite the fact that consultation with, and participation by, citizens and CSOs is a key aspect of mutual accountability (ie, accountability to all key stakeholders), the Paris Evaluation Survey finds that in aid recipient countries, less than a third of the evaluated countries heeded the inputs of civil society. Where civil society participation has been found to be important,<sup>xlvii</sup> this is mostly as a result

of pressure from civil society and not because governments are abiding by the aid effectiveness principles.

In the few countries where civil society engagement has been respected, there have been demonstrable effects (see Box 4).<sup>xlviii</sup> In Malawi, "Recognition of extreme poverty, exclusion and gender issues within development policy and planning as well as prioritisation of the needs of the poorest people beyond income poverty increased with Declaration implementation... The Declaration is credited for strengthening pro-poor strategies and approaches through active dialoguing with all stakeholders and advocacy, which has increased awareness about the needs of vulnerable groups."<sup>xlix</sup>

These findings show that broad participation, CSO engagement and accountability to citizens as well as donors is very important for the effective and equitable delivery of aid.<sup>l</sup>

#### **Box 4: Nepal: Positive impact of alignment and accountability**

In 2002 the government of Nepal set up the National Safe Motherhood Plan as part of a broader health sector approach. Under the Plan, the government sets its own priorities and donors support these by providing assistance for human resource development, service strengthening, infrastructure, procurement, monitoring and research, and a national financial incentives scheme.

Local non-governmental organisations (NGOs) and ActionAid have been working to strengthen civil society's voice and participation in this Plan. They have set up an Equity and Access

Programme focused on the poor and socially excluded. The programme aims to increase use of health services by poor and marginalised communities and build local ownership of key safe motherhood and newborn health issues. It is hoped that the programme will improve accountability using a rights-based, socially inclusive, whole-systems approach.

Growing evidence is now suggesting that, as a result, many women are becoming more informed, empowered and organised. Local government officials and health workers are increasingly accepting the legitimacy of the approaches used – particularly in the light of Nepal's new more inclusive political context. Quantitative data show the extent of service exclusion, and qualitative interview data tell many of the stories behind the figures, and confirm the value of advocacy and accountability initiatives. Civil society has been instrumental in building synergies between rights-holders, facilitating dialogues between rights-holders and duty-bearers, and providing information for policy reform and political advocacy.

**Source:** OECD (2008) *Aid Effectiveness – A Progress Report on Implementing the Paris Declaration*, p35

### **3) A LIMITED AGENDA?**

As can be seen from the previous section, assessing the impact the Paris agenda principles have on social outcomes (including child wellbeing) is a huge challenge that must be more successfully tackled in order to ensure that aid effectiveness is securing development results.

Evidence from the Paris evaluations and progress reports shows us that country ownership and alignment (and, less so, harmonisation) have been relatively successfully implemented with corresponding social impact. However, managing for results and mutual accountability have been poorly and unsystematically realised.

This is largely the result of a lack of clarity about what is meant by the principles, insufficient guidance on how best to implement them in diverse contexts, and a corresponding lack of political will. In addition, the agenda suffers from five major pitfalls:

- blurred lines of accountability
- insufficient emphasis on transparency
- too great a focus on process over outcomes
- insufficient participation in national planning – ‘un-democratic ownership’
- a one-size-fits-all approach.

## A. DECIPHERING BLURRED LINES OF ACCOUNTABILITY

By signing the Paris Declaration and Accra Agenda for Action, development actors committed to improving their accountability and transparency: national authorities and donors are obliged to share relevant information, both with each other and with citizens. However, in reality the lines of accountability often only go from recipient governments to donors, and CSOs to donors, not from donors to recipient governments and then down to ordinary citizens. This is largely because donors set rigid monitoring and evaluation conditions, and peg their aid to specific results frameworks or indicators, necessitating that recipient governments and CSOs spend a burdensome amount of time reporting on their performance. As highlighted by the Gates study, cited in Section 3.B, page 13 below, meeting donor conditions and reporting requirements often detracts from the time spent delivering services effectively and responding to the priorities, needs and voices of other stakeholders, such as local communities.

Without clear lines of accountability going upwards (ie, aid recipients being able to monitor donor performance), donors are free to give aid in a fragmented and poorly coordinated way, often with detrimental development effects. For example, in Ethiopia 14 bilateral donors account for 46.8% of aid to the health sector, the remainder coming from UNICEF and the Global Fund to Fight AIDS, Tuberculosis and Malaria. There is a high proliferation of aid projects because most donors support more than one project through many different disbursement channels. Furthermore, most donors account for only very small proportions of total aid. The Global Fund, UNICEF and USAID are the only donors whose share of total aid to the health sector exceeds 10%. Even though the Ethiopia government takes a sector-wide approach (which can be an effective tool for managing large numbers of donors), all aid has been earmarked to a specific disease or area, allowing for very little flexibility to allocate resources to underfunded areas. This means that many of the MDG target areas, such as child and maternal health, remain underfunded.<sup>ii</sup>

### **Box 5: National reflections on donor accountability**

*“The Paris Declaration has enhanced transparency and mutual accountability at the country level in Cambodia, although accountability relations with development partners have remained asymmetric.” (Cambodia p41)*

*“Mutual accountability perhaps generates the most tension between the Government of the Republic of Zambia (GRZ) and donors. Some GRZ officials interviewed expressed the view that whereas there is much scrutiny of government’s actions, donors are not equally open to scrutiny on their part on issues such as timely release of aid. The inclusion of donor performance-related indicators on the Performance Assessment Framework may go a long way in addressing this*

*perceived imbalance. Other GRZ officials also want civil society organisations receiving donor support [to] be made part of this mutual accountability framework.” (Zambia p20)*

**Source:** OECD (2011) *The Evaluation of the Paris Declaration, Phase 2, Final Report*

Aid needs to be distributed in such a way as to strengthen partner government systems (at national, regional and local levels), improve national capacity, respond to urgent social sector spending shortfalls, and improve accountability mechanisms between citizens, civil society organisations and the state.

