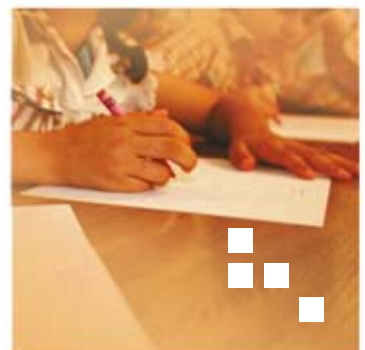
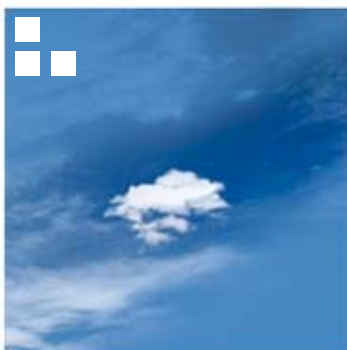
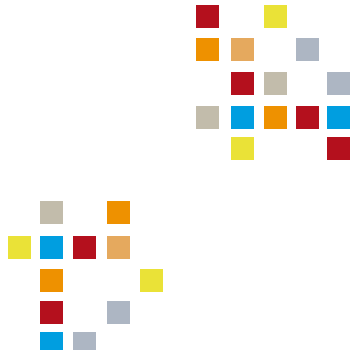
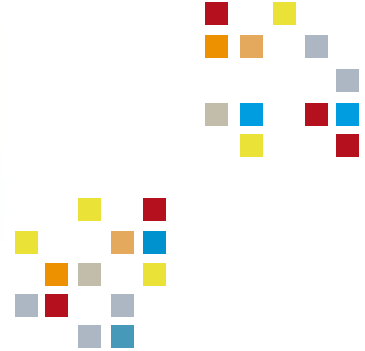
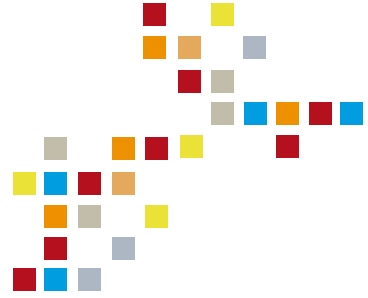


# Reaching Our Development Goals: Why Does Aid Effectiveness Matter?



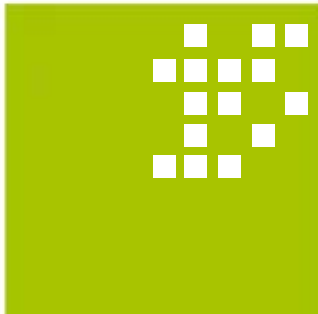
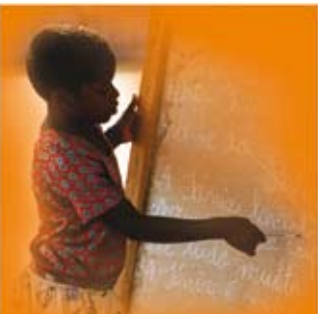
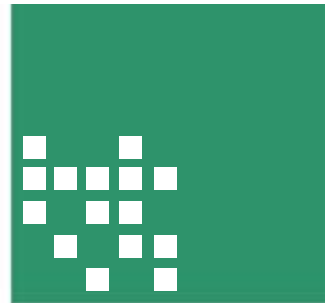
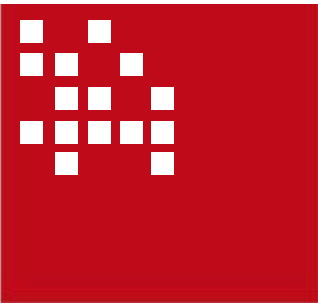
This booklet aims to stimulate dialogue around the aid reform effort embodied by the Paris Declaration on Aid Effectiveness. It reminds us of why this agreement is important, outlines what objectives have been set, and points to what still needs to be accomplished. This effort is driving many actors in developing countries—56 of whom participated in the 2008 Survey on Monitoring the Paris Declaration—aid agencies, global funds and civil society groups to reflect and act together within the widest consultative process ever convened on development assistance. This booklet reflects that process, bringing together a range of voices on aid and its quality.

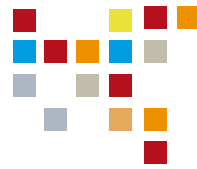


**“... the true test  
of aid effectiveness is  
improvement  
in people’s lives.”**



– 2006 Survey on Monitoring the Paris Declaration, OECD (2007)





In September 2000, world leaders made a series of historic commitments at the United Nations Millennium Summit. They pledged to work together to free their fellow human beings from the “abject and dehumanizing conditions of extreme poverty” and to “make the right to development a reality for everyone.” Their wide-ranging commitments—now known as the MDGs—include efforts to address environmental degradation, gender inequality and HIV/AIDS as well as improve access to education, health care and clean water for the world’s poorest.

## The Millennium Development Goals

- Goal 1:** Eradicate extreme poverty and hunger
- Goal 2:** Achieve universal primary education
- Goal 3:** Promote gender equality and empower women
- Goal 4:** Reduce child mortality
- Goal 5:** Improve maternal health
- Goal 6:** Combat HIV/AIDS, malaria and other diseases
- Goal 7:** Ensure environmental sustainability
- Goal 8:** Develop a Global Partnership for Development

When countries agreed that the Millennium Development Goals should be achieved by 2015, a bargain was struck: while developing countries would have primary responsibility for achieving the Goals, donor countries would have a particularly important role to play in supporting a global partnership for development. This includes commitments to increase both the quantity of aid to developing countries, and to improve its quality—in other words, **to increase aid effectiveness.**

Increasing the effectiveness of aid means ensuring that aid helps developing countries to improve the welfare of their poorest populations. For this reason, aid must be genuinely focused on development priorities set by these countries. At the heart of this commitment is the conviction that **donors do not develop developing countries—developing countries must develop themselves.**

To enable this to happen, **donors and developing countries must establish genuine partnerships, in which they are jointly and mutually responsible for development results.** This means making a fundamental shift in the way they do business.

