

# FROM PARIS 2005 TO ACCRA 2008: WILL AID BECOME MORE ACCOUNTABLE AND EFFECTIVE?

## A CRITICAL APPROACH TO THE AID EFFECTIVENESS AGENDA

### About this Document

This draft policy paper has been prepared by the International Civil Society Steering Group for the Accra High Level Forum. It aims to provide the basis for further discussions with civil society about the aid effectiveness agenda, in particular at the regional and national consultations planned for September-November 2007. It is hoped that these discussions will help to develop and prioritise the positions and recommendations of CSOs on aid effectiveness.

The document will form the basis for a civil society position paper for the High Level Forum on Aid Effectiveness, to be held in Accra, Ghana, in September 2008; and for advocacy with donors and governments in the interim.

Consultation discussions of this draft should consider the following questions:

1. How relevant are these recommendations to the reality of how aid works on the ground? Would they make a difference?
2. Are there new recommendations or ideas which should be added? What would you do to make aid more accountable and effective?
3. Are there recommendations or ideas in the draft which should be removed?
4. Which are the most important areas for reform to deliver real change on the ground? Which recommendations should CSOs prioritise in advocacy work?
5. What are CSOs' experiences of the aid effectiveness agenda in practice? Are there examples of good or bad reforms which could inform the development of this paper?

## 1. Background

Civil society organisations (CSOs) were present in 2005 when donor country members of the Organisation for Economic Cooperation and Development's Development Assistance Committee (OECD DAC), developing countries and multilateral institutions signed the Paris Declaration (PD) on Aid Effectiveness.<sup>1</sup> Since then, diverse CSOs have been engaged in tracking this agreement, both internationally and in developing countries. CSOs have been raising a range of issues and bringing in different perspectives, trying to ensure that this new framework for aid effectiveness translates into effective and accountable development processes.

CSOs argue that the only true measures of aid's effectiveness are its contribution to the sustained reduction of poverty and inequality; and its support of human rights, democracy,

environmental sustainability and gender equality.

CSOs are promoting a deepening of the aid effectiveness agenda, so that it addresses not just the concerns of the donors and partner governments, but of all stakeholders in the development process. CSOs are particularly concerned about the interests and representation of groups which are often excluded or marginalised, including women and women's movements.

CSOs are also pushing both for debt cancellation to end the debt crisis in developing countries, and for rich countries to meet their commitments to give 0.7% of GNI as Official Development Assistance (ODA). Rich countries first committed to increase their ODA to this level in 1970 and this commitment was reaffirmed in the Monterrey Consensus of 2002. But very few donors have fulfilled their promise.<sup>2</sup>

<sup>1</sup> OECD, Paris Declaration on Aid Effectiveness, March 2005, available from: <http://www.oecd.org/dataoecd/11/41/34428351.pdf>

<sup>2</sup> These countries are Luxemburg, Denmark, Sweden, Norway and The Netherlands.

This policy paper outlines some of the key CSO critiques and concerns about the Paris agenda, as well as some specific recommendations for the High Level Forum (HLF) to be held in Accra in 2008.

**Box 1: What is the Paris Declaration on Aid Effectiveness?**

The Paris Declaration on Aid Effectiveness, agreed in March 2005, establishes global commitments for donor and recipient countries to support more effective aid in a context of a significant scaling up of aid. The intention is to reform the delivery and management of aid in order to improve its effectiveness. The reforms are intended to “increase the impact of aid [...] in reducing poverty and inequality, increasing growth, building capacity and accelerating the achievement of the MDGs”. The PD outlines five principles which should shape aid delivery:

**OWNERSHIP:** Developing countries will exercise effective leadership over their development policies and strategies, and will coordinate development actions;

**ALIGNMENT:** Donor countries will base their overall support on recipient countries' national development strategies, institutions, and procedures;

**HARMONISATION:** Donor countries will work so that their actions are more harmonised, transparent, and collectively effective;

**MANAGING FOR RESULTS:** All countries will manage resources and improve decision-making for results; and,

**MUTUAL ACCOUNTABILITY:** Donor and developing countries pledge that they will be mutually accountable for development results.

Signatories include 35 donor countries and agencies, 26 multilateral agencies and 56 countries that receive aid.