A clear commitment to ‘mutual accountability’, on the part of both donors and recipients, accompanied by monitorable indicators and a variety of accountability tools (such as country compacts, joint annual assessments, results frameworks and transparency – see Section 2) will be vital to rectify this imbalance.

Accountability mechanisms should also be established across sectors. In health, for example, the IHP+ aims to better align donors behind national strategies, but it also tries to establish compacts (at national level) between donors and recipients, against which partner countries can hold their donors to account. The IHP+ also supports the implementation of joint annual reviews. Joint annual reviews (JARs), usually hosted by the aid recipient government, assess both donor and government progress on aid effectiveness in the health sector.

IHP+ Results (an independent assessment of the IHP+, commissioned by a consortium of organisations including Oxfam and the London School of Hygiene and Tropical Medicine) has also been an invaluable accountability tool. The 2011 public report includes performance scorecards for some ten developing country governments and 15 development partners.<sup>liii</sup>

## **B. INSUFFICIENT TRANSPARENCY AND DATA COLLECTION**

In order to achieve better implementation and improved development results, transparency among both donors and partner countries needs to become much more of a priority. Donors need to inform partner countries of aid delivery plans well in advance and also ensure the predictability of disbursement of committed aid expenditure. In addition, both donors and partner countries need to ensure full transparency on how much aid is being spent and what programmes the aid is funding. Without this level of information-sharing, it is nigh on impossible to gauge the social impacts and programmatic contribution of aid reforms, and it is possible to monitor which interventions are proving most effective at reaching those in greatest need.

*“Lack of donor transparency about aid commitments and disbursements in health (for both on-budget and off-budget aid), as well as blockages in information flows between citizens and the state, remain major barriers for accountability.”*

**Source:** Wild L and Domingo P, (2010) *Aid and Accountability in Health: what can donors do differently?* London: ODI

The International Aid Transparency Initiative<sup>liiii</sup> tackles some of these issues and is a positive step towards an international standard for transparent donor aid reporting. To date, 20 donors, including the UK Department for International Development (DFID), the World Bank, the African and Asian Development Banks, Swedish SIDA and the Hewlett Foundation have signed up. In addition, 22 partner countries have endorsed the initiative.

Full transparency, however, cannot be achieved without good national data. In a number of developing countries aid databases have been established to collect regular and transparent data on aid flows. They have been developed in a variety of forms on the initiative of both donors and recipient governments. The databases aim to mitigate problems recipient governments have been facing in trying to obtain timely data on size and modalities of aid.

**Box 6: Mozambique's aid database**

Mozambique's external assistance database, ODAMOZ, is a particularly good example. It was initially developed in response to requests from the government of Mozambique for more consistent and timely information on aid flows and with a view to reducing the burden of multiple data requests on donor staff time. Initially led by the EC, by 2006 ODAMOZ included all GBS donors, USAID, Japan and the UN agencies. Today, ODAMOZ contains a wealth of publicly available data that is available via a website ([www.odamoz.org.mz](http://www.odamoz.org.mz)).

The ODAMOZ database has delivered clear benefits in terms of donor coordination, transparency and information-sharing, and has rightly been identified as a model of good practice from which other countries could learn (Nicaragua is presently developing its own ODAnic database, for example). There is also evidence that ODAMOZ has helped to strengthen key domestic accountability documents. The Ministry of Finance has started to use ODAMOZ as a means of cross-checking data on project budgets and expenditures submitted by ministries, departments and agencies, thereby improving the accuracy of data on externally financed projects in the State Budget and annual accounts.

**Source:** Steer L et al (2009) *Mutual Accountability at the Country Level: A concept and emerging good practice paper*, London:ODI, p34

## C. PROCESS OVER SOCIAL OUTCOMES (INCLUDING QUALITY AND EQUITY)

The 2011 Evaluation of the Paris Declaration concludes that there has been slow progress in using aid to meet the needs of the poorest people and to tackle the deep-rooted causes of inequality, exclusion and disempowerment.<sup>liv</sup>

A major barrier to progress on social indicators is that the majority of the Paris Declaration principles and accompanying indicators focus on process issues, seeking to improve the mechanisms for aid allocation, as opposed to focusing on the direction of aid and its intended outcomes. To obtain meaningful and sustainable social impacts in developing countries, particularly for the most disadvantaged children, more focus needs to be given to the direction of aid expenditure.

The international **human rights framework** (which includes the principles of non-discrimination, participation and accountability) can help to ensure that the Paris and Accra principles are implemented in accordance with human rights and work to achieve the greatest social impact. In turn, certain aid effectiveness principles can help realise human rights – for example, donors can align behind programmes that promote human rights.<sup>lv</sup> According to Mary Robinson, former UN High Commissioner for Human Rights, "Aid is only effective if it achieves good development results, and good development results are not possible if gender inequalities persist, environmental damage is accepted, or human rights are abused."