In March 2005, senior officials from over one hundred aid receiving countries and donor agencies met in Paris to take concrete steps to increase the effectiveness of aid. The concrete steps they agreed on are set out in the **Paris Declaration on Aid Effectiveness.** This agreement reflects an unprecedented consensus among donor and aid recipient countries about what needs to be done to substantially improve the impact of development co-operation.

## Accra 2008: Taking stock, taking action

In September 2008, ministers, heads of development agencies and civil society organisations from around the world will gather in Accra, Ghana for the Third High Level Forum on Aid Effectiveness. Their common objective will be to make aid more effective in helping countries achieve their own development goals.

At Accra—and in the lead up to this Forum—they will be looking for ways to resolve pressing concerns, including country leadership, capacity development and the predictability of aid. Civil society organisations from across the globe will also be lobbying for reforms in aid policies and more accountability for the use of resources.

The Accra Forum will agree on an Accra Agenda for Action—a concrete set of measures designed to accelerate movement toward agreed development goals. It will be closely followed by the UN's International Conference on Financing for Development (Doha, Qatar, November 2008) providing the international community with a unique opportunity to improve the quality and quantity of aid.

## New ways of working: Lessons from decades of development aid

Interest in the effectiveness of development co-operation is not new. What is new is the broad international consensus—embodied in the Paris Declaration—on what needs to be done to produce the results needed. This consensus builds directly on lessons learned by looking at what has—and has not—worked... and why.

### Developing countries must take the lead.

One of these lessons is that **when donors build their aid programmes around a series of stand-alone projects that are designed, implemented and managed by the donor**, they don't result in sustainable development. These projects may be well implemented, but more often than not they are run in “parallel” to the country's own institutions, without covering costs such as maintenance and salaries. Once the project is over, the implementation team disappears leaving no local capacity to continue where the project left off.



“... poverty is the ultimate systemic risk. It is the breeding ground for the proliferation of terrorism, armed conflict, environmental degradation, cross-border diseases and organised crime. Development co-operation is an important part of the solution to this global challenge, and it starts with development assistance.”

– Angel Gurría, OECD  
Secretary-General, April 2008

“The donor-led approach to development led to a raft of small uncoordinated donor projects, which—even when successful—hardly made a dent on development. They were tiny islands of perfection in oceans of despair, which collapsed back into the ocean once the donor left.”

– Eveline Herfkens, Executive  
Coordinator, UN Millennium Campaign

“We the donors, with our short-sighted funding and flag waving, are part of the problem: the donor circus. Too much focus on flags and visibility and too little concern for the end results. This is why we as donors decided to reform the way we work ...”

– Hilde F. Johnson, former Minister for International Development, Norway

**Donors often are compelled to make their investment spending “visible” to their constituencies.** Shiny new hospitals or schools provide photo opportunities that help to garner support for aid programmes, even if there are no doctors, nurses or teachers to manage them.

Where projects have taken a more systemic approach, bringing in local perspectives and participation to provide tangible benefits to poor communities, they have produced sustained impact. Unfortunately, however, this type of project has too often been the exception rather than the rule.

**Stand-alone projects don’t tackle the root causes of poor service delivery, nor the structural changes necessary for development.** One project at a time will not add up to development, especially if it bypasses the policies and responsibilities of the developing country government.

“[Currently] only 8 cents in the aid dollar are channelled into government plans that include the training and salaries of teachers and health workers.”

– “Paying for People”,  
Briefing Paper 98, Oxfam (2007)

Managing and reporting on hundreds of donor projects can also undermine local capacity by creating massive and wasteful administration costs for developing countries. The net result: recipient partner governments don’t have the time or the capacity to develop and run the policies, programmes and budgets required for reducing

**“While we are supposed to implement, we are producing papers.”**

– Ministry of Education official, Tanzania

poverty. At the same time, projects often “poach” the best and most talented staff from ministries and local institutions for their teams.

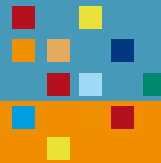
**A donor-driven aid programme diminishes the accountability of developing governments to citizens and their elected representatives.** Citizens stop demanding an adequate level of services from their own government, instead looking to donors. Governments feel more accountable to donors than to their own citizens. And funding bypasses the scrutiny and approval of the national budget, limiting the ability of parliaments in developing countries to hold their own governments accountable.

Implementing their own projects may give donors a greater sense of control and with it, better accountability to their own parliaments and taxpayers for the use of public funds. But experience has shown that it does not produce

the long-term impact needed on the ground. **The only way that donors can ensure that their funding is well used is if governments and donors work together to monitor implementation of a country’s development strategy and national budget, making decisions based on the whole picture, rather than a small part of the picture.**

“... there is a very real danger of a vicious circle arising, as weakened state institutions encourage donors to by-pass them which in turn further erodes state capacities and leads to more aid being channelled through projects and non-government organizations. This is also an environment that can breed corruption, on both a large and a petty scale.”