The PD specifies indicators, timetables and targets for actions by donor and partner governments and has an evolving agenda for implementation and monitoring of progress, up to 2010. This includes a Third High Level Forum to take place in Ghana in September 2008.

## 2. Introduction: The Paris Declaration is a Political Agreement

The principles of ownership and accountability endorsed by the Paris Declaration are welcomed by CSOs as the right basis for relationships between donors and recipient governments. Accountable aid relationships based on real ownership can help to support democracy and the empowerment of poor people to claim their rights.

CSOs believe that the PD is fundamentally a political agreement. Aid creates power relationships between donors, governments and citizens – the process of implementing, monitoring and evaluating the PD must recognise this. Donors continue to exert significant power over aid recipients, and impose their priorities and concerns. Radical change is needed to empower recipients and make aid accountable to poor and vulnerable people and effective at meeting their needs.

Some donors have attempted to reduce the Paris agenda to a technical process for managing aid flows and lowering transaction costs, and have pushed much of the responsibility for change onto recipients. But reforming the aid system cannot be a ‘neutral’ technical process. For example, the PD largely ignores a number of key issues which are controversial in aid reform (e.g. conditionality, tied aid), but by excluding them it implicitly supports current practice – this is a political decision in and of itself.

The PD's objectives, commitments, and assessment indicators have also been artificially separated from any consideration about how aid actually affects the conditions that sustain poverty and inequality. Development is a political process. It is essentially an issue of the poor claiming and realising their human rights.

The Accra HLF presents an opportunity to deepen the current aid effectiveness agenda by explicitly addressing its relevance to these broader development goals. Deepening aid effectiveness in the Accra Agenda for Action (AAA) requires recognition by all stakeholders that the modalities and partnerships of aid must be explicitly coherent with, and accountable to, UN goals to achieve progress in poverty reduction, equality and human rights. Donors

must be accountable and take responsibility for their actions, while all governments must spare no effort to meet their obligations to provide basic rights for their citizens.

Linking the implementation of Paris Declaration to these key development goals puts the interests of poor and marginalised people at the centre of the aid effectiveness agenda. Progress for each of these goals hinges on strengthening empowerment, local capacity, participation, transparency, leadership and joint responsibility, all of which are consistent with the intentions of the Paris Declaration

**Recommendation 1: Recognise the centrality of poverty reduction, equality and human rights**

*The Accra HLF must ensure that the aid effectiveness agenda in no way undermines the objectives of reducing poverty, promoting equality and guaranteeing human rights. The AAA must commit to a work plan for 2010 that would elaborate indicators and an inclusive process of assessment of new aid modalities in terms of their actual impact on the achievement of progress in poverty reduction, equality and human rights.*

### 3. Making Democratic Ownership a Reality

#### 3.1 Ownership is essential, but must be democratic

CSOs believe that ownership is the cornerstone of development – unless countries are able to decide and direct their own development paths, development will fail to be inclusive, sustainable or effective.

The ownership principle is meant to be a foundation of the Paris aid effectiveness agenda as well as other ongoing reform processes, including the 'One UN' reforms. However, the way ownership is understood is often limited, and based on the Poverty Reduction Strategy Paper (PRSPs) process. While PRSPs have different expressions in different countries, these processes are seldom an authentic and 'owned' reflection of the citizens of poor countries – they often reflect the interests of a technical/political elite and the demands of key donors (the World Bank and IMF in particular). According to the

United Nations Conference on Trade and Development (UNCTAD), "the autonomy of countries in designing their own growth and development strategies is circumscribed by the same considerations that dominated the structural adjustment programmes of the past two decades".<sup>3</sup>

Setting national and local development priorities in a country is a complex and ongoing political process, involving many stakeholders. This process must allow for real input and leadership from marginalised populations and take into account specific national and local contexts. Some countries use the donor requirement of a PRSP to organise national debates around these issues, but PRSPs cannot be the only or main definition of ownership.

Country ownership of development programmes should be understood not simply as government ownership, but as democratic ownership. Democratic ownership means involving citizens, including women's organisations, in the formulation and delivery of policy and programmes. It also means establishing legitimate governance mechanisms for decision making and accountability, including parliaments and elected representatives.

#### 3.2 Conditionality undermines democratic ownership

One of the key recommendations of the 2006 Survey on Monitoring the Paris Declaration<sup>4</sup> was that "development strategies need substantial strengthening" and have to be "determined by each country's priorities, pace, and sequencing of reform".