Ghana's multi-donor budget support is an example of where aid has been delivered in a way consistent with human rights (and the MDGs). The core objective of the initiative is to improve the delivery of social services to support poverty reduction. As a result of this

support, there have been improvements in the number of schools, in teacher training and, consequently, in the number of qualified teachers. In addition, enrolment of children into primary school increased by nearly 2% between 2004 and 2006. Furthermore, disparities in primary enrolment rates lessened between the most deprived districts and more advantaged ones, and gender disparities in enrolment rates narrowed.<sup>lvi</sup>

As recent research by Save the Children has demonstrated, it is also vitally important that **equity** (fairness, equal access and opportunities) is central to efforts to tackle poverty, improve social outcomes and meet the MDGs.<sup>lvii</sup> Equitable approaches to development speed up social progress, are more sustainable and show respect for human rights. To date, the aid effectiveness principles have not included consideration of equity, with the consequent effect that aid has often benefitted the easiest-to-reach populations, where there are the most accessible results.<sup>lviii</sup>

Partly as a result of poor coordination and knowledge-sharing, but also as a result of donors prioritising certain issues, aid allocation has often been unevenly distributed between countries and sectors, but also delivered in such a way that it provides only for the better off and easier to reach. "The resulting geographical gaps and overlaps, commonly called aid darlings and aid orphans, can entail considerable global costs, to the extent that the aid community as a whole fails to invest systematically where aid is expected to have the most impact."<sup>lix</sup> Inequitable distribution of aid results in children living in 'aid orphan' countries or regions being deprived of access to aid programmes with potentially life-saving services.

Finally, donors need to place greater emphasis on the **quality** of aid spending. Although there has been an improvement in access to services and service delivery as a result of increased ownership (particularly stemming from budget support) and harmonisation, some evaluations (eg, one conducted by the ODI) have raised concerns that mass expansion programmes have compromised the quality of services provided. In the ODI review of sector budget support to five sectors across six African countries, common problems included:

- a lack of financial incentives for improved service delivery
- insufficient equipment and tools (like school books or health provisions), which limited the efficacy and motivation of personnel
- insufficient administrative reporting on service delivery expenditure, inputs and results
- poor outcomes (such as low student learning outcomes)
- insufficient time to set up mechanisms for local engagement with the service (eg, Parent Teacher Associations).<sup>lx</sup>

A study by the EC on correlations between general budget support (GBS) and MDG performance raised concerns about service quality following a sudden increase in provision.<sup>lxi</sup> This has been a challenge in Tanzania, where increases in external assistance (including GBS) resulted in increased government social spending and an expansion of health and education services. However, this has not resulted in efficiency of spending and there have been concerns raised as to the quality of the services, especially in the long term.<sup>lxii</sup> In the case of education, much improvement has been made in enrolment rates, but this has led to many overcrowded and under-resourced classrooms, and low student achievement. Schools without key aspects of *quality* education – such as well-trained

teachers and sufficient textbooks or other learning resources – will not be able to do an effective job.<sup>lxiii</sup>

## **D. 'UN-DEMOCRATIC' OWNERSHIP**

Democratic ownership of development (broad participation in national decision-making) is crucial for aid to contribute to sustainable and demand-led changes in societies. Therefore, aid cooperation should support national and local efforts at CSO engagement and other participatory processes, so that the voices of citizens – women, men and children – and their priorities – are the foundation for national development planning.

In turn, partner countries must ensure that there is the political space and an appropriate environment to enable democratic ownership. This environment must protect fundamental freedoms, such as the freedom of association, freedom of speech and the right to receive information.

While the Paris Declaration hardly mentions civil society, the Accra Agenda for Action recognises it as a development actor in its own right. According to the Accra Agenda, national democratic ownership and accountability extends beyond government to civil society. Despite this commitment, the space for CSOs is worsening in many countries, as a result of criminalisation, administrative and legal restrictions, physical harassment and threats. Several countries have endorsed legislation heavily impeding the activities of particular organisations working to promote social change, accountability and transparency.<sup>lxiv</sup>

Inadequate civil society participation in national development processes can have a number of negative effects on development interventions. Conversely, for children, CSO participation has been shown to be pivotal to ensuring that their concerns are addressed. In Honduras, for example, Save the Children facilitated, together with its local partner organisations, five consultations with children and young people that shaped advocacy on the national Poverty Reduction Strategy Plan (PRSP). In the largest of these, involving 3,000 children across the country, children's and young people's experiences of, and viewpoints on, child labour were sought. The results convinced government officials to prioritise child poverty in the PRSP and include targets on reducing child labour. A commitment was also secured to use funds released by fulfilment of the PRSP to fund education initiatives for child workers. Subsequently, municipal development plans in five Honduran cities were changed to include measures aimed at the eradication of child labour.<sup>lxv</sup>

## **E) NO ONE SIZE FITS ALL**

One of the major hindrances to implementation of the aid effectiveness principles is that no effort has been made to tailor them to different governance contexts. It is particularly difficult to identify their relevance for conflict-affected and fragile states, where ambitions to use country systems and support national ownership may not be possible and/or appropriate.

The political, economic and social context of each country determines not only which types of aid processes are relevant but also the development results one wishes to achieve. For children, using aid to support a fledgling government to develop their essential services and infrastructure will be important, but so too will be the continued allocation of project aid, which can target the hardest to reach communities, in areas with little infrastructure – eg, through community health workers.



Therefore, the principles need a certain element of flexibility to allow for different country contexts. In Paris and Accra, the principles were set in a conference room of high-level participants, dominated by donors. To ensure that Busan is more reflective of all national priorities, renewed principles and practices need to be identified at country level and applied at country level, with associated nationally relevant monitoring and accountability tools. These might take the form of country-level compacts, which should support renewed global commitments (including sector-level commitments), accompanied by monitoring and accountability tools.