– *Doubling Aid: Making the “Big Push” Work,*  
Economic Development  
in Africa, UNCTAD (2006)



**“All too often,  
Aid is driven more  
by politics  
than by need,  
undermining its  
effectiveness.”**

– Ban Ki-moon, United Nations  
Secretary-General

## Aid must go to the poor countries that need it most.

**Aid is a scarce resource and it is important to ensure that it goes to the countries that need it most.**

A substantial share of official development assistance (ODA) goes to middle-income countries. And while these countries often need to step up their efforts for the achievement of the MDGs, they usually have other options for funding. The poorest, least developed countries—especially those in sub-Saharan Africa—need to receive much greater priority in the allocation of development aid, especially grants. Donors have made progress on this front, but much remains to be done.

## The Paris Declaration on Aid Effectiveness: Five pillars

So, what are donors and developing countries doing to change the way they do business?

The Paris Declaration puts in place a series of specific **measures for implementation** and establishes **performance indicators** for assessing progress. It also calls for an **international monitoring system** to ensure that donors and recipients hold each other accountable—a feature that is unique with relation to other international agreements.

More than a statement of general principles, the Paris Declaration lays out a **practical, action-orientated roadmap** to improve the quality of aid and its





impact on development. Its 56 partnership commitments are organised round **five fundamental principles** for making aid more effective:

- Ownership.** Developing countries set their own strategies for development, improve their institutions and tackle corruption.
- Alignment.** Donor countries bring their support in line with these objectives and use local systems.
- Harmonisation.** Donor countries co-ordinate their action, simplify procedures and share information to avoid duplication.
- Managing for results.** Developing countries and donors focus on producing—and measuring—results.
- Mutual accountability.** Donor and developing country partners are accountable for development results.



By fully implementing these principles, the countries and organisations that endorsed the Paris Declaration can make major breakthroughs in improving aid effectiveness, tackling issues that have hampered development for decades.

## Putting Paris into Practice

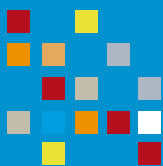
Numerous developing country governments and civil societies are putting the Paris Declaration principles into action and are reaping the rewards in the form of better quality, better aligned and more predictable donor support.

As part of the Paris agenda for aid effectiveness, many donors are also working to minimise proliferation, harmonise procedures and align aid by using developing country systems. Donors are also co-ordinating their aid programmes and ensuring coherence by reducing the number of countries and

sectors in which they operate. For example, the European Union states have recently agreed on new guidelines for division of labour among themselves, with a view to enhancing aid effectiveness and avoiding overlapping actions.

Meanwhile, the development landscape is rapidly changing. Significant new sources of funding are emerging (such as China and India's rapidly growing aid programmes) and new types of donors (such as private foundations and local authorities from industrialised countries) are becoming increasingly important players. The lessons embodied in the Paris Declaration and the principles it sets forth can help to continue to find better ways of working together, to the benefit of all.

OWNERSHIP	
Paris Declaration Indicators of Aid Effectiveness	Targets for 2010
Operational national development strategies are in place, with clear strategic priorities, linked to medium-term expenditure.	At least 75% of countries have operational development strategies.



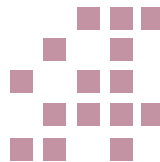
## Donors need to...

**ensure that they respect and support developing country ownership, and that developing countries take the lead, acting on behalf of their citizens.**

**The achievement of the MDGs requires that governments in developing countries take full responsibility for the commitments they made to their own populations under the Millennium Declaration.**

For development to be sustainable over the long term, developing country governments must exercise effective ownership over the development process, including over aid. It is fundamental that they do this in full consultation and with full accountability to their citizens, including the poor. In particular they must:

- draw up national development strategies, with wide participation of citizens through broad consultation
- ensure that these strategies are translated into results-oriented operational programmes and budgets, and implement them
- take the lead in co-ordinating aid at all levels



“From the shores of Lake Victoria to the heights of Santa Cruz the message [is] loud and clear: one size does not fit all. For aid to be effective, each country needs to determine its own priorities, pace and sequencing of reforms.”

– 2006 Survey on Monitoring the Paris Declaration, OECD (2007)

ALIGNMENT	
Paris Declaration Indicators of Aid Effectiveness	Targets for 2010
Reliable public financial management systems, or reform programmes to achieve them, are in place.	<b>Half of recipient partner countries</b> have significantly increased the quality of their systems.
Reliable procurement systems, or reform programmes to achieve them, are in place.	<b>One-third of recipient partner countries</b> have significantly increased the quality of their systems.
Aid is aligned with national priorities and appears in budget.	<b>At least 85%</b> of aid flows are reported in national budgets.
Support for capacity development is provided through co-ordinated programmes aligned with national development strategies.	<b>50%</b> of technical co-operation is supplied through co-ordinated programmes.
National financial management systems are sound and are used by donors.	<b>90-100%</b> of donors are using sound country financial management systems
Sound national procurement systems are in place and used by donors.	<b>90-100%</b> of donors are using sound country procurement systems.
Country implementation structures are used in lieu of parallel implementation structures.	The number of parallel structures is <b>reduced by two-thirds</b> .
Aid predictability is increased through its release according to agreed schedules.	The amount of expected aid undisbursed within the fiscal year is <b>reduced by 50%</b> .
Bilateral aid is not tied to services supplied by the donor.	Aid <b>continues</b> to be untied.





## Donors need to...

**ensure that aid is aligned with recipient partner countries' national development strategies and that country systems are used for the delivery of aid.**

**Donors must design their aid to fit the national development strategies of recipient partner countries.** This ensures that they are responding to genuine local needs and priorities, and that recipient countries are exercising genuine leadership over development policies and aid.

Donors must stop thinking about “their” projects, and instead start to focus on supporting developing countries’ own development processes. This means that donor country citizens must also move away from building schools or hospitals to underpinning education or health policies.

