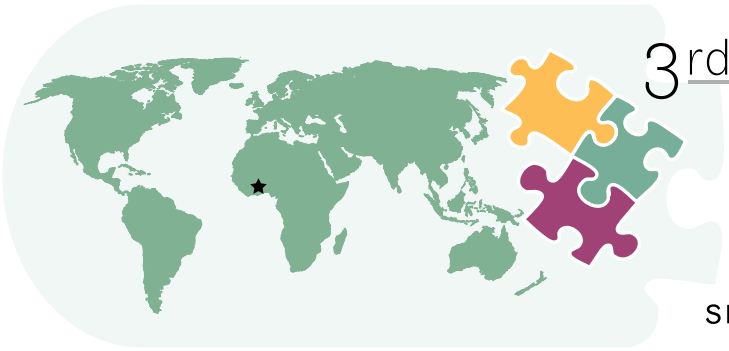
BUILDING A NEW **AID RELATIONSHIP**

THE PARIS DECLARATION ON AID EFFECTIVENESS



3rd High Level Forum
ON AID EFFECTIVENESS
SEPTEMBER 2–4, 2008 ACCRA GHANA

Acknowledgements

This project was jointly initiated and sponsored by the Canadian International Development Agency (CIDA) and the World Bank, with substantive advice from the Development Cooperation Directorate of the OECD. The main work of organizing the approach, selecting and synthesizing the key sources and available case-examples, and writing was carried out by the principal author, Bernard Wood, his co-author, Mbaya Kankwenda, and Ofeoritse Kpere-Daibo of the World Bank, with editorial input from Jeffery Clarke. Full credit is due to the many contributors in partner countries and donor agencies who produced and helped distill the source materials, including the case-examples, as well as the evaluation and the progress report on the implementation of the Paris Declaration. Finally, the authors acknowledge the commitment of the key officials in the sponsoring institutions to the goal of galvanizing wider understanding of the need to improve aid effectiveness, the results being achieved and the work still ahead. This called for creativity throughout, both in managing the work and in helping make the results clear to non-specialists.

Canadian International Development Agency
Agence canadienne de développement international

Canada

THE WORLD BANK

BUILDING A NEW **AID RELATIONSHIP**

The Paris Declaration on Aid Effectiveness

This publication is an overview of the goals of the Paris Declaration, its underlying principles, the progress that developing countries and the donor community have made together and the challenges that lie ahead.


Joint Progress
Toward Enhanced
Aid Effectiveness
PARIS DECLARATION ON
Ownership, Harmonisation,
and Mutual Accou
I. Statement of

UNDERSTANDING
THE PARIS DECLARATION

The 2005 Paris Declaration on Aid Effectiveness is an action plan that developing countries and the donor community created together to ensure that countries receiving aid can take the lead in their development programs and get better and more sustainable development results for the poor. Aid, done effectively, works. Many efforts to improve aid were already underway in 2005; the Paris Declaration pulled these efforts together, giving donor countries and organizations and partner countries – those receiving aid – a consistent plan including steps and indicators of progress.

The Declaration builds on the Millennium Development Goals[1]. The last Goal, to "develop a global partnership for development", recognizes that the effectiveness of aid programs, and whether their benefits can be shared among all peoples, depend on how we work together. The Paris Declaration responds to the development community's need for greater aid effectiveness. It is still early, but the application of the Paris Declaration is starting to show results.

AID EFFECTIVENESS

The Paris Declaration acknowledges longstanding concerns in both developing and donor countries that the world's poor were not seeing the full benefit of aid programs.

The aid system clearly needed reform in several areas:

- Donors tended to use aid projects to "show their flags" rather than coordinate their efforts or allow host countries or populations the chance to own and sustain the projects.
- Developing countries were overburdened with projects and missions – and the reporting and other donor requirements that went along with them. In the early 1990s, for example, Tanzania hosted more than 2000 projects by 40 donors.
- Some donors focused on using the project-management capabilities of partner governments to achieve their own development goals – rather than helping them to build capacity as genuine civil services for their people.
- Donor countries provided technical assistance, but often did little to strengthen developing countries' own knowledge and management abilities, creating dependence.
- Many donors "tied" the purchase of goods and services for their aid programs to suppliers in their own countries; this practice was costly and inefficient, and undermined developing countries' ability to produce or buy for themselves.
- Corruption and misuse of aid resources were cheating and angering both the intended beneficiaries of aid and donors.