Donors must recognise that their activities can undermine democratic ownership. All imposed policy conditions, including benchmarks, triggers, and performance-based allocations, prevent recipient countries from exercising real policy choices and undermine democratic ownership of development and poverty reduction strategies. Policy conditionality, as distinct from fiduciary responsibility and accountability for aid

<sup>3</sup> UNCTAD 2002, From Adjustment to Poverty Reduction: What's new? Geneva, in TWN, Celine Tan.

<sup>4</sup> *The 2006 Survey on Monitoring the Paris Declaration*, Volume 1 Key Findings, Joint Venture of Monitoring, OCDE, based on the findings from the World Bank's 2005 CDF Progress Report and the country profiles prepared for the WB's Effectiveness Review, March 2007.

expenditures, renders governments unaccountable to their citizens and their parliaments. Donors often undermine democratic accountability through secret policy dialogues with governments on aid and debt conditions. The use of aid as a tool to impose policy conditions has no place in an aid paradigm rooted in a commitment to ownership.

Donor policy prescriptions continue to be attached as conditions for both debt cancellation and aid, and yet the PD contains no targets or indicators to reduce conditionality. There is also a concern that conditionality could even increase with the expansion of new aid modalities. CSOs are concerned that conditions are becoming broader and deeper, and continue to promote economic policies which are not in the interests of the poor. Donor harmonisation has the potential to reduce rather than increase policy space for recipients if it means that all donors make their aid conditional on the policy reforms demanded by the World Bank and IMF in particular. This underlines the importance of tackling the question of conditionality at the 2008 High Level Forum.

**Recommendation 2: End all donor-imposed policy conditionality**

*The AAA should include a commitment to end all donor-imposed policy conditions, and a recognition that such conditions undermine democratic ownership. The AAA should set out a work plan to achieve ambitious targets to simplify and reduce the overall number of conditions (including triggers, benchmarks etc) attached to the programme-based approaches promoted by the Paris Declaration.*

**3.3 Democratic ownership must be based on transparency and openness from donors and Southern governments**

Aid suffers from a serious lack of transparency and openness. There are wide variations in the degree to which donors report in advance how much aid they intend to disburse, and then how much they have disbursed, and on what terms. This makes it difficult for recipient governments to budget properly, and for CSOs and others to scrutinise budgeting processes.

Aid negotiations continue to take place behind closed doors - there is a lack of publicly available information on conditions, spending priorities and other aid terms. Key documents

are often inaccessible; or, if made publicly available, are buried in donor websites rather than being actively disseminated to affected communities in formats and languages accessible to them.

Increased transparency from donors would not only make them more accountable, it would also support Southern CSOs' efforts to scrutinise budgets and hold their own governments to account.

Southern governments must also become more transparent and open. The DAC's 2006 Survey on Monitoring the PD recognised that "partner countries need to deepen their ownership of the development process by engaging citizens and parliaments more fully in planning and assessing their development policies and programmes".

**Recommendation 3: Donors and Southern governments must adhere to the highest standards of openness and transparency**

*Donors must commit in the AAA to the highest standards of openness and transparency. This should include: timely dissemination of information, particularly during aid negotiations and about disbursements, and the adoption of a policy of automatic disclosure of all documents, with a strictly limited regime of exceptions.*

*Southern governments must work with elected representatives and citizens' organisations to set out open and transparent policies on how aid is to be sourced, spent, monitored and accounted for. This requires that government ministers and officials be accountable to their citizens, with effective mechanisms of answerability and enforceability, based on improved transparency of information about government policies and programmes.*

**3.4 Aid should support an enabling environment for civil society**

CSOs have a vital role to play in development, although the roles assumed by CSOs are not a substitute for government obligations to meet their responsibilities to all their citizens. CSOs, trade unions and other social movements are the expression of an active democratic citizenship, without which little progress can be made in governance or development. A democratic culture requires openness to policy and development alternatives, respect and encouragement for pluralities of views, human

rights and gender equality. Embedding these principles into the policies and practices of donors, government and civil society organisations is a key challenge for the aid reform process.