### **Relying on country systems**

Aid is aligned when it is integrated into the country’s own planning and budgeting mechanisms. General budget support goes a step further, providing funds directly to the recipient government and thereby enabling it to manage aid as it manages its own resources.

Many major donors have been gradually transferring the management of aid to developing countries for a number of years. And many developing countries now have considerable expertise in implementing national development strategies or sector-specific strategies, for instance for health or education.

“There are those who say that giving governments support is wrong; it’s like writing a blank cheque encouraging corruption and inefficiency. That our aid is best spent through NGOs.[...] But even the most enthusiastic supporters of civil society, and I am one, recognise that ignoring governments and creating parallel systems, is not the long-term solution to corruption nor a sustainable path to development. Should a farmer in Malawi have to rely on an NGO for health and education? Like you and me, she wants justice—she wants her rights and that of her children realised—and she’ll only get that in the long-term from good government.”

– Hilary Benn, former UK Secretary of State for International Development



## Integrating aid into national budgets

Registering and merging aid into the national budget is crucial. Not only does this support the emergence of sustainable local capacity and accountable governments; it enables the recipient country to achieve genuine ownership over aid. The advantages are many:

- Registering donor funds in government budgets ensures that the use of these funds is subject to scrutiny by developing country parliaments and by other domestic accountability institutions such as national audit offices, as well as by civil society.
- Transferring the management of aid and of aid-financed services and programmes to the partner country through sector programmes supports the strengthening of local capacity and know-how, which can only come from managing and running programmes.
- By transferring ownership to partner governments, donors increasingly focus on ensuring that key local institutions—such as parliament, public financial management systems, civil service, ombudsmen and the judiciary—are functioning well.
- Budgetary support—provided in the general budget or for a specific sector—allows the partner country to allocate funding flexibly according to its needs and priorities and, in doing so, helps to reduce wasteful administration costs.

Helping recipient partner countries develop the capacity for full alignment must be the ultimate aim for all donors, but they need to be realistic. Full alignment through budget support is not appropriate to all developing country contexts. Before aligning aid fully, donors must make a careful assessment of risks, taking into account not only the quality of existing governance, but also the pace at which it is improving. States emerging from civil strife may need to access resources quickly so that they can deliver key basic services to their citizens, make the necessary reforms in their security and justice systems, and build the necessary institutions for budget management and accountability.



## Malawi's story: Better capacity, better systems

In 2007, the Government of Malawi undertook a capacity assessment of the country's public procurement system using the OECD/DAC Methodology for Assessment of National Procurement Systems. The assessment aimed to build understanding of existing procurement capacities, with a view to identifying and formulating strategies to strengthen them.

The assessment helped to introduce changes, including the complete decentralisation of procurement processes to relevant public entities. Based on the assessment findings, a comprehensive Capacity Development and System Strengthening Plan for the procurement system was drawn up.

There was also a dedicated effort to raise awareness of the newly established framework among public sector officials, the private sector, civil society and the general population.

According to San Tabrizi from UNDP, Malawi: “The assessment not only gave us the means to be more precise in identifying the capacity gaps, it helped us and the stakeholders to be more focused and disciplined in our discussions to move forward. It packaged the information in a structured way, enabling us to see the big picture more clearly; development agencies no longer have to respond erratically to scattered information in this area.”

Source: “Procurement Capacity Assessment and Strategy Formulation in Malawi: A Case Study”, OECD (2008)

## Making aid more predictable

Improving the predictability of aid is also vital to enable countries to manage their own development. Most ministers of finance in aid-recipient countries have only limited information about the external resources they can expect to receive in a given year, let alone for the following two to three years. If they are to produce sound medium-term budgets, they need to know how much they will be receiving, and for how long, so that they can plan around it.

## Untying aid

One of the worst things that donors can do when they provide aid is to require that it can only be used to purchase goods and services from their own country. This practice, called ‘tying’ aid, forces poor recipients to buy goods or services which are usually more expensive than if they were sourced locally, to pay shipping costs, and deal with extra administration. All of this substantially reduces the value of the aid provided for the recipient country. The OECD estimates that tied aid raises the cost of many goods and services by between 15 and 30%, and for food aid by 35%.

In addition, the goods and services provided with tied aid often don’t conform to the needs of the recipient country. This type of aid tends to favour capital-intensive, high-technology projects, which require expensive upkeep and donor-country based experts.

Many donors have made considerable progress in untying aid, setting an example for others. A number of OECD Development Assistance Committee (DAC) members have fully untied their ODA, e.g. Australia, Ireland, Luxembourg,

Netherlands, Norway, Sweden and the United Kingdom; others have untied it to a very considerable extent, e.g. Belgium, Denmark, France, Germany, Japan and Switzerland.

“... in Cambodia the aid spent by donors on 700 international consultants in 2002 was estimated to be [...] roughly equivalent to the wage bill for 160,000 Cambodian civil servants.”

— Real Aid: An Agenda for Making Aid Work, ActionAid (2005)

Most of the remaining OECD donors are engaged in reducing the share of aid that is tied, in particular for least

developed countries, as per a 2001 DAC agreement. This progress needs to continue. The example of donors who have unilaterally untied their technical assistance and/or food aid points the way ahead.

### **Technical co-operation**

A substantial share of donor assistance is provided in the form of “technical co-operation.” The biggest components of technical

co-operation are study assistance and the supply of foreign experts. The logic for this type of co-operation is that developing countries lack the capacity and expertise for development.

The OECD estimates that technical co-operation accounted for about 21% of total DAC countries’ net ODA in 2006, or almost USD 22 billion. DAC countries that spent in excess of 21% of their ODA on technical co-operation in that same year include: Australia (40%), the United States (39%), Germany (30%), Portugal (30%), Belgium (29%), France (26%) and Greece (21%).