1 Agreed in 2000, the Millennium Development Goals are a blueprint among all countries and leading development institutions that give focus to aid programs. These goals include eradicating extreme poverty and hunger as a principal focus, along with improving education, gender equality, health and environmental sustainability.

AIMS OF THE PARIS DECLARATION

The Paris Declaration is the culmination of reform efforts by many countries and donors, drawn from long experience and a broad consensus. Today, more than 100 countries and international organizations have committed to improving and demonstrating aid effectiveness. The Declaration provides a frame for donors and partner countries to put into place a new aid relationship.

The Declaration is more than an international statement of good intentions. It is a set of 56 practical commitments, with a requirement for all participating countries and donors to hold themselves and each other accountable, monitoring and evaluating progress together. These commitments follow five key principles, all aimed at delivering better and more sustainable results:

1. **Ownership** – partner countries take leadership of aid programs.
2. **Alignment** – aid programs must be aligned with countries' strategies, systems and procedures.
3. **Harmonization** – donor actions must be coordinated.
4. **Managing for results** – aid programs should focus on results for people, rather than on process.
5. **Mutual accountability** – donors and partners hold each other accountable for performance and results.

Because these principles are interrelated, and depend on the specific situations of each partner country and dialogue with the donors, there is no single approach for implementing them. Even so, this publication gives concrete examples of putting each of the principles into practice. Across all the examples, there are lessons to be learned and challenges to overcome.

SCOPE OF THE DECLARATION

Donors and partner countries recognize that aid, and application of the Paris Declaration principles, is only one of many factors that contribute to development.

Fully implemented, the Paris Declaration has the potential to guide about US $104 billion annually – while domestic savings and investments, earnings from trade, overseas workers' remittances and foreign private investment all constitute larger contributions to development. Likewise, the Declaration does not govern all aid flows.

A RAPIDLY GROWING SET OF ACTORS IN DEVELOPMENT

There is an increased diversity of actors in development, which include emerging economies, private foundations, civil society organizations and the private sector. These not only bring additional funding, but also experience, expertise and approaches that enrich the development process. Noteworthy examples include assistance provided between partners in neighboring countries, and supported by "traditional donors". These "new" partners in development have their experience as former recipients of aid, and can establish strong partnerships with development partners based on their regional and cultural ties. These partnerships are increasingly recognized as effective because they are largely demand-driven and make use of technology and technical assistance that are sustainable and adaptable to local systems. The example of Mexico (see box on page 3) shows how the principles underlying the Paris Declaration also guide non-traditional approaches to development.

MEXICO:
THE PUEBLA-PANAMA PLAN

Mexico plays a dual role in relation to international cooperation: it is both a donor and a recipient. In this example, it is the donor and sees many positive results to working as a donor in its home region with partner countries who share a common culture and history. The Puebla-Panama Plan (PPP) was launched by the Mexican Government in 2001 aiming to improve the quality of life of the population residing in the territory that includes Mexico's south-southeast region and the seven Central American countries. Through it, Mexico is providing development assistance in Central America with the goal of promoting social and economic development in Mesoamerica. Although the Plan precedes the Paris Declaration, it incorporates many of the Declaration's principles.

Important progress is evident in 33 of the Plan's regional projects that obtained financing amounting to $4.5 billion USD. Among these projects we see advancement towards the operation of a regional electricity market in Central America by harmonizing the regulatory framework; the beginning of construction to integrate a Central American Countries' Electrical Power Interconnection with 2,000 km of electricity transmission lines; rural electrification for the benefit of 300,000 new users in Guatemala and Honduras; and, the improvement of the International Network of Mesoamerican Highways, including the modernization and construction of international bridges that will contribute to the connectivity of the region.

Mexico has always maintained a relationship of co-operation with country members and, as the ancient Mesoamerican cultures shared common traditions and history, the current Mesoamerican region that covers the Plan's implementation projects also shares common objectives, interests and development goals for the region. Key lessons drawn from the PPP include, that development assistance involves mutual learning between all stakeholders, rather than a one-way road from North to South. Mexico also points out that Official Development Assistance from traditional donors combined with technical cooperation from emerging donors enhances mutual understanding and learning among all development partners.

CIVIL SOCIETY

In renewing the relationship between donors and recipient countries, the Paris Declaration recognizes that only a real partnership will deliver sustainable results. Since 2005, however, it has become clear that aid effectiveness depends on recognizing the role of other actors such as civil society organisations from the South and the North, in this relationship – and including them in the dialogue on aid effectiveness. Civil society organisations can include any number of groups that are not directly aligned with a state – whether private-sector, religious, academic, charitable or other – but that are also interested in helping or transforming society.

