



부산 세계개발원조총회

**4<sup>th</sup> High Level Forum  
on Aid Effectiveness**

29 Nov – 1 Dec 2011, Busan, Korea

# PROGRESS TOWARDS MORE EFFECTIVE AID: WHAT DOES THE EVIDENCE SHOW?

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October 2011

2005, Ministers from developed and developing countries together with heads of international organisations endorsed a landmark agreement to make development more effective: the Paris Declaration on Aid Effectiveness. The Paris Declaration emerged from a growing consensus that both donors and developing countries had to reform the way they were delivering and using aid to ensure more and better development results - and in doing so, to boost their contribution to the attainment of the Millennium Development Goals. One of the distinguishing features of the Paris Declaration was the commitment from developing countries and donors to hold each other to account for implementing its principles at the country level through a set of clear indicators, with targets to be achieved by 2010.

In Busan, at the Fourth High Level Forum on Aid Effectiveness (29 November – 1 December 2011) the international community will need to answer the following question: is aid being delivered in a more effective way than in 2005?

The answer is clear: progress has been made, but globally, donors and developing countries have fallen short of the goals that they set themselves for 2010. The findings from monitoring and evaluating the implementation of the Paris Declaration make for sobering reading. Although the Accra Agenda for Action was adopted in 2008 to accelerate progress with a call for heightened focus on country ownership, more inclusive partnerships, and increased accountability for and transparency about development results, progress in 2010 was still lagging on the majority of the Paris Declaration commitments. The evidence points, nonetheless, to the enduring relevance of the Paris Declaration principles, which matter for development, can be applied to different country contexts and remain valid for different sources of development finance. This suggests that Busan can and should aim to ensure deeper political commitment – coupled with concrete actions to follow through.

## Principles for effective aid – and development

The principles set out in the Paris Declaration are based on decades of experience and have helped to establish global norms for development co-operation, to disseminate positive aid practices already proven in donor organisations and developing countries, and to promote a common vision and framework for further reforms. By setting out norms and legitimising good practice, they have contributed to greater transparency and have reduced the extent to which aid is donor-driven. On an even broader scale, the application of the Paris Declaration principles has contributed to better, more constructive partnerships among developing countries and donors.

At the same time, these principles are not limited to aid. The experience of developing countries that have put the principles into action show that they have not only helped to ensure that aid is better managed, but also to strengthen core state functions, for example by improving the management of all public expenditure, procurement and accountability. Evidence from the independent evaluation suggests that efforts to improve aid effectiveness have had a wider-reaching impact on institutions and in turn development results, although the contribution of such efforts to meeting the needs of the poorest people has been more limited.

The principles embodied in the Paris Declaration have been adapted by a growing number of stakeholders to specific needs or situations, including civil society and parliaments. While aid is only one of many sources of finance that can support development processes at the country level, experience also points to the relevance of

the Paris Declaration principles to a diverse range of development activities, including South-South co-operation. The principles have also helped bring a broader range of voices to the table. For example, the g7+ group of fragile and conflict-affected countries now leads an international dialogue to define norms and approaches to international engagement in fragile states and situations.

As the nature and quality of partnerships in developing countries and at the global level have evolved, so too has the appetite for better evidence on results, development processes and the role of aid. The Paris Declaration, through the emphasis it places on monitoring and evaluation, has helped to generate more and better information, establishing the foundations for improved accountability. Seventy eight developing countries signed up to participate in the 2011 Survey on Monitoring the Paris Declaration – many more than the 55 countries that participated in the 2008 Survey and far beyond the original 34 countries in 2006. Similarly, 22 countries have participated in the independent evaluation of the Paris Declaration. This growing participation – on a voluntary basis – illustrates the importance countries attach to structured, evidence-based dialogue on aid effectiveness. For some, the survey offered the first-ever opportunity to collect and disseminate country-level information on the nature and quality of aid flows.