Foreign expatriate experts are costly. They are paid many times more than in-country experts. Expatriate experts can also undermine local capacity. In the worst cases, such experts exercise a high and inappropriate degree of influence over decision-making, which undermines local ownership over the development process, and promotes continued aid dependence.

### **Supporting national educational priorities**

Donors also often provide aid in the form of study assistance—mostly scholarships for students from developing countries to study in the donor country. While it can be argued that this contributes to the pool of expertise available in these countries, there is a catch. Because scholarships are provided for the private education costs of individual students, partner countries are not able to direct the use of this aid and ensure that it is matched to their developmental priorities.

“TC (technical co-operation) programmes have come under repeated criticism for being too costly, inappropriate to recipients’ needs, or fostering dependency. In the past, donors have broadly assumed that they will promote capacity development, but the reality has proved much more complex.”

— *Development Co-operation Report 2005*, OECD (2006)



“Donor-driven projects fit in with the myth of Western superiority—and indeed even reinforce it. We lecture, you listen; we give, you receive; we know, you learn; we take care of things—because you can’t. Undermining Africans’ own responsibilities, we take over.

The attitude that “we” (i.e., donors, with our money and experts) will save Africa, and that “we” will end poverty undermines incentives for poor people to demand action from their own government.”

— Eveline Herfkens, Executive Coordinator, UN Millennium Campaign

Scholarships can also lead to a brain-drain of the brightest young students, who often settle in the developed world once they have completed their studies.

Donors should instead support the development of local educational institutions in partner countries. They should encourage scholarship schemes which better take into account the beneficiary country’s development needs by putting them under the direction of the partner government. The

partner country should also include scholarship needs under either education or capacity development in its overall national development or MDG-achievement strategy.

Many [students] of course do not return—in which case developing countries effectively are paying for their own brain drain. This cost is a subsidy by developing countries to European universities, using money they should have spent on poverty reduction. [...] Assuming the trends from the last five years have continued, we calculate that European governments will have spent more than EUR 1.66 billion of ODA on educating foreign students in their own countries. This amount has nearly doubled since 2000 and has quadrupled since 1996.

— *Hold the Applause! EU governments risk breaking aid promises*, CONCORD (2007)



## **Global programmes and funds**

“Global” donor programmes and funds are devoted to tackling specific, tightly defined problems. In recent years a number of new global programmes have been created, the majority of them providing funding for specific diseases such as HIV/AIDS.

These initiatives have been successful in raising the profile of certain diseases and in gathering new resources for development. Nonetheless, global health initiatives pose specific challenges for aid effectiveness which need to be tackled lest they undermine progress on the aid effectiveness agenda:

- By their very nature, funds provided by global programmes to developing countries are earmarked for tightly defined purposes. As such, this kind of aid can often lead to a massive skewing of overall expenditure in a given sector towards globally-defined priorities.
- Fund-raising and advocacy for single-issue funds is dependent on showing direct results. For this reason, global funds run their own programmes and are largely independent of partner governments. They are not aligned to national policies because they have a pre-defined agenda; they are not aligned to local government procedures because they are run outside of government.

Yet global funds are fundamental to the emergence of well functioning, sustainable health systems—systems that will reduce child and maternal mortality and create healthy, productive populations. By aligning with each country’s national programmes and priorities, they can reinforce progress on critical development objectives.

### **A case in point: A skewing of funding in Rwanda’s health sector**

In Rwanda, special-purpose funds and programmes combined with other pre-allocated funding led to a situation where the majority (86%) of total reported aid for the health sector was outside the Ministry of Health. Furthermore, the aid that was channelled through the health budget was heavily skewed towards certain high-profile illnesses: 85% of health funding was for HIV/AIDS and malaria. This meant that other local priorities such as capacity building,

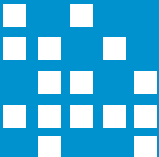
human resource development and other sector-wide needs were neglected. Only 1% of on-budget funds was allocated to child health.

Under its programme of managing donor aid, the Rwandan government identified these large, global health funds as a particular source of concern and decided to develop guidelines for them, insisting that they use the harmonised indicators included in the national development programme, as well as joint monitoring mechanisms and pooled finances.

Source: *Global Monitoring Report 2007*, World Bank (2007)



HARMONISATION	
Paris Declaration Indicators of Aid Effectiveness	Targets for 2010
Aid is provided through harmonised, common programmes.	<b>66%</b> of aid flows are provided in a co-ordinated, programme-based manner
Field missions and country analytical work are done jointly by donor and recipient partner countries.	<b>40%</b> of field missions are jointly managed.



## Donors need to...

### ensure that they harmonise aid practices and procedures.

When there are scores of donors, each with many projects and each with their own administrative and reporting requirements, the resulting workload can be devastating for countries with overstretched capacity. Local officials are so busy meeting donor demands that they can't ensure the normal functioning of government programmes, or respond to the genuine concerns and demands of their own citizens. To lighten this burden, **donors must harmonise aid processes and increasingly work together using common procedures.**

There are numerous ways to improve harmonisation:

#### **Joint analysis and missions**

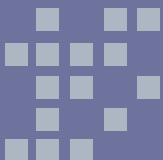
It makes sense for donors working on the same issue to undertake joint missions and joint analyses as a basis for decisions on aid, rather than conducting several similar studies. When they enable the partner country to take the lead, the policy relevance and quality of this work is improved.