Recognizing this, Canada has spearheaded an international dialogue to develop a broader understanding of the aid effectiveness agenda that includes a place for civil society. Civil society is an important actor in development. It is effective at reaching the poor and marginalized. It is diverse and has capacity to innovate. It brings a different perspective to the dialogue and, more importantly, to public accountability.

MOZAMBIQUE: CIVIL-SOCIETY PARTICIPATION

Most donors support the Government of Mozambique's action plan for reducing absolute poverty through pooled funding. However, this approach has mainly concerned government-to-government assistance, while many aid programs are actually designed and delivered by civil-society partners.

The action plan not only provides a framework for greater coherence, harmonization and alignment of official aid with national systems; it also specifies roles for both civil society and the private sector, opening the door for donors to provide targeted, project-based funding for civil-society initiatives that complement government activities.

In 2002, the Aga Khan Foundation Canada launched its Coastal Rural Support Project, which reinforces the efforts of the Government through community initiatives with about 400 groups in the northern coastal region. The Project supports government decentralization by providing training for local governments to make community assessments, along with training for village development organizations to create their own plans, which feed into district and provincial planning processes. It also mobilizes and trains communities to develop water xslans, and then collaborates with local water development authorities to build water points.

Efforts in 2007 resulted in access to safe water supply for more than 4700 families and improved latrines for 270 families. Overall, the synergy between government and civil-society activities has already contributed to considerable progress in incomes, education and health.

Meanwhile, many aid-effectiveness initiatives already involve civil society:

- The Aga Khan Foundation's Coastal Rural Support Program in Mozambique illustrates how civil society can foster grassroots engagement and donor support, while creating opportunities for better harmonization (see box on page 4).
- The Bangladesh Rural Advancement Committee (BRAC) is a civil-society organization that has applied the principle of harmonization through a program-based approach: drawing on funding by a consortium of international donors, BRAC can not only deliver projects, but has also become a learning organization in its own right.
- CARE International, working with ForoSalud, a major civil-society network in Peru, applied a rights-based approach to healthcare. This approach helps to promote ownership and accountability, building on the idea that significant and sustainable improvements in the health of the poor can only be made if the poor are involved in shaping health policies, practices and programs.

PRINCIPLE 1: Ownership

FROM THE PARIS DECLARATION:

"Partner countries exercise effective leadership over their development policies and strategies and coordinate development actions."

For aid to achieve lasting results, people in partner countries must be the lead – making decisions on policies, priorities and approaches. This requires both commitment at the highest levels and grassroots support.

Uganda's pioneering approach to setting its own coherent strategy (see box below) is a clear example of "ownership". Supportive political leadership plays a vital role in overcoming some of the entrenched attitudes and practices of more donor-driven aid.

Ownership requires change for donors too: most aid organizations and regulations were originally designed to fit their home administrations rather than adjust to the situations of partner countries. As a starting point, however, some donor administrations have found that locating more of their staff in the field and giving them more authority to make decisions can increase their responsiveness to country priorities and leadership.

UGANDA: DELIVERING CLEAN WATER AND SANITATION SERVICES

In 1998 and 1999, surveys of poor people in Uganda identified better water and sanitation services among their most pressing needs. In response, Uganda's government set out a 15-year plan for investment in the water sector.

While financial support from donors helped with the initial development of these strategies and sector investment plans, they are fully Ugandan-owned, with coordinated support by donors. The Ugandan Parliament has a key role in monitoring plans and performance, opening up wider ownership and accountability.

The Rural Water Supply and Sanitation program has ensured an increase of safe water coverage for rural dwellers, from 18% in 1986 to 61% in 2006, with greater coverage in some regions and less in others. The water supply program for small towns allowed for the construction of 56 new water-supply schemes and rehabilitation of nine others, increasing safe water coverage by 50%. The Government is using this program as a model for other sectors of the economy.

PRINCIPLE 2: Alignment

FROM THE PARIS DECLARATION:

"Donors base their overall support on partner countries' national development strategies, institutions and procedures."

More and more often, donors are working together with governments in partner countries to align their aid strategies to the countries' national poverty-reduction strategies – rather than their own development agendas. This works best when the country is willing and able to lead firmly, as shown by the Joint Assistance Strategy for Zambia (see box below).

The next step for donors is to rely on national institutions and procedures for channelling and managing aid. The foremost example of this reliance is program aid - channelling aid through the country's own public-spending systems – adding to the budget for a specific sector such as health or education or even the general government budget, as in the example of donor support in Ghana (see box on page 10).