#### **4) LEARNING FROM OTHER AID MODALITIES**

South-South cooperation needs to better inform, and be integrated into, the aid effectiveness agenda. Without it, the international development community is missing a growing part of the aid landscape and key chances to leverage scarce resources more effectively. In 2006 the UN Economic and Social Council calculated that total South-South cooperation contributions were between \$9.5 and 12.1 billion US dollars, 7.8–9.8% of total development aid flows.<sup>lxvi</sup> It was noted that this is likely to be an underestimate, as not all flows from bilateral and multilateral contributions could be included due to lack of data and differences in definitions of what constitutes development cooperation.<sup>lxvii</sup> Meanwhile, in recent years contributions from non-DAC donors such as China, India, Brazil and South Africa have increased considerably.

Shared learning and an open interactive dialogue with new emerging donors is vital in order to harness the maximum potential of these financial flows to combat poverty and improve the lives of those in need. Encouraging emerging donors to subscribe to process principles like harmonisation will also improve the position of those partner countries seeking to tap into these increasing aid flows, by minimising the amount of paperwork and reporting required to secure donor support.

One way of bridging cooperation between multiple actors, all using different modalities, is to utilise triangular cooperation. The OECD defines triangular cooperation as “partnerships between DAC donors and pivotal countries (providers of South-South Co-operation) to implement development cooperation programmes/projects in beneficiary countries (recipients of development aid)”.<sup>lxviii</sup> The advantage of triangular cooperation is that traditional and non-traditional donors join forces to promote development and improve the social and economic situation of beneficiary countries, while strengthening relations with Southern donors and building the capacity of these emerging donors.

### **Box 7: Case Study: Triangular Development Cooperation – Kollo Project (Tunisia-Niger-France)**

In order to improve reproductive health and family planning in Niger, the government entered into a triangular cooperation agreement with Tunisia and France. The objectives were to strengthen the capacity of district health services, improve access to reproductive health and family planning services, improve public awareness of reproductive health issues, and begin an advocacy campaign targeting key decision-makers.

Tunisia provided the technical assistance in the form of a reproductive health expert who, along with a Niger health official, implemented the project.

Activities included:

- upgrading equipment, improving the skills of health workers, and providing support for consultants
- improving access to health services through mobile teams (which included a midwife, communicator and equipment) who could access hard-to-reach areas
- educating a diverse range of people including women, men, young people, traditional midwives, community health workers and teachers.

The project was such a success that it surpassed the expected targets, resulting in:

- 47.7% increase in prenatal consultation
- 21% increase in contraception use
- 8.5% increase in postnatal consultation
- 100% of health workers trained and equipped
- 60% of the population with good knowledge of reproduction and family planning.

One reason for this success was that Tunisia had experienced similar conditions and had the same socio-demographic indicators as Niger a few decades before. As such, the technical assistance (TA) was informed by that country's experience. The TA advisers were able to recommend the use of tried and tested, replicable strategies such as mobile units, as well as the involvement from an early stage of communities and religious and cultural leaders.

Other contributing factors were: the adoption of a national population policy in line with the national plan for reproductive health; personnel involved in the project felt ownership of the project and were motivated and enthusiastic about it; and the project used other sponsors such as UNICEF who, for example, supported male nurses to carry out vaccinations. The project was so well received, particularly by the Ministry, that the strategy of mobile units was scaled-up and rolled into the national health development plan.

**Source:** Special Unit for South-South Cooperation, UNDP (2009) *Enhancing South South and Triangular Cooperation: Study of the current situation and existing good practice in policy, institutions and operation of south-south and triangular cooperation*, p51-52

## **5) RECOMMENDATIONS FOR BUSAN**

As a result of the implementation of the Paris Declaration and Accra Agenda for Action there have been a number of improvements in the effectiveness of aid, such as better donor coordination, strengthened partner country leadership and, in some cases, an increase in social service delivery. As the Paris Evaluation concluded, the principles are still highly relevant, as better aid means better results. However, at the High Level Forum on Aid Effectiveness, taking place in November 2011 in Busan, South Korea, aid donors (including non-DAC donors) and recipients need to agree on a new, time-bound global framework, and also on a process for applying country-level frameworks, or compacts, in order to make the principles more context specific and extend the impact of aid on poverty.

The decisions taken in Busan need to build on existing efforts, reflected in the Paris Declaration and Accra Agenda for Action, need to include neglected issues and address limitations, clarifying blurred lines of accountability, strengthening the focus on social outcomes and equity, and ensuring democratic ownership.

A central part of the new global agreement should be a strong monitoring mechanism. The OECD might be the appropriate body to lead on monitoring, but it will need to gain legitimacy by working with the UN Development Cooperation Forum as well as sector-specific bodies with accountability functions, such as the IHP+, UN Commission on Information and Accountability, and the Education for All Fast Track Initiative (soon to be renamed the Global Partnership for Education).