#### **Co-ordination**

At all levels—from the decision to provide aid to a country down to the details of a specific programme—donors maximise the benefits of their work when they exchange information and co-ordinate their efforts. By ensuring that their activities are coherent and complementary—establishing, among donors, appropriate divisions of labour across countries and sectors—they reduce the dispersion of aid. In the partner country, co-ordination led by the local government also helps to ensure ownership.

“It is ... unfortunate that the provision of ODA has become unnecessarily complicated, fragmented and poorly coordinated.”

— Ban Ki-moon, United Nations Secretary-General, April 2007



## Harmonising practices across donors

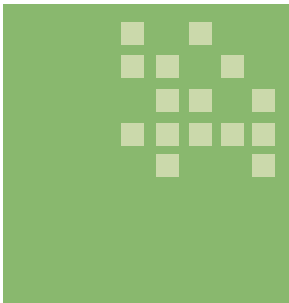
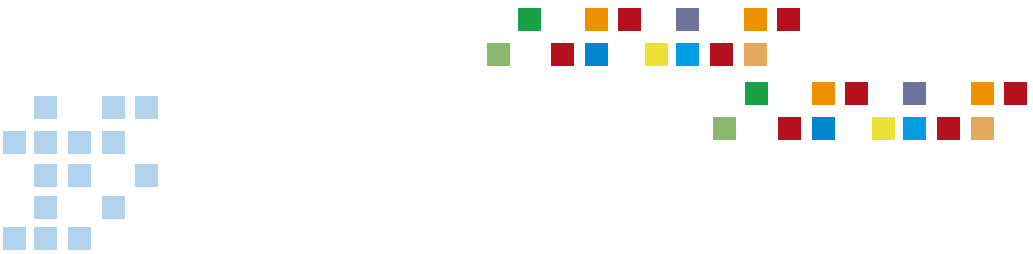
By adopting common practices, donors can simplify and streamline procedures, reducing the burden for developing countries.

## Running joint aid programmes

There are many options for donors to work together and pool funds so that the recipient only has to deal with one large programme—and just one set of procedures—rather than several smaller ones.

## Increasing incentives for donor agency field staff

For harmonisation to work, donor agency field staff must have the authority and flexibility to implement better working practices at the country level; they also must be given the right incentives to encourage them to take appropriate action.



## The more the merrier, or too many cooks?

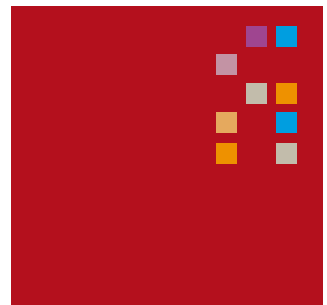
In today's development landscape, more than 200 bilateral and multilateral organisations channel official development assistance to developing countries. Many countries have more than 40 donors financing as many as 600 projects, programmes and activities. The transaction costs of dealing with this proliferation, for both donors and recipient countries, are high.

When aid is fragmented—with many donors giving small amounts of aid in one country—the results can be more negative than positive. One of the questions donors have to ask themselves is, does it all add up to results?

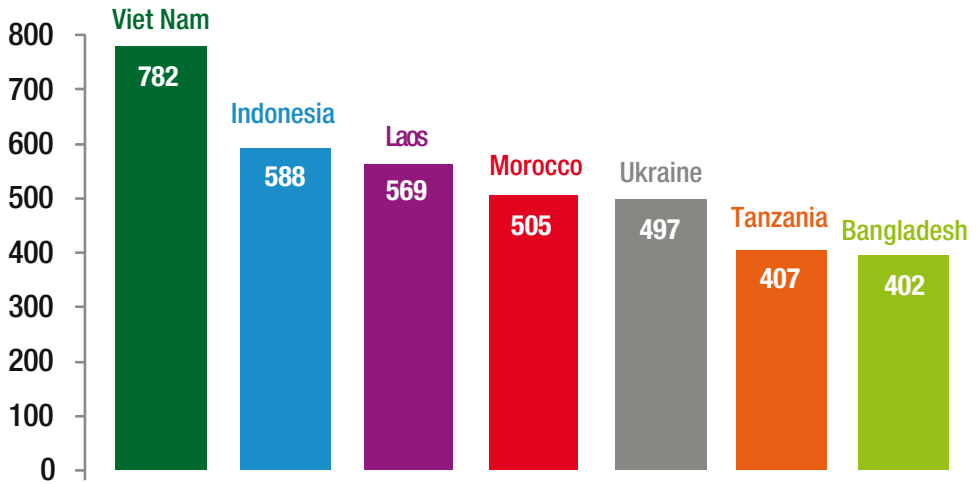
The OECD DAC, which brings together 23 of the world's major donors, monitors its members' activities to provide critical information on where effectiveness can—and must—be improved. New analyses show that there is still a high degree of fragmentation of DAC donors in many countries and, conversely, of concentration in others. In 2005-6, for instance, 15 DAC donors provided altogether just 10% of in-country aid in 33 developing countries. These analyses provides a baseline for improving donor co-ordination and selectivity, thereby reducing transaction costs and increasing the effectiveness of aid.

This analysis provides a baseline for improving donor co-ordination and selectivity, thereby reducing transaction costs and increasing the effectiveness of aid.

Source: *Scaling Up: Aid Fragmentation, Aid Allocation and Aid Predictability*, OECD (2008)



## Number of donor missions in 2007



Source: 2008 Survey on Monitoring the Paris Declaration, OECD (forthcoming)

A 2008 survey showed that donors conducted 15,229 missions in 54 countries during 2007



## Taking the lead on common approaches

Many developing countries have taken steps to promote donor harmonisation.