ZAMBIA: DONOR HARMONIZATION

At the same time that the Paris Declaration was being prepared, the Government of Zambia decided that too many donors were operating in some sectors, while others needed better coverage. With a group of donor partners, the Government worked out the Joint Assistance Strategy for Zambia (JASZ), with a key objective of "Improved aid delivery by achieving a more effective division of labour and allocation of cooperating partners' resources".

Together, the Government and the donors assessed the strengths of various partners in particular types of work and regions of the country. After a lot of give and take, this led to an agreement on division of labour, reorienting and rationalizing the work of donors in particular sectors and regions to improve coverage, simplifying the coordination and other tasks of the Zambian partners, and increasing overall efficiency. Finland, for example, opted to phase out of the crowded education sector gradually, while strengthening its presence in the environment and natural-resources sectors and in private-sector development.

Most of the traditional donors in Zambia have signed onto JASZ – with the next step being to bring non-traditional and emerging donors and financiers into the process. JASZ stands alongside similar strategies in Uganda and Tanzania, and among major multilateral and bilateral donors in several Asian countries, as a strong example of how to move ahead with the Paris Declaration's objective of harmonizing donor actions, in close alignment with country plans and priorities.

GHANA: MAKING BUDGET SUPPORT WORK

Under the right circumstances, direct budgetary support can be effective in achieving development results in ways that traditional project-based support cannot. It can also lead to greater coordination among donors, contributing to reducing the partner country's transaction costs.

The Government of Ghana took the lead in developing its poverty-reduction strategy, drawing on consultation and a policy dialogue with donors. With clear and agreed upon commitments in place, a number of international donors have been able to contribute directly to the Ghanaian national budget for government-wide activities since 2003 – knowing that their funds would be spent where they are most likely to deliver sustainable results for the poor.

Clear links between budgetary support and the poverty-reduction strategy have also allowed the Government and donors to work more closely together, agreeing on targets, sharing risks and evaluating the budget-support mechanism together. Donors also help the Government to plan by coordinating their reporting and disbursement schedules, making aid flows more predictable.

This initiative has also supported the Government in key governance reforms, such as public financial management, procurement, public-sector reform, and stronger processes and institutions of accountability, including strengthened links between the Ghana Audit Service and other Government bodies.

Finally, all development partners base their budget-support assistance on a jointly agreed `progress assessment framework`. This joint framework aims at defining intermediate steps in the implementation of the Government's poverty reduction strategy, including improvements in spending and outcomes in various sectors such as education and health. For instance, Ghana's education sector is on track to achieve the Millennium Development Goals for both universal primary education and gender equality and the empowerment of women by 2015. The National Gross Primary School Enrolment Rate increased from 88% in 2005 to 94% in 2007. Also, registration in the National Health Insurance Scheme reached 9.8 million people (48% of total population) in mid-2007, up from 3.6 million at end-2005 (18% of total population).

Program aid presents opportunities to build stronger, more able systems in partner countries and maximise the sustainability of development results. At the same time, it requires donors to relinquish some control of aid funding. The Declaration calls for additional ways for donors to align aid with country strategies, institutions and procedures:

- using a partner country's own systems, where possible, for auditing and procurement as well as expenditures;
- avoiding the creation of structures for managing aid projects that duplicate a partner country's normal systems; or
- providing technical assistance in line with partner countries' priority requests.

Donors are also expected to make their aid flows more reliable over longer periods so that partner countries can plan better. Most multilateral development agencies – which are not required to go to Parliaments annually for their budgets – have been able to ensure multi-year funding. National agencies are making progress as well: for example, the United Kingdom is now entering into ten-year Development Partnership Agreements with partner countries, projecting aid levels over several years. And New Zealand has introduced three-year allocations in its major programs, providing the more predictable and flexible spending needed for development work.

In turn, partner countries must strengthen their national processes, management and reporting systems so that donors can rely on them and demonstrate accountability to their own legislatures and taxpayers. Still, with more than 100 developing countries and 50 donor systems involved, there are scores of potential obstacles. As part of simplifying the challenge, partners need to agree on international standards in financial management, procurement and auditing – and put them into practice.

PRINCIPLE 3: Harmonization

FROM THE PARIS DECLARATION:

"Donors' actions are more harmonized, transparent and collectively effective."

Each donor has its own policies and regulations for delivering aid; they have specific procurement regulations and reporting requirements, and often favour specific sectors. This variety, compounded by the involvement of many donors, can impose an unmanageable burden on partner countries. To reduce this burden, donors now strive to be more coordinated when approaching a sector or region, and to harmonize their program-management approaches.