## **SAVE THE CHILDREN BELIEVES THAT THE BUSAN HIGH LEVEL FORUM SHOULD ACHIEVE THE FOLLOWING SEVEN OBJECTIVES:**

- 1) Give greater recognition to poverty-related **development outcomes** within the Busan Outcome Document, clearly stating that aid should be used to provide the whole package of services, interventions and opportunities required to realise the rights of the poorest and most vulnerable communities. Save the Children believes that investing in children and the realisation of child rights is key to poverty reduction. It is “equivalent to laying the foundations for a stable and strong house. Retrofitting the foundation is always costly and seldom effective. Investing in children is a prerequisite for breaking the poverty cycle.”<sup>ix</sup>
- 2) Commit to **building local capacity** with local institutions as partners in poverty reduction efforts. Create partner and donor government guidance directing engagement with local and international CSOs, during policy development and all stages of the project cycle. Aid needs to be distributed in ways that improve national capacity and strengthen partner government and local organisation systems. Identify clear metrics to track progress.
- 3) Establish strong **mutual accountability** mechanisms, including global indicators and country-level compacts, which will help to ensure aid is being delivered appropriately and having the desired positive impact on development outcomes, including children’s wellbeing.
  - Support aid recipient governments (partner countries) with the development of tools to hold their donors to account and support the development of national-level donor compacts or joint-assessment frameworks. This will help to ensure that the considerable resources committed to key social sectors are disbursed and reach their intended recipients.
  - Engage the beneficiaries of aid throughout development planning, implementation and monitoring to ensure that aid is spent in a way which improves their situation and realises their rights. Creating spaces and enabling environments as well as donor and partner government guidelines for civil society engagement will be key. Close engagement with civil society is critical to effectively utilising scarce financial resources and ensuring that communities lead and sustain their own poverty reduction efforts.
- 4) Encourage increased **transparency**. Transparency is essential for mutual accountability, to ensure predictability, to promote harmonisation and country ownership, and to help achieve better development results. Better data management and disaggregation of data by gender, age, quintiles and ethnic groups, etc is needed for improved transparency and management of development results.

- Recipient and donor countries must be held accountable for transparent and democratic treatment of both aid and other national and local public budgets and international investment, according to international agreed standards, such as the International Aid Transparency Initiative.
  - Financial and technical support must be given to national democratic institutions and mechanisms for transparency, such as national assemblies and a national office for general audit.
  - Independent actors from civil society and the media should be supported to monitor public budgets and expenditure.
- 5) Improve **harmonisation** at country level and within sectoral aid allocations. Good lessons can be learned from the health sector, where the IHP+ has sought to align and coordinate health actors and their financial flows.
- 6) Recognise that **no one size fits all**. The political, economic and social context of each country needs to be taken into account before applying the principles of aid effectiveness, and a certain element of flexibility is needed. This can only be achieved if there is less of a top-down process and if the principles are adapted to each country context, with associated monitoring and accountability tools – these might take the form of country-level compacts. Country-level agreements will help to make the principles more relevant for conflict-affected and fragile states and other unique governance contexts.
- 7) **Broaden the tent** of aid effectiveness actors. New emerging donors are playing an increasing role in development assistance. They need to be welcomed into the aid effectiveness agenda, encouraged to adhere to existing principles and share their knowledge and experiences in order to promote best practice. Triangular cooperation is an example of how the roles of both DAC and non-DAC donors can be complementary. Guidance should be given on how best to conduct these new development cooperation partnerships.

**For more information on Save the Children’s aid effectiveness work, specifically our preparations for the Busan High Level Forum, please contact Jessica Espey ([j.espey@savethechildren.org.uk](mailto:j.espey@savethechildren.org.uk)).**

## ANNEX 1: INDICATORS OF PROGRESS: TO BE MEASURED NATIONALLY AND MONITORED INTERNATIONALLY

OWNERSHIP		TARGET FOR 2010
1	<i>Partners have operational development strategies</i> — Number of countries with national development strategies (including PRSs) that have clear strategic priorities linked to a medium-term expenditure framework and reflected in annual budgets.	At least 75% of partner countries have operational development strategies.
ALIGNMENT		TARGETS FOR 2010
2	<i>Reliable country systems</i> — Number of partner countries that have procurement and public financial management systems that either (a) adhere to broadly accepted good practices or (b) have a reform programme in place to achieve these.	(a) <b>Public financial management</b> — Half of partner countries move up at least one measure (i.e., 0.5 points) on the PFM/ CPIA (Country Policy and Institutional Assessment) scale of performance.  (b) <b>Procurement</b> — One-third of partner countries move up at least one measure (i.e., from D to C, C to B or B to A) on the four-point scale used to assess performance for this indicator.
3	<i>Aid flows are aligned on national priorities</i> — Percent of aid flows to the government sector that is reported on partners' national budgets.	<b>Halve the gap</b> — halve the proportion of aid flows to government sector not reported on government's budget(s) (with at least 85% reported on budget).
4	<i>Strengthen capacity by co-ordinated support</i> — Percent of donor capacity-development support provided through co-ordinated programmes consistent with partners' national development strategies.	<b>50% of technical co-operation flows</b> are implemented through co-ordinated programmes consistent with national development strategies.
5a	<i>Use of country public financial management systems</i> — Percent of donors and of aid flows that use public financial management systems in partner countries, which either (a) adhere to broadly accepted good practices or (b) have a reform programme in place to achieve these.	<b>PERCENT OF DONORS</b>
		Score*      Target
		5+      All donors use partner countries' PFM systems.
		3.5 to 4.5      90% of donors use partner countries' PFM systems.
		<b>PERCENT OF AID FLOWS</b>
		Score*      Target
5+      A two-thirds reduction in the % of aid to the public sector not using partner countries' PFM systems.		
3.5 to 4.5      A one-third reduction in the % of aid to the public sector not using partner countries' PFM systems.		
5b	<i>Use of country procurement systems</i> — Percent of donors and of aid flows that use partner country procurement systems which either (a) adhere to broadly accepted good practices or (b) have a reform programme in place to achieve these.	<b>PERCENT OF DONORS</b>
		Score*      Target
		A      All donors use partner countries' procurement systems.
		B      90% of donors use partner countries' procurement systems.
		<b>PERCENT OF AID FLOWS</b>
		Score*      Target
A      A two-thirds reduction in the % of aid to the public sector not using partner countries' procurement systems.		
B      A one-third reduction in the % of aid to the public sector not using partner countries' procurement systems.		
6	<i>Strengthen capacity by avoiding parallel implementation structures</i> — Number of parallel project implementation units (PIUs) per country.	<b>Reduce by two-thirds</b> the stock of parallel project implementation units (PIUs).
7	<i>Aid is more predictable</i> — Percent of aid disbursements released according to agreed schedules in annual or multi-year frameworks.	<b>Halve the gap</b> — halve the proportion of aid not disbursed within the fiscal year for which it was scheduled.
8	<i>Aid is untied</i> — Percent of bilateral aid that is untied.	<b>Continued progress over time.</b>