CSOs are development actors in their own right, rooted in the organisation of citizens to claim rights and hold governments and donors to account. CSOs have diverse characteristics and play significant roles at different levels. For example, they have a role in providing effective delivery of development programmes, in social empowerment of poor and marginalised groups, in holding governments to account, and contributing to the realization of human rights. Some CSOs are also donors or channels of donor assistance and many of them play the role of watchdogs. The key roles played by CSOs as development actors in their own right, as well as the enabling conditions that are necessary for them to be effective, need to be recognised in the aid effectiveness agenda.

CSOs should not be instrumentalized in the aid effectiveness agenda as a means to implement commitments made by donors in the PD (e.g. uncritical alignment of CSOs with country PRSPs). Rather, aid effectiveness principles must be adapted and applied by CSOs themselves, consistent with their diverse roles. CSOs have already taken many initiatives to improve their effectiveness and accountability (e.g. International Charter on Accountability, Sphere project) and are taking further steps to improve the partnerships between northern and southern CSOs in particular.

**Recommendation 4: The AAA must recognize CSOs as development actors in their own right and acknowledge the conditions that enable them to play effective roles in development**

*Donors and Southern governments should support the conditions which are necessary to enable CSOs in the South to fulfil their roles in the development process. CSOs need legal frameworks which provide for freedom of association, the right to organise and a free and open media. CSOs also need predictable long-term funding – donors should explore new modalities of support to provide this.*

## 4. Making Aid Accountable

### 4.1 Accountability is the basis for effective aid, and should be based on rights

CSOs around the world argue that accountability is the only basis for effective aid. Donors, Southern governments and other actors in the aid system must be accountable for the impacts and development outcomes of aid. CSOs believe that these impacts and outcomes must be ultimately assessed in terms of progress towards internationally-agreed human rights, including the right to development and associated economic and social rights. Rights-based obligations should provide a normative and organising framework for accountability in the aid system.

### 4.2 Aid needs to be independently monitored and evaluated

The current monitoring process for the Paris Declaration is asymmetric – donors monitor themselves, while recipients are monitored by the World Bank and others. If the Paris process is to be credible, independent monitoring and evaluation is essential.

There is insufficient confidence in the definition and measurement of many of the PD indicators and in the monitoring system. The current official monitoring process has allowed some donors to re-define commitments in order to over-state their performance. In contrast, monitoring of recipient governments has been in large part a review of compliance with norms and standards which were only discussed in a very limited way in Paris and which are, in many cases, defined by donors (e.g. use of World Bank assessments of ownership, mutual accountability and public financial management). It is not acceptable that the monitoring and evaluation of Paris Declaration implementation is controlled by donors, both directly in individual countries and through the World Bank and the OECD DAC.

The monitoring process can also become a hidden door for the introduction of conditionality, when for example donors have pushed for the openness of government procurement to foreign bidders as a pre-condition for using countries' own procurement systems. So, to be 'effective' in terms of aid, Southern countries face pressures to adhere to policy recommendations that have not been agreed in international fora such as the World Trade Organisation (WTO).

**Recommendation 5: Create an effective and relevant independent monitoring and evaluation system for the Paris Declaration and its impact on development outcomes**

*The AAA should create a system of independent monitoring and evaluation of the PD at international, national and local levels. At the international level, new independent institutions will be needed to play this role, in order to hold donors to account for their overall performance. At the national and local levels monitoring and evaluation should involve a range of stakeholders - CSOs could play a key role.*

*Monitoring and evaluation should also take much more account of the links between reforms in aid modalities and development outcomes and progress towards human rights. The AAA should initiate work to further explore these links. The AAA should also set out a working plan to develop a more comprehensive and participatory process, led by developing country partners, including Southern CSOs, for determining more appropriate indicators and measurements of aid effectiveness. The 2010 review of the Paris Declaration commitments should be expanded to include the outcomes of this comprehensive assessment.*

**4.3 Mutual accountability between donors and recipient governments must become a reality**

At present, accountability in the aid relationship flows almost entirely in one direction: from recipient to donor. Donors are often unaccountable to the governments and citizens of the countries that their aid is supposed to be helping. In order to make mutual accountability a reality at the country level, donors must make transparent and binding commitments to which they can be held to account.