Donor coordination and harmonization agreements may specify the division of labour, so that donors can avoid crowding into some sectors or neglecting others; they may also designate "lead donors" to coordinate efforts with the country in a given sector, along with "silent partners" who provide financial support. The education systems of Bangladesh and Burkina Faso are two examples of harmonization at work.

- In Bangladesh, equitable access to quality primary education for 25 million children is fundamental to reducing poverty. Before 2005, this vital sector was receiving and managing 20 aid projects from a range of partners and donors. The Government of Bangladesh and eleven donors agreed to a harmonization arrangement (the Primary Education Development Program) with common objectives set by the Government and shared by the donors; the Asian Development Bank took on the role of lead donor. An interim evaluation in 2007 noted that the performance of the Program against several Paris Declaration indicators was much better than the national average.

- In Burkina Faso, the ten-year Plan for Basic Education Development (2001-10) aims at achieving universal primary education for all children. Seven supporting partners have signed a financing protocol with the Government, to improve aid coordination and transparency. Under this protocol, donors' contributions make up 20% of the government budget for the Plan, which remains under Burkina Faso's ownership and leadership; funds are disbursed on the basis of progress made. The first phase of the Plan (2001-07) has seen tangible results: the gross enrolment ratio in primary education increased from 44% to 67%, and the ratio of girls' enrolment in first grade jumped from 38% to 64%.

The responsibility for improving harmonization among donors falls primarily on the donors themselves, though success also depends on leadership, initiative and support from partner countries. If donors go too far in harmonizing on their own – while failing to align with country priorities and systems – they can restrict the country's range of options. Tanzania, for example, has asserted its leadership by requiring donors to refrain from sending missions during select periods, so that administrators in the country can get on with their work uninterrupted.

Though the concept of harmonization seems simple, most donor countries have complex aid systems involving several agencies or ministries; these donors will have to overcome "internal harmonization" problems before they can harmonize well with others. Some donors also face legal restrictions on entering into harmonized arrangements, or strong pressures to remain separately visible and accountable. At the multilateral level, the United Nations has been working intensively for some years to harmonize better internally, and is now testing a "One UN" model of operations in eight pilot countries. For all players, success depends on resolving basic issues of trust in others' systems, and there has been some progress in getting donors to agree on streamlined requirements for their aid.

THE AFGHANISTAN COMPACT AND THE PARIS DECLARATION

The Afghanistan Compact was jointly approved by the Government of Afghanistan and donors in 2006. It provides the basis for Afghanistan's development from 2006-2011 through the Afghanistan National Development Strategy. The Compact contains 52 benchmarks, with specific deadlines, grouped under the categories of security, governance, rule of law and human rights, and economic and social development.

While the goals of the Compact are ambitious, and progress has been uneven, the agreement has been an important attempt to infuse the principles of aid effectiveness and the Paris Declaration into a country facing enormous challenges.

The Government of Afghanistan has had to coordinate aid delivery from more than 60 donors. Over half of total aid is managed outside the national budget, resulting in parallel delivery structures that can undermine the Government's emerging legitimacy. One exception is the Afghanistan Reconstruction Trust Fund, established in 2002, which channels pooled aid money through the national budget.

The Compact commits its signatories to address the Government's significant capacity challenges. Under a framework of mutual accountability, donors are aligning more aid resources with the National Strategy by supporting key national programs that achieve concrete development results. There are firm targets for channelling more aid through the Government budget. Presently, the Government is delivering primary education directly and in a centralized manner, leading to a sizeable increase in enrolment: more than 6 million children have returned to school since 2002. In contrast, the Government has opted to contract delivery of basic health services out to non-government providers on a competitive basis.

BETTER AID IN FRAGILE STATES

The Paris Declaration specifically recognizes the need to adapt aid practices to be effective in situations of violent-conflict and in fragile states – sensitive and rapidly changing environments where the principle of harmonization faces special challenges.

Building on experience, the international community and regional organizations have developed several analytical and policy tools, institutions, peace and security capabilities, and coordination arrangements for peace-building work, but each situation raises unique challenges. There are few generic answers, and the record for international action is mixed.

One common hurdle is the need to manage the links, sequencing, and expectations among humanitarian responses, early recovery efforts, and longer-term development strategies; another is to find appropriate mechanisms for financing and implementation. A persistent problem is that aid flows often fail to meet immediate needs in post-conflict situations, or taper off at the critical point when the country is moving from disaster or conflict recovery to sustainable reconstruction. Another important feature is that in many such situations, only a small group of donors is involved.