## **Progress, but slower than expected**

Evidence gathered on the implementation of the Paris Declaration shows that while progress has been made, it has not been to the extent and pace foreseen in 2005.

The evaluation notes the challenges presented by the targets set for 2010 and concludes that the timing for some of them was not realistic. Indeed, many of the changes foreseen in the Paris Declaration are profound and their implementation requires sustained commitment and efforts. At the same time, the evaluation concludes that the basic timeframe for the Declaration's goals have so far remained relevant.

The 2011 Survey covering 78 countries shows that at the global level, only one out of the thirteen targets established for 2010 – co-ordination of technical co-operation– has been met, albeit by a narrow margin. Nonetheless, it is important to note that considerable progress has been made towards many of the remaining 12 targets.

Global progress on meeting the agreed 2010 targets depends on the individual efforts of donors and developing countries to implement their commitments. Important variations in effort are evident across both donors and developing countries. The impact of reforms has been greatest where countries have developed action plans to meet their commitments, based on their own needs, context and development priorities.

## **Making gains – more challenging for donors than for developing countries**

While progress in implementing the agenda set out in the Paris Declaration remains gradual and uneven, there are frontrunners among both donors and developing countries that have made significant progress. Evidence from 12 fragile countries participating in the survey highlights particular challenges for these countries in improving the quality of their national strategies, policies and systems. Evidence also shows that co-ordination of donors often remains weak precisely where working towards common goals is needed the most, and weak national leadership and capacity become an excuse for uncoordinated donor-driven approaches. Moreover, while addressing fragility requires long-term engagement, donor programming tends to fall short of good practice, with programming typically limited to 3-5 years, often backed only by one-year funding commitments.

The Paris Declaration embodied a “compact” between donors and developing countries. For instance, it set out commitments by aid recipients, on the one hand, to improve their public financial management systems, and by donors, on the other, to make greater use of these systems to channel aid. In many respects, it has been more demanding for partner countries to implement the required changes than for donor governments and agencies – the magnitude of the reforms has required much more than simple administrative fixes. Yet more than a third of developing countries have made important progress in improving and strengthening their own public institutions and processes.

Despite this hard-won progress, evidence shows that the improved systems put in place by the developing countries are not necessarily used by donors to deliver aid. In many cases, fear of financial misuse and lack of faith in partner country systems has prompted donors to avoid fiduciary risk altogether, rather than managing it.

When donors' reporting requirements are not aligned with developing countries' own performance frameworks, this can undermine ownership, capacity and domestic accountability in developing countries. Donors have also found it challenging to harmonise their ways of working, or "join up" on things like analytic work, or to communicate information on future aid to individual developing country governments. Corporate policies, legal frameworks, organisational incentives and capacity issues within donor organisations are persistent bottlenecks.

Efforts to improve donor support for capacity development have also been mixed. The 50 % target on co-ordinated technical co-operation (a measure of the extent to which donors co-ordinate their efforts to support countries' capacity development objectives) is the only target which has been met. Nonetheless, developing countries often see technical co-operation as a donor-driven process. For example, data show that technical co-operation is more likely to be tied than other forms of aid provided by bilateral donors. Donor support for capacity development needs to be better designed to meet the needs and priorities established by the countries themselves and to focus on longer-term impact. To enable this, developing countries need to adopt strategic approaches to identify and articulate their capacity development needs; put in place appropriate institutional arrangements; and take political leadership to ensure that donor support responds to their priority needs. To date, few of them have done so.

## Political commitment is key to the reform agenda

The evidence shows that over the past five years, where donors and developing countries have been successful in transforming the way in which they provide and use aid they have usually depended on political momentum. In cases where less progress has been made, it is often because the reforms required were viewed as technical issues. Sustained political commitment to follow through on important – and often difficult – changes in behaviour is fundamental to address the unfinished business that really can make a difference for the lives of poor people in developing countries.