In March 2002, Zambia's Ministry of Finance and National Planning invited a group of like-minded bilateral donors to sign a groundbreaking Harmonisation in Practice (HIP) framework. In April 2004, they established a broader harmonisation agreement, which now includes most of the key bilateral and multilateral donors. Under this agreement, donors have committed to ensuring mission-free periods, conducting joint missions and carrying out joint decision making.

The signatories and the Zambian government worked together to design a Joint Assistance Strategy for Zambia (JASZ). This single country strategy identifies how each partner will support the national development plan and designates a lead donor for each of the 20 sector-specific advisory groups. The JASZ designates a few lead donors for each sector.

Today, the Government of Zambia can spend more time on its priorities and less time on meetings with donors.

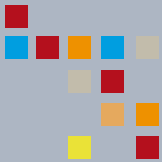
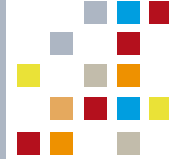
Vietnam has also set an example of country-led harmonisation with its Harmonisation Action Plan and the accompanying comprehensive monitoring framework. These instruments will improve the efficiency and effectiveness of aid in Vietnam.

Sources: DfID country profiles: Zambia, <http://www.dfid.gov.uk/countries/africa/zambia.asp>; *Survey on Harmonisation and Alignment*, OECD (2005)



“Managing for Development Results (MfDR) requires the participation and commitment of all development partners and practitioners: from committed political leadership, to a strong public sector, to an empowered civil society.”

– *Emerging Good Practice in Managing for Development Results, Sourcebook, Second Edition, World Bank/OECD (2007)*



MANAGING FOR RESULTS	
Paris Declaration Indicators of Aid Effectiveness	Targets for 2010
Transparent, monitorable assessment frameworks are in place in-country to measure progress and assess results.	The number of countries lacking sound performance assessment frameworks is <b>reduced by one-third.</b>



## Donors and developing countries need to...

**ensure that their governments follow through, producing concrete results on the ground.**

Making aid more effective entails challenges not only for donors, but for developing countries as well. **When developing countries endorsed the Paris Declaration, they committed to improving their chances of achieving the Millennium Development Goals by strengthening their own governance, accountability and transparency.** They also committed to increasing the ability of civil society and parliaments to monitor their progress.

Managing for development results means ensuring—and demonstrating—the real impact of aid on people’s lives. In order to do this, governments must develop a “performance culture”, including targeted redesign of their institutions and human resources. Leaders play an important role in setting the direction for reform, maintaining vision and clarity, and encouraging people and organisations to evolve—and to measure their progress.

Governments and donors need to work together to monitor the implementation of a country’s development strategy. Donors can ensure that their funding is well used by actively helping to improve the recipient government’s systems for public financial management. But they will only be able to do this if they provide aid in the context of the national budget, and if they help to strengthen the capacity of developing countries to measure the real results of their policies and programmes.

### Keeping an eye on results

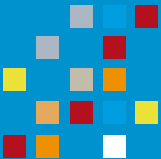
Mozambique’s Poverty Observatory strategy is organised around the principles of mutual transparency, reciprocal accountability and democratic dialogue. It was designed to help the country achieve its development goals, in line with the MDGs, by reducing poverty from 54% to 45% by 2009.

The strategy is monitored through provincial forums, held at least twice a year to make sure that implementation is on track. Participants include representatives from donor organisations, the government, and civil society groups such as unions, church groups, trade associations, NGOs and universities. All actors recognise that their participation is essential in increasing the efficiency and effectiveness of the country’s poverty reduction policies.

Tanzania has established a Joint Assistance Strategy, which aims to comprehensively promote the country’s aid effectiveness agenda in line with the Paris principles. Its performance in implementing the strategy – as well as that of its donors – will be regularly evaluated on the basis of jointly agreed indicators and targets adapted from the Paris Declaration indicators to the Tanzanian context.

Source: *Emerging Good Practice in Managing for Development Results*, Sourcebook, Second Edition, World Bank/OECD (2007)

MUTUAL ACCOUNTABILITY	
Paris Declaration Indicators of Aid Effectiveness	Targets for 2010
Reviews are conducted to assess progress in implementing agreed commitments on aid effectiveness.	<b>100%</b> of recipient partner countries have mutual assessment reviews in place.



## Donors and developing countries need to...

**ensure that their governments are accountable for their commitments.**

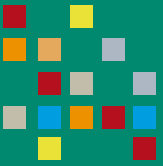
Lack of accountability is one reason why donors and developing country governments have fallen short on development. **Donors and developing countries must not only be mutually responsible for development results, they must be accountable to the people they represent.**

For too long, developing country governments have been accountable to donors, without the opposite being true. In addition, donor and developing country governments alike have been insufficiently accountable to their respective citizens for results on development. Only if governments are held accountable for their actions to the world's poor will we see a real improvement in aid practices.

**“Transparency, participation,  
and accountability that  
come from an empowered citizenry are the  
strongest antidotes to corruption.”**

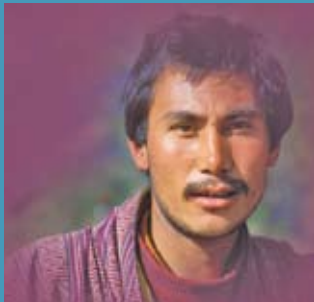
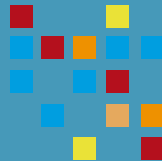
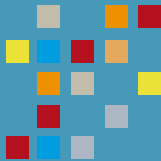
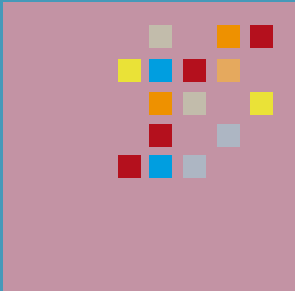
— “Growth and Responsibility in Africa” G8 Summit Declaration, Heiligendamm (2007)





“Accountability is a complex term, whose definition is not easy. Accountability requires (a) transparency, so that the actions of power holders can be monitored by other institutions or the public; (b) answerability of power-holders, meaning the obligation to provide explanations for their behaviour; and (c) control mechanisms that prevent abuse of power and ensure that corrective measures are taken when and where necessary.”