Mutual accountability in the context of highly unequal power between donors and recipients also requires a commitment to a fundamental reform of International Financial Institutions (IFIs). The IFIs continue to have significant influence over the policy choices available to recipient countries, and harmonisation between donors could further increase this influence. And yet the architecture of the international financial system continues to be highly undemocratic – recipient countries have very little voice in determining the policies of the IFIs.

If the principles of mutual accountability are to become a reality, the IFIs must be reformed to give recipient countries the chance to influence their policies – the AAA should recognise this.

**Recommendation 6: Introduce mutually agreed, transparent and binding contracts to govern aid relationships**

*Aid terms must be fairly and transparently negotiated with participation and accountability to people living in poverty. Donors and recipient governments should agree to base future aid relationship on transparent and binding agreements including clear commitments by donors on aid volumes and quality, with sanctions against donors that fail to meet their commitments. These agreements should be independently monitored, as outlined above.*

**4.4 Mutual accountability must go beyond donors and governments**

Southern countries often have weak accountability systems, without effective mechanisms for citizens and parliaments to hold the executive to account. Broadening aid accountability mechanisms to include a wider range of stakeholders is an opportunity to engage poor and vulnerable people in the decisions which affect their lives. It is also important that new accountability arrangements build on existing international and regional human rights mechanisms of accountability (such as UN treaty bodies).

**Recommendation 7: Create new multi-stakeholder mechanisms for holding governments and donors to account**

*Multi-stakeholder mechanisms for holding governments and donors to account for the use of aid should be developed – these should be the real test of whether commitments to ‘mutual accountability’ and (indicator 12) are being met. They should be open, transparent and regular, with real room for citizens of southern countries to hold their governments and donors to account.*

**4.5 The aid reform process itself must be more accountable**

The OECD DAC is not representative of aid-recipient countries, and yet it provides the key forum for reforming aid. This flawed ad hoc governance of the aid system renders the most

aid dependant countries unable to hold strong positions in negotiations. It is important to establish a multilateral governance system for ODA based on equitable power sharing between donors and recipients, and with representation of civil society. The aid effectiveness agenda should also be more effectively linked with the broader UN agenda on financing for development

**Recommendation 8: Establish an equitable multilateral governance system for ODA in which to negotiate future agreements on the reform of aid**

*The aid reform process should be dealt with in a broader multilateral institution with clear and transparent negotiating mechanisms, equitable representation of donors and recipients, and openness to civil society.*

## 5. Aid Quality: donors must deliver

### 5.1 Donors must deliver basic standards of aid quality wherever they work

The PD contained some important commitments from donors to meet basic standards of aid quality. However, there is reluctance from some donors to be held to account for these commitments. Although targets have been set for individual recipients, donors have resisted setting themselves individual targets for 2010.

**Recommendation 9: Donors must be held to account for commitments they have already made under the PD**

*Targets for individual donors should be set for 2010 to ensure that they meet the commitments they made in the PD. Donors must re-affirm their willingness to change the way they do business to meet basic standards of aid quality.*

### 5.2 Aid must be for the benefit of poor and vulnerable people

CSOs continue to be concerned that aid is often used to meet donors' own foreign and economic policy interests, while ignoring the needs of the poorest and most vulnerable groups. For example, aid has often been used to promote policies of economic liberalisation which have benefited companies from donor countries but harmed the interests of poor and vulnerable people.

**Recommendation 10: Commit to giving aid for poverty reduction and the promotion of human rights**

*Donors must commit to give aid only to reduce poverty and inequality and to promote human rights. They must end the practice of using aid for their own foreign and economic policy interests and priorities.*

### 5.3 All aid must be untied

'Tying' of aid to the procurement of donor goods and services inflates costs, slows down delivery and reduces the flexibility of southern countries to direct aid where it is most needed. The primary beneficiaries of this practice are often firms and consultants in donor countries. Whilst donors have made some efforts to reform, they have excluded key areas such as food aid and technical assistance from their agreements, and in practice continue to heavily direct their aid budgets to their own firms.

Donors have continued this practice while at the same time requiring recipients to open up government procurement to foreign competition. Untying should make aid more flexible and effective, but recipients should be allowed to maintain preferences for locally procured goods and services to ensure that more aid money remains in southern countries.