The underlying principles and commitments in the Declaration still guide aid responses in fragile states, as shown in the Afghanistan Compact (see box above). And it is encouraging to note that while a majority of the countries selected as examples in this publication have experienced severe conflict in recent decades, they have emerged with leading practices in aid effectiveness.

ETHIOPIA: BETTER AID FOR FOOD SECURITY

Millions of Ethiopians face chronic food insecurity every year, even during periods with favourable weather conditions. Many of these people are forced to sell household assets such as livestock in order to survive and, in doing so, are pushed deeper into poverty. In the past, the needs of the chronically food insecure were met through emergency appeals. While this assistance succeeded in saving lives, it did little to address the underlying causes of food insecurity.

It is within this context that the government of Ethiopia launched the Productive Safety Net Program in 2005 as part of efforts to address chronic food insecurity more effectively through a multi-year safety net with a productive focus. The Program represents a major effort by Ethiopia to reform humanitarian assistance so that it is more predictable, better coordinated, and linked to longer term development activities designed to reduce food insecurity.

The Program is clearly aligned with Ethiopia`s development priorities and is a key element of Ethiopia`s poverty reduction strategy. It is implemented by the federal government and its partners at the regional and district level and relies fully on country systems for all of its operations. Donors provide support under a harmonized framework for planning, resource mobilization, coordination and monitoring and evaluation.

The Program provides food and cash transfers to participants in exchange for their labour on public works projects such as soil conservation and afforestation to restore degraded watersheds, water harvesting and small scale irrigation to improve agricultural productivity, rural road to improve access to markets, and social infrastructure including schools and health clinics. These transfers help to close the food gap faced by beneficiaries, thus protecting their household assets from depletion and increasing their resiliency to shocks caused by events such as drought. At the same time, the community infrastructure created by public works projects contribute to longer-term development by rehabilitating the natural environment and the productive capacity of arable land, stimulating local markets, and improving access to social services. Results in terms of public works are significant. In 2006 alone, these included the planting of more than 63 million trees, the construction of over 700,000 stone bunds for soil and water conservation and the building of 210 elementary schools and 539 health posts.

In 2008, over 7.3 million people in 282 districts are participating in the Productive Safety Net Program. The program is also expanding on a pilot basis into pastoral communities, which present unique challenges to social protection and asset building. A community-based graduation process is now in place to identify participants who have achieved food sufficiency and no longer require the assistance of the Program.

IMPROVING HUMANITARIAN AID AND FOOD SECURITY

Likewise, humanitarian disasters and emergency situations represent special challenges to applying the principles of the Paris Declaration. In these situations, it is often assumed that concerns for aid effectiveness are secondary to providing immediate relief – but increasingly, specialists have been working to promote better standards of co-ordination and more lasting benefits in these situations. An innovative response to chronic food insecurity among substantial parts of the Ethiopian population (see box on page 16) appears to be yielding promising results.

PRINCIPLE 4: Managing for results

FROM THE PARIS DECLARATION:

"Managing for results means managing and implementing aid in a way that focuses on the desired results and uses information to improve decision-making."

Focusing on the achievement of real changes in behaviour and quality of life, as opposed to measuring activity by the amount spent, is a best practice of aid management. But managing for results can be challenging for even the most advanced administrations in the world.

This is because it requires the capacity and systems to identify real, measurable results, track relevant indicators and adopt corrective measures. For partner countries, this means having clear plans and goals, and gathering solid information on performance; many of them must strengthen their statistical capacities before they can reliably base decisions on them. Likewise, donors must adapt their own results-based management systems to work better with partner countries, and help them develop more effective systems that reflect each country's needs and capabilities, rather than the latest management theory and practice.

A few partner countries can report substantial, government-wide progress; Uganda and Cambodia are prominent examples (see boxes on page 7 and below). Generally, though, progress has been slow toward the Declaration's main benchmark for partner countries to "have in place by 2010 transparent and 'monitorable' performance assessment frameworks" against which to assess progress their national strategies and programs.

Likewise, several donors are coordinating to support statistical capacity-building programs in a number of countries specifically designed to underpin managing for results. However, this principle represents an area where stakeholders agree that more work is needed.

CAMBODIA: WORKING TOWARD TRUST

Cambodia has been determined to assert ownership of its national development and to apply the principles of aid effectiveness. After establishing its National Strategic Development Plan in 2006, the Government of Cambodia set out aid-effectiveness priorities in its Harmonization, Alignment and Results Action Plan, which provides for joint reviews with donors across all sectors, applying the principles of engagement and mutual accountability.