HARMONISATION		TARGETS FOR 2010
9	<i>Use of common arrangements or procedures</i> — Percent of aid provided as programme-based approaches.	<b>66% of aid flows</b> are provided in the context of programme-based approaches.
10	<i>Encourage shared analysis</i> — Percent of (a) field missions and/or (b) country analytic work, including diagnostic reviews that are joint.	<b>(a) 40% of donor missions</b> to the field are joint.
		<b>(b) 66% of country analytic work</b> is joint.
MANAGING FOR RESULTS		TARGET FOR 2010
11	<i>Results-oriented frameworks</i> — Number of countries with transparent and monitorable performance assessment frameworks to assess progress against (a) the national development strategies and (b) sector programmes.	<b>Reduce the gap by one-third</b> — Reduce the proportion of countries without transparent and monitorable performance assessment frameworks by one-third.
MUTUAL ACCOUNTABILITY		TARGET FOR 2010
12	<i>Mutual accountability</i> — Number of partner countries that undertake mutual assessments of progress in implementing agreed commitments on aid effectiveness including those in this Declaration.	<b>All partner countries</b> have mutual assessment reviews in place.

**Source:** OECD DAC (2005) Paris Declaration Indicators of Progress, High Level Forum on Aid Effectiveness 2005, Paris: OECD.

## NOTES

<sup>i</sup> See for example Ellmers B (2011) *How to spend it. Smart procurement for more effective aid: A procurement, aid untying and using country systems*, Brussels: Eurodad.

<sup>ii</sup> "The 12 selected indicators of progress, while essential to give 'teeth' of accountability to the mutual commitments, have become the central 'technical' focus of attention and of most of the 'coordinated actions' whether or not they are sufficiently representative or reliable. This has tended to sideline the much larger number of other commitments, all part of the carefully balanced package. As shown in the evaluation results, many of the neglected commitments are of equal or greater importance than several of the selected 12, but had presumably been seen in 2005 as more difficult to measure and monitor." (*PD Evaluation*, page 12, paragraph 33)

<sup>iii</sup> In November 2011, the Education for All Fast Track Initiative will be re-named the Global Partnership for Education.

<sup>iv</sup> See <http://www.oecd.org/dataoecd/30/63/43911948.pdf>

<sup>v</sup> Ibid.

<sup>vi</sup> Assessing causality is a lot more challenging than demonstrating association. In addition, problems tend to arise from inadequate data or only partial or recent implementation, which means it could be too early to see any visible or concrete evidence of impact. In addition, the rate of implementation across countries is uneven. A handful of progressive donors have implemented significant reforms, while the rest of the donor community have been reticent, but not held accountable because aggregate monitoring suggests there has been progress. According to the Paris Declaration Evaluation, partner countries have achieved a much faster pace of change, although progress across regions and between indicators has been highly uneven. See Smoke P and Winters M (2011) *Donor Program Harmonization, Aid Effectiveness and Decentralized Governance*, Local Governance and Decentralization, pp3; Beynon J and Dusu A (2010), *Budget Support and MDG Performance* Brussels:European Commission Directorate-General for Development and Relations with African, Caribbean and Pacific States p21; Stern E et al (2008) *Thematic Study on the Paris Declaration, Aid Effectiveness and Development Effectiveness*, Development Assistance Research Associates, p27.

<sup>vii</sup> OECD (2009) *Better Aid: Managing Development Resources: The use of country systems in public finance management*, p20.

<sup>viii</sup> OECD (2011) *The Evaluation of the Paris Declaration, Phase 2, Final Report*, OECD: Paris, p24.

<sup>ix</sup> Ibid, pp24–26.

<sup>x</sup> Assefa A, Alebachew H, Fasil N, Haniko M, Ihalainen A Zwandor and Kinfegebriel B (2010) 'HIV/AIDS and the health related Millennium Development Goals. The experience in Ethiopia', *Lancet*; Ghebreyesus A T (2010) 'Achieving the health MDGs: country ownership in four steps', *Lancet* 376 (9747): 1127–28.