**Recommendation 11: Expand commitment on untying aid**

*At Accra, donors should commit to expanding the agreement on untying aid to all countries, and all aid modalities (including food aid and technical assistance) and set up independently monitored targets for translating this commitment into practice.*

### 5.4 Technical assistance must meet real capacity demands

The OECD has estimated that as much of half of all aid is in the form of technical assistance. Yet the recent Paris monitoring survey process revealed that several developing country governments believed that none of the technical assistance they received responded to their demands. Much technical assistance continues to be tied and overpriced, and is often ineffective at building local capacity.

Technical assistance must be demand driven and aligned with national strategies, with an emphasis on building local capacity.

**Recommendation 12: Reform technical assistance to respond to national priorities and build capacity**

*Targets on improving technical assistance should be strengthened, including making sure that 100% of technical assistance is demand-driven and aligned to national strategies.*

*The right of recipient countries to contract according to their needs should be respected. More effective South-South forms of technical assistance should also be developed.*

**5.5 Aid must be allocated fairly**

A basic condition for aid effectiveness is that it should be allocated to the countries and areas which need it most. However, the current system of allocating aid too often does not respond to need – some donors continue to allocate aid according to their own interests and objectives, others use allocation as a way to impose policy conditions and the system overall lacks coherence and coordination. Many countries and critical issues receive paltry aid allocations: this is a situation which all agree must change, but the Paris Declaration is largely silent on this critical issue.

**Recommendation 13: Improve aid allocation to respond to needs**

*At Accra, governments should agree to develop an effective and transparent international mechanism to improve aid allocation so it goes to those most in need.*

**5.6 Aid must be more predictable**

Aid flows are often volatile – many donors make commitments for no more than one year and deliver aid late or not at all. Aid is often disbursed according to donors' own priorities and timetables, without making sufficient efforts to respect and conform with national planning and development priorities, or the national budgeting timeframe. All this makes it very difficult for recipients to prepare effective budgets, or to plan ahead, and makes it hard for CSOs to monitor aid flows and effectiveness.

Donors should make multi-year aid commitments based on clear and transparent criteria, and should deliver those commitments on schedule, in a transparent manner.

**Recommendation 14: New targets to improve multi-year predictability of aid**

*Donors should agree new targets in Accra to make multi-year, predictable and guaranteed aid commitments based on clear and transparent criteria.*

**6. Making the Accra High Level Forum Open and Accountable**

CSOs are essential if aid is to be made more effective. As such, they must have a meaningful and sustained engagement and participation in the process of agreeing, implementing, monitoring and evaluating the aid effectiveness agenda.

Engagement with CSOs should be part of an institutionalized commitment by DAC members and the DAC Secretariat for regular and meaningful engagement with CSOs on a range of issues, not limited to concerns regarding aid effectiveness

**Recommendation 15: Ensure meaningful participation by CSOs in the Accra HLF**

*CSOs should be included in all the segments of the Accra HLF. CSOs perspectives must be part of the official discussions, including the Ministerial event and the drafting of the Accra Agenda for Action.*

*The agenda for the HLF must reflect the concerns of groups which are often excluded from these processes. In particular, meaningful participation of women's organisations in the whole HLF process, including through a roundtable on gender equality and aid effectiveness, is key to ensure that the voices, concerns and proposals of women are taken into account.*

*A transparent, open and properly resourced consultation process should be organised in the run up to Accra, including:*



*-the release of key papers early and in draft form with a civil society observer invited to all key meetings*

*-clear mechanisms for participation at all levels, with enough resources allocated to ensure broad representation of diverse CSOs (including commonly excluded groups, such as women, peasants, migrants, refugees, indigenous people, youth and children).*

*Clear parameters and accountability on how recommendations and proposals presented by CSOs will be seriously considered in the process should be decided in conjunction with CSOs.*

## **KEY DEFINITION OF TERMS AND ACRONYMS USED IN THIS DOCUMENT**

**AAA:** Accra Agenda for Action

**CSOs:** Civil Society Organisations

**DAC:** Development Assistance Committee of the OECD

**HLF:** High Level Forum

**IFIs:** International Financial Institutions

**IMF:** International Monetary Fund

**MDGs:** Millennium Development Goals

**ODA:** Official Development Assistance

**OECD:** Organisation of Economic Cooperation and Development

**PD:** Paris Declaration

**PRSPs:** Poverty Reduction Strategy Papers

**UNCTAD:** United Nations Conference on Trade and Development