— Lise Rakner, Christian Michelsen Institute in “Aid, Budgets and Accountability”, Summary Paper, CAPE Workshop (2005)

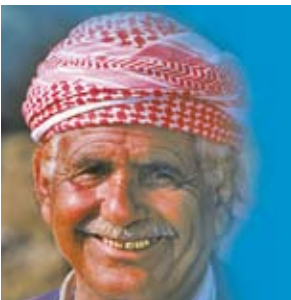


To ensure accountability, there must be true country ownership of the development process—democratic ownership, involving parliament, citizens and their organisations. Civil society plays a vital role in this process, giving a voice to the poor and empowering individuals and their communities to demand basic rights and services and to hold their governments to account.

## Mutual accountability: How it works

For strong mutual accountability, partner countries must have the technical capacity and political determination to produce policies and procedures for the active management of aid, and their governments must provide a coherent approach, strong central leadership, and a clear and credible framework for dialogue. Donors and countries must have shared goals, plans and results frameworks, supported by reciprocal commitments and monitoring arrangements; and mutual trust and confidence. Finally, donors must have clear policies and procedures to fulfil their mutual accountability commitments, including providing better information on aid flows to governments and stakeholders, and undertaking more rigorous assessment of their own performance.

Source: “Mutual Accountability: The Key Driver for Better Results”, background paper, Third International Roundtable on Managing for Development Results, Hanoi (2007)



## The Millennium Campaign

The Millennium Campaign works with partners in countries all around the world to support individuals and civil society in their efforts to hold their governments to account for the achievement of the Millennium Development Goals and to ensure the realisation of human rights.

We believe that only if citizens are informed of the promises and commitments that their governments have made and are engaged in calling for their achievement will the Millennium Development Goals be achieved by 2015.

Remember, we are the first generation with the technology, resources and know-how to eradicate poverty. Take action now! Join the Campaign!

**For further information on aid effectiveness and the Millennium Development Goals, please visit our website at:**

[www.millenniumcampaign.org](http://www.millenniumcampaign.org)

[www.endpoverty2015.org](http://www.endpoverty2015.org)

**or contact the United Nations Millennium Campaign team:**

UN Millennium Campaign

304 East 45th Street, FF 612

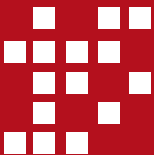
New York, NY 10017

U.S.A.

Tel: 1 212 906 6779

Fax: 1 212 906 6057

[info@millenniumcampaign.org](mailto:info@millenniumcampaign.org)



## The OECD and aid effectiveness

The Organisation for Economic Co-operation and Development (OECD) is a unique forum where the governments of 30 market democracies work together to address the economic, social and governance challenges of the globalising world economy, as well as to exploit its opportunities.

The OECD works to improve aid effectiveness through its Development Assistance Committee (DAC), and in particular through the DAC's Working Party on Aid Effectiveness, an international partnership of donors and developing countries. Together, they develop and put in place policies and practices that support poverty reduction and sustainable development.

**For comprehensive information on aid effectiveness and the Paris Declaration, go to:** [www.oecd.org/dac/effectiveness](http://www.oecd.org/dac/effectiveness)

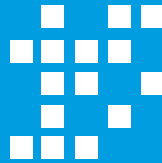
**For the latest statistics on development co-operation, see:**  
**Development Co-operation Report 2007**  
[www.sourceoecd.org/developmentreport](http://www.sourceoecd.org/developmentreport)

**Development Aid at a Glance 2007: Statistics by Region**  
[www.sourceoecd.org/developmentaid](http://www.sourceoecd.org/developmentaid)

**or contact the DAC at:** [dac.contact@oecd.org](mailto:dac.contact@oecd.org)

**For comprehensive information on the Third High Level Forum on Aid Effectiveness, go to:** [www.acrahlf.net](http://www.acrahlf.net)





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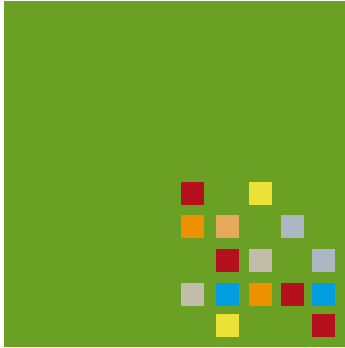
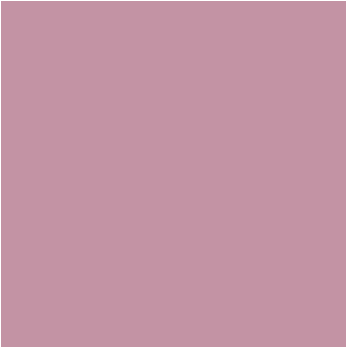
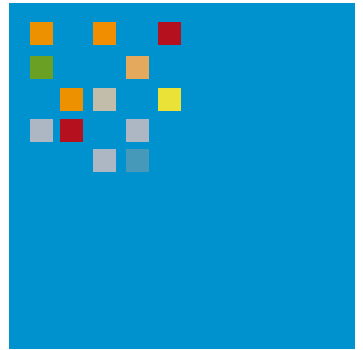
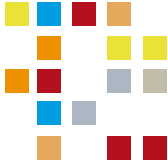
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**Better aid...  
because it matters.**