<sup>xi</sup> Bilal N et al (2010) *Health extension workers in Ethiopia improved access and coverage for the rural poor* (2011) in P Chuhan-Pole and M Angwafo (2011) *Yes Africa Can: Success Stories from a Dynamic Continent* World Bank: Washington, OCED

- (2011) *Progress and Challenges in Aid Effectiveness: What can we learn from the health sector?*, OECD Working Party on Aid Effectiveness, Task Team on Health as a Tracer Sector, Final Report.
- xii OECD (2010) *Benefits of Using Country PFM Systems, Communication Materials, Task Force of Public financial Management*, Paris: OECD.
- xiii OECD-DAC definition: Development agencies increasingly provide financial support to macro-level policies and to government budgets to assist the recipient through a programme of policy and institutional reform and implementation that promote growth and achieve sustainable reductions in poverty. <http://stats.oecd.org/glossary/detail.asp?ID=7234>
- xiv Thunnissen K (2009) *Sector Budget Support in Practice – Case Study, Education Sector in Mali*, London: ODI.
- xv Lawson A, Booth D, Msuya M, Wangwe S and Williamson T (2005) *Does General Budget Support Work? Evidence from Tanzania*, London: Overseas Development Institute and Dar es Salaam: Daima Associates.
- xvi Williamson T and Dom C (2010) *Sector Budget Support in Practice Synthesis Report*, London: ODI, pp x-xi.
- xvii Ibid, pp12.
- xviii Oxfam (2008) *Fast forward – How the European Commission can take the lead in providing high-quality budget support for education and health*, Oxfam Briefing Paper No. 111, Oxford: Oxfam.
- Link: [http://www.oxfam.org.uk/resources/policy/debt\\_aid/downloads/bp111\\_ec\\_aid.pdf](http://www.oxfam.org.uk/resources/policy/debt_aid/downloads/bp111_ec_aid.pdf)
- xix See DFID (2002) *Managing Fiduciary Risk When Providing Direct Budget Support*, London: DFID; Kolstad I (2005) *Direct Budget Support and Corruption, Anti-Corruption Resource Centre*, Bergen, Norway: CHR Michelsen Institute.
- xx Jones K (2005) 'Moving money: aid fungibility in Africa', *SAIS Review*, Volume 25, Number 2, Summer-Fall 2005, pp167–80
- xxi Morrisey O (2005) *Fungibility, Prior Actions and Eligibility for Budget Support*, Credit and School of Economics, Nottingham: University of Nottingham.
- xxii Also referred to as aid fragmentation. OECD DAC definition: pattern of aid is splintered across too many donors, each with their own processes and priorities, often working in overlapping relationships with each other.
- xxiii 'Global health partnerships: assessing country consequences', Paper presented at the Third High-Level Forum on the Health MDGs, Paris, 14–15 November 2005, Bill & Melinda Gates Foundation and McKinsey & Company
- xxiv The OECD-DAC definition of PBAs is aid that shares the following features: (i) leadership by the host country or organisation; (ii) a single comprehensive programme and budget framework; (iii) a formalised process for donor coordination and harmonisation of donor procedures for reporting, budgeting, financial management and procurement; and (iv) efforts to increase the use of local systems for promoting design and implementation, financial management, monitoring and evaluation.
- xxv The OECD DAC definition of sector-wide approaches is: All significant donor funding support a single, comprehensive sector policy and independent programme, consistent with a sound macro-economic framework, under government leadership.
- xxvi OECD (2011) *The Evaluation of the Paris Declaration, Phase 2, Final Report*, Paris: OECD, p29.
- xxvii OECD (2008) *Aid Effectiveness – A Progress Report on Implementing the Paris Declaration*, Paris: OECD, p73.
- xxviii Action for Global Health (2010) *Health Spending In Tanzania: The Impact of Current Aid Structures and Aid Effectiveness, EU Health ODA and Aid Effectiveness*, Country Briefing Two, Brussels: Action for Global Health and German Foundation for World Population.
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- xxx Dickenson C (2011) 'Is aid effectiveness giving us better health results?', London: HLSP Institute.
- xxxi Ibid.
- xxxii OECD DAC definition: Managing for Development Results is a management strategy that focuses on development performance and on sustainable improvements in country outcomes. It provides a framework for development effectiveness in which performance information is used to improve decision-making. <http://www.oecd.org/dataoecd/18/53/42447575.pdf>
- xxxiii OECD (2011) *The Evaluation of the Paris Declaration, Phase 2, Final Report*, OECD: Paris, p44.
- xxxiv Ibid, p45.
- xxxv OECD (2008) *Aid For Better Health – What Are We Learning About What Works and What We Still Have to Do? An interim report from the Task Team on Health as a Tracer Sector*, Working Party on Aid Effectiveness, OECD-DAC, Paris: OECD, p70.
- xxxvi The pitfalls of such an approach as well outlined in Save the Children (2010) *A Fair Chance At Life: Why equity matters for child mortality*, London: Save the Children UK.
- xxxvii World Bank (2008) *Global Program Funds at Country Level: What have we learned? Summary of the Paris Workshop*, May 30th, 2008, Washington: World Bank.
- xxxviii WHO and HMN (2009) <http://www.internationalhealthpartnership.net/pdf/IHP%20Update%2013/Zambia/Ethiopia%20report%20CHeSS%20for%20IHP%20March%202009.pdf>
- xxxix See Winters M (2010) 'Accountability, participation and foreign aid effectiveness', *International Studies Review*, Volume 12, Issue 2, pages 218–43, June 2010.
- xl OECD DAC definition: "a process by which two (or multiple) partners hold one another responsible for the commitments that they have voluntarily made to each other. But it is also more than that. It is a process through which commitment to, and ownership of, shared agendas is created and reinforced by: building trust and understanding; shifting incentives towards results in achievement of shared objectives; embedding common values; deepening responsibilities and

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strengthening partnership; and openness to external scrutiny for assessing results in relation to goals.”

<http://www.oecd.org/dataoecd/32/19/43408716.pdf>

<sup>xli</sup> <http://www.aideffectiveness.org/Themes-Strengthening-accountability.html>

<sup>xlii</sup> OECD DAC (2005) Paris Declaration Indicators of Progress, High Level Forum on Aid Effectiveness 2005, Paris: OECD.