As a vehicle for joint dialogue and reviews, the Government established the Cambodian Development Cooperation Forum and a coordination committee with 19 technical working groups dedicated to individual sectors. The leadership role of Government and the supporting donors is clearly set out. Plans to strengthen governance – including reforms to public service, public financial management and decentralized service delivery – are also identified and include a process for capacity development.

So far, the experience of technical working groups is variable. About a third are performing well, while others have so far achieved more limited success in translating dialogue into effective, mutually accountable partnerships, without creating new restrictions (or "conditionalities") on aid. Their main challenges often lie not in logistical or administrative constraints, but in relationship issues, particularly ownership.

Even so, the groups have been able to proceed and have established program approaches in seven sectors, including health, education, agriculture and water.

PRINCIPLE 5: Mutual accountability

FROM THE PARIS DECLARATION:

"Donors and partners are accountable for development results."

Transparency and mutual accountability for development results are essential to the political relationships that underpin development cooperation and more effective aid; the Declaration also recognizes that mutual accountability "helps strengthen public support for national policies and development assistance."

Even so, progress on this commitment has been difficult. It is tied to the commitment on managing for results: to be accountable for delivering results, partners must specify their expectations and agree on how they will resolve differences. These are far from being mere technical questions for bureaucrats or committees; they often require political leadership, to change rules or practices that are obstacles to better aid.
Governments and donors can set up a range of formal mechanisms for mutual accountability – from the level of national strategy to that of individual sectors and technical issues. Cambodia's example (see box on page 19) shows that, given time, robust relationships of mutual accountability can develop. Likewise, the Independent Monitoring Group in Tanzania, which began in 1994-95, is one of the longest lasting such efforts and is credited with helping to strengthen Tanzania's leadership on aid and to promote harmonization among donors. It has been replicated with a similar mechanism in Vietnam (see box on page 22).

Other examples show that evaluations, and especially joint evaluations, can be another effective mechanism for mutual accountability; furthermore, when partner and donor governments are fully and openly accountable to their people – usually through their legislatures – many of the prerequisites for improving mutual accountability are already in place. The positive examples assuage concern over potential political embarrassment or interference – indeed, solid processes for mutual accountability are the most important guarantee of credibility for the Paris Declaration.

VIETNAM: REACHING ETHNIC MINORITIES AND MOUNTAINOUS REGIONS

Vietnam's poorest people are also the hardest for aid to reach: those living in remote, mountainous regions, and the ethnic minorities who have had few opportunities to participate in decision-making and economic growth.

After adopting the Paris Declaration, Vietnam quickly brought together all of its donors into the Hanoi Core Statement, which set out country-specific commitments, indicators and targets, in line with those of the Paris Declaration.

In an effort to apply the Paris principles to the challenge of reaching ethnic minorities and mountainous regions, the Government worked with a group of six donors to identify a need for small infrastructure projects and gender-equality measures, and to encourage people's participation and empowerment in commune-level government. One major result of these discussions was the Socio-Economic Development Program for Ethnic Minority and Mountainous Areas for 2006-10 – better known as "P135".

The government has strong ownership of P135, which is aligned with national development strategies and priorities. The annual cycle of donor commitment and disbursements is also aligned with the national budget calendar, which promotes the steady flow of aid needed to support the projects.

As part of the agreement, the Government of Vietnam consulted widely with donors and other stakeholders to create a rigorous system of audits, evaluations and indicators of progress, focused on gender, ethnic minorities and the poor. With these in place, donors and the Government can demonstrate value for money and learn from the successes and challenges they meet.

The program has supported a large number of small infrastructure projects and training for community staff, focusing on the poorest ethnic groups in geographically remote and isolated mountainous areas. It has been implemented in 1800 communes and 2500 villages, with an estimated budget of US $1.1 billion. Furthermore, the Government is building on the success of P135, using it as a model for other programs and to manage budget support to strengthen government programming.


seca
70
80
90
100
110
120
130
140
150
kg
60
50
40
30
20
10
0

TAKING STOCK AND LOOKING AHEAD

The Paris Declaration maps out ways to remove some of the most serious obstacles to aid effectiveness; however, the donors and partner countries that endorsed it recognize that this is not, in itself, an answer to all critical development problems. Still, the examples put forward in this publication do provide encouraging evidence of progress that can make a real difference, in diverse development situations and regions. They also show that building aid relationships and realizing improvements is slow and hard work. The health sector demonstrates both the progress and the challenges that donors and partner countries face (see box on page 26).