## Seven lessons for the future of development cooperation

The Busan High-Level Forum offers decision-makers in developed and developing countries – be they state actors, heads of international organisations, parliamentarians or representatives of civil society organisations or private sector entities – the opportunity to agree on a framework for global co-operation that will maximise achievements towards the Millennium Development Goals and help forge a global compact for effective development towards and beyond 2015. In doing so, a number of important lessons should be borne in mind:

- 1. Development – and development co-operation – needs to happen through inclusive partnerships at the global and country levels.** Although the Paris Declaration has helped to forge a common vision among a significant group of developing countries and donors, other development co-operation actors – including those involved in South-South co-operation – play an increasingly important role. Their active involvement in shaping the post-Busan co-operation agenda will ensure a more inclusive process founded on shared principles, and covering a larger range and volume of resources and activities in support of development.
- 2. The principles set out in the Paris Declaration and Accra Agenda for Action need to be reaffirmed.** Experience has shown that these principles are relevant to the challenges faced by developing countries. It also suggests that their fuller implementation can continue to increase impact of development co-operation on poverty reduction and sustainable development. Approaches to implementing the principles will need to be continually refined and adapted to include more forms of development co-operation, a wider range of public and private actors, and to meet context-specific priorities such as those of fragile states and middle-income countries. Embedding these approaches in national action plans and strategies is one way of anchoring global commitments in country-level realities.
- 3. Investment in development brings risks; the desired results will not always be achieved, particularly when capacities and systems are weak.** All stakeholders must accept the risks that are inherent to development and seek appropriate ways of sharing and mitigating them through mature partnerships, rather than avoiding them altogether. Donors need to make use of country structures and institutions for aid delivery, developing longer-term approaches to enhancing capacity, which is often diffuse in nature and therefore challenging to measure.

- 4. Inclusive global accountability mechanisms are needed to support strong, country-led partnerships.** Experience to date suggests that monitoring and evaluation of international commitments can create and sustain incentives for implementation. Deepening peer scrutiny and pressure can provide added impetus for change. By refocusing global processes on essential learning and accountability functions, incentives for reform will be strengthened in individual countries and development agencies.
- 5. Governments in developing countries need to strengthen the capacities of core public sector development institutions and stakeholders, including through state-citizen dialogue.** This includes playing a central and systematic role in setting clear priorities, determining strategies and ensuring effective implementation of activities, as well as continuing to encourage donors to support agreed priorities. Effective policies and institutions not only improve the contribution of aid; they also help to ensure that all resources have a greater and more sustainable impact on people's lives. Results can be further improved by lending greater attention to poverty reduction and inclusive growth, accelerating efforts in support of domestic accountability, combating corruption, and providing a conducive environment for citizen participation.
- 6. Achieving sustainable development results will require increased results orientation in public sector management.** This implies creating better systems for targeting, tracking and communicating development results, as well as enhancing transparency and accountability for the use of resources and the results achieved. More systematic use of existing country frameworks for monitoring and reporting on achievements against agreed development goals will both support developing countries in effective decision-making, and encourage donors to rely more extensively on the evidence generated by developing countries.
- 7. Donors need to follow through on their commitments to change their policies and practices.** For many donors, this will involve addressing structural challenges in their aid agencies, for example to ensure that aid is more predictable in the medium-term, that allocation decisions favour efficiency and reduce fragmentation, and that developing countries' systems are used more systematically for aid delivery. Further untying aid – and in particular technical co-operation – will also improve value for money, as well as ownership by developing countries.

## Further reading

- Wood, B. et al. (2011), Evaluation of the Paris Declaration, Final Report, Phase 2, The Danish Institute for International Studies, Copenhagen. (<http://pd-website.inforce.dk>)
- OCDE (2011), Aid Effectiveness 2005-10 : Progress in implementing the Paris Declaration, OCDE, Paris. (<http://www.oecd.org/dac/pdsurvey>)
- The Reality of Aid (2011), Democratic Ownership and Development Effectiveness: Civil society perspectives on progress since Paris, IBON, Quezon City. (<http://www.realityofaid.org>)



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