<sup>xliii</sup> Steer L et al (2009) *Mutual Accountability at the Country Level A concept and emerging good practice paper*, London: ODI, p7.

<sup>xliiv</sup> OECD (2011) *The Evaluation of the Paris Declaration, Phase 2, Final Report*, Paris: OECD, p45.

<sup>xli v</sup> De Renzio P and Mulley S (2006) *Promoting Mutual Accountability in Aid Relationships: Addressing the power imbalance between donors and recipients is necessary to promote real partnerships*, Briefing Paper No.1, London: ODI.

<sup>xli vi</sup> Steer L et al (2009) *Mutual Accountability at the Country Level: A concept and emerging good practice paper*, London: ODI, p10.

<sup>xli vii</sup> OECD (2011) *The Evaluation of the Paris Declaration, Phase 2, Final Report*, Paris: OECD, p44.

<sup>xli viii</sup> Save the Children has developed guidance for policy makers on how best to use consultation and participation for locally owned development. See Save the Children (2010) *Consultation & Participation for Local Ownership, What? Why? How?*, Washington, DC: Save the Children. <http://www.savethechildren.org/consult>

<sup>xli ix</sup> Ibid.

<sup>i</sup> OECD (2011) *The Evaluation of the Paris Declaration, Phase 2, Final Report*, Paris: OECD, p45.

<sup>ii</sup> Alemu G(2009) *A Case Study on Aid Effectiveness in Ethiopia: Analysis of the Health Aid Architecture*, Wolfensohn Center for Development, Working Paper No. 9, p16.

<sup>iii</sup> <http://ihpresults.net/results/scorecards/>

<sup>iiii</sup> IATI aims to make information about aid spending easier to access, use and understand and is a voluntary, multi-stakeholder initiative that includes donors, partner countries CSOs and experts in aid information to agree ways of sharing more and better information about aid.

<sup>liv</sup> OECD (2011) *The Evaluation of the Paris Declaration, Phase 2, Final Report*, Paris: OECD, p56.

<sup>lv</sup> See example of Kenya and the use of human rights standards on the right to water and sanitation as an explicit basis for pro-poor sector reform, which has strengthened donor confidence and, as a result, increased donor alignment and harmonisation around the sector reform programme.

<sup>lvi</sup> ODI (2007) *Budget support to Ghana: A risk worth taking? By providing aid as budget support donors have taken risks and made important contributions*, London: ODI.

<sup>lvii</sup> Our report showed that if the 42 developing countries that account for over 90% of child deaths all took an egalitarian approach to cutting under-5 mortality (MDG4), and made progress across all income groups at the same rate as for the fastest-improving income group, an additional 4 million child deaths could be averted over a ten-year period. Save the Children UK (2010) *A Fair Chance At Life: Why equity matters for child mortality*, London: Save the Children UK.

<sup>lviii</sup> Guillaumont P (2008) 'Adapting Aid Allocation Criteria to Development Goals: An essay for the 2008 Development Cooperation Forum United Nations Economic and Social Council', May 2008, p4.

<sup>lix</sup> [http://www.oecd.org/document/52/0,3746,en\\_2649\\_3236398\\_45459252\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/52/0,3746,en_2649_3236398_45459252_1_1_1_1,00.html)

<sup>lx</sup> Williamson T and Dom C (2010) *Sector Budget Support in Practice Synthesis Report*, London: ODI, pp x-xi.

<sup>lxi</sup> European Commission (2010) *Budget Support and MDG Performance*, Development Paper, No. 2010/01, European Commission Directorate-General for Development and Relations with African, Caribbean and Pacific States, p3.

<sup>lxii</sup> Lawson A, Booth D, Msuya M, Wangwe S and Williamson T (2005) *Does General Budget Support Work? Evidence from Tanzania*, London: Overseas Development Institute and Dar es Salaam: Daima Associates.

<sup>lxiii</sup> UNESCO (2005) *Global Monitoring Report: Education for All – The Quality Imperative*, p36.

[http://www.unesco.org/education/gmr\\_download/chapter1.pdf](http://www.unesco.org/education/gmr_download/chapter1.pdf)

<sup>lxiv</sup> See ACT Alliance (2011) *Changing Political Spaces of Civil Society*, Geneva: ACT; EED (2011) *Civil Society, Aid Effectiveness and Enabling Environment Political Space of Civil Society Organisations in Africa: The Cases of Burkina Faso, Ghana and Zambia*, Church Development Service (EED), Bonn: Association of the Protestant Churches in Germany.

<sup>lxv</sup> Save the Children (2004) *Children and Young People Participating in PRSP Processes: Lessons from Save the Children's experiences*, London: Save the Children. .

<sup>lxvi</sup> UN Economic and Social Council (2008) *Background Study for the Development Cooperation Forum: Trend in South-South and triangular development cooperation*, p10.

<sup>lxvii</sup> Davies P (2008) *Think piece on aid and development cooperation post Accra and beyond – steps towards a development dialogue for the 21st century*, Background Document for Round Table 9: Aid Effectiveness and Non-DAC Providers of Development Assistance p2.

<sup>lxviii</sup> Yamashiro Fordelone T (2009) *Triangular Cooperation and Aid Effectiveness – Can triangular cooperation make aid more effective?*, Paris: OECD, p4.

<sup>lxix</sup> Vandermortele J (2011 forthcoming) *Equity Begins with Children*, book on child poverty, p4