Past evaluations strongly urge both donors and partner countries to intensify and accelerate their work of transforming the Declaration from rhetoric to reality:

- Broader partnerships, including those with civil society and the private sector, are important. Since 2005, it has become clear that aid cannot solely be the concern of donor countries, focused only on government-to-government relationships. This is now the subject of considerable work by civil-society coalitions, in cooperation with the governments and organizations that have endorsed the Declaration.
- The challenge for many countries is still to strengthen their capacity and to exercise the essential leadership and follow-through needed to transform the essential aid relationship. While progress is being made, donors must continually renew their commitments to the Paris principles, and re-examine how they apply them. Even the most advanced agencies must manage new types of work and acquire new skills, especially to ensure that field offices, vital to collaborating more closely and responsively with partner countries, are appropriately empowered and staffed.
- The participating countries and organizations must also work more closely with the large and growing component of aid that is still outside the Paris Declaration.

In the face of these challenges, the Paris Declaration represents a considerable momentum among at the highest levels to make aid work better – and this momentum can be sustained only by broadening political and public engagement. Wider public understanding of the Declaration and its importance are essential, as is an appreciation of the results to date. Likewise, political involvement in both partner and donor countries must build on the dialogue among Ministers by encompassing more legislators, who have both the reach necessary to build understanding in their communities and a responsibility to show accountability to their citizens.

HEALTH: CHALLENGES OF MANAGING GROWTH

Donor and partner countries have decided to use the health sector as a way to monitor progress in implementing the Paris Declaration. This sector is rapidly growing, both in terms of overall investment (from about US $6.8 billion in 2000 to US $16.7 billion in 2006) and the number of major stakeholders – which is a challenge to countries that have limited capacity to manage and spend aid effectively.

There have been improvements in HIV/AIDS treatments and interventions to control malaria and tuberculosis, and in reducing child mortality – but challenges remain in areas such as maternal mortality, child mortality and access to safe water. At the same time, the urgent need for aid effectiveness in health is apparent:

- Much of the aid for health is targeted to specific diseases or sub-sectors, limiting opportunities for alignment and harmonization;
- Because of the number of players, district health staff often spend valuable time hosting missions and writing reports instead of delivering health services; and,
- Large fluctuations in health funding limits partner countries' ability to engage in long-term plans.

Achievement of the health-related Millennium Development Goals will depend on more predictable and sustainable financing for health, supported by better coordination and harmonization of aid within country-owned and country-led health plans, based on mutual accountability mechanisms. Achievements to date include:

- Adoption of 17 principles for Global Health Partnerships for operations at the country level, derived from the five Paris principles, with a strong focus on alignment;
- Improvements in harmonization and alignment of aid, as exemplified by the Country Harmonisation and Alignment Tool for HIV/AIDS;
- Greater focus on harmonized approaches, capacity development and results-based financing;
- Compacts for mutual accountability in several countries, where all partners commit to align with robust, national health-sector strategic plans; and
- Creation of a group of eight heads of international health agencies and the launch of the International Health Partnership, to promote more comprehensive and coherent aid interventions in health.

Artwork Acknowledgements

ARTWORK AND DESIGN:

Rock Creek Strategic Marketing

IMAGES:

Cover page photo: Sebastien Pascual, World Bank
Photo p. i: © Sebastien Pascual, World Bank
Photo p. 3: © World Bank Photo: Gennadiy Ratushenko
Photo p. 5: © World Bank Photo: Dominic Sansoni
Photo p. 6: © World Bank Photo: Ray Witlin
Photo p. 8 : © CIDA Photo: Gerard Dolan
Photo p. 11: © World Bank Photo: Curt Carnemark
Photo p. 12: © World Bank Photo: Alejandro Lipszyc
Photo p. 14: © World Bank Photo: Edwin Huffman
Photo p. 17: © World Bank Photo: Alejandro Lipszyc
Photo p. 18 : © CIDA Photo: Roger LeMoyne
Photo p. 20 : © CIDA Photo: Gerard Dolan
Photo p. 23: © CIDA Photo: Roger LeMoyne
Photo p. 24: © World Bank Photo: Ami Vitale
Photo p. 27: © CIDA Photo: Roger LeMoyne

Thanks to staff members of both CIDA and the World Bank who contributed to the design of this publication.

Printed in Accra, Ghana, by Type Company Limited
August, 2008

Canadian International Development Agency | Agence canadienne de développement international

Canada

OECD

THE WORLD BANK