

**DEVELOPMENT CO-OPERATION DIRECTORATE
DEVELOPMENT ASSISTANCE COMMITTEE**

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Working Party on Aid Effectiveness and Donor Practices

**ISSUES PAPER: FRAMEWORK FOR A DECLARATION AND AGENDA FOR ACTION - SECOND
HIGH-LEVEL FORUM ON AID EFFECTIVENESS**

This Issues Paper is submitted for discussion at the following meetings as part of a process of broad consultation leading eventually to a Declaration and Agenda for Action at the High-Level Forum in March 2005:

Regional Workshops on Harmonisation and Alignment and related events:

- *Asia - Bangkok, Thailand (19-20 October 2004).*
- *Latin America - Tegucigalpa, Honduras (8-10 November 2004).*
- *Central Asia - Bishkek, Kyrgyz Republic (11-12 November 2004).*
- *Africa - Dar-es-Salaam, Tanzania (9-11 November 2004).*
- *NGO Forum on Aid Effectiveness and Harmonisation, Paris, France (February 2005).*

OECD-DAC Working Party on Aid Effectiveness:

- *Special Session on Untying Aid (21 October 2004).*
- *Joint Venture on Procurement (22 October 2004).*
- *Joint Venture on Managing for Development Results (26 October 2004).*
- *Task Team on Harmonisation and Alignment (15-16 November 2004).*
- *Joint Venture on Public Financial Management (17-18 November 2004).*
- *Working Party on Aid Effectiveness (19 November 2004).*

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2ND HIGH LEVEL FORUM ON AID EFFECTIVENESS:
HARMONISATION, ALIGNMENT, AND RESULTS (HLF-2)

ISSUES PAPER

FRAMEWORK FOR AN HLF-2
DECLARATION AND AGENDA FOR ACTION

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- *Asia* — Bangkok, Thailand (19-20 October 2004).
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Issues for discussion

This note has been prepared by the HLF-2 Secretariat as a basis for a broad discussion leading to the 2nd High Level Forum on Aid Effectiveness: Harmonisation, Alignment and Results, to be held in Paris on February 28 - 2 March 2005. It sets out possible ways to achieve concrete progress, and invites participants to provide comments and to suggest additional or alternative actions which might be undertaken. It is hoped that discussions around this note will lead to identifying a core set of goals and commitments on which participants might reach consensus. The areas set out in more detail below are:

- Goal 1: Strengthen capacity for development
- Goal 2: Align around country strategies and systems
- Goal 3: Intensify harmonisation and complementarity
- Goal 4: Enhance accountability for development
- Goal 5: Financing partners' medium-term development programmes
- Goal 6: Managing for development results

In discussing these goals and more specific areas for agreement and action, participants are invited to address the following questions:

- Question 1:** Are the goals identified in this note the priority means of improving aid effectiveness? What additional goals or other areas should be addressed at the Paris HLF-2?
- Question 2:** Are the detailed commitments identified below appropriate? How could they be further strengthened? What other possible actions might contribute to greater aid effectiveness?
- Question 3:** In order to achieve concrete progress and to monitor and evaluate results, should agreed commitments be supplemented by time-bound targets and specific indicators? If so, what would you suggest for such targets and/or indicators?

Goal 1: Strengthen capacity for development

1. Strengthening countries' sustainable capacity to plan, implement and account for their policies to their citizens and legislature is an inherent part of the development process. It is the cornerstone on which rests effective partnerships between development agencies and partner countries engaged in a common endeavour.

In this connection, what are your views on the possible commitments presented below? How could they be further strengthened? Are there additional or alternative commitments or specific targets that you wish to add?

Possible donor commitments:

- a) Ensure that medium-term resources are made available to partner countries to support nationally-led programmes for strengthening capacity.
- b) Embed, and coordinate, donor support in a country-led strategy for improving capacity development.
- c) Assist countries to develop a nationally owned strategy on capacity development in a manner that does not undermine national ownership.
- d) Build capacity within their own individual organisations to work collectively, and effectively, in support of partners' capacity development strategies.

Possible partner country commitments:

- e) Undertake diagnostic reviews to identify capacity needs for upgrading country systems.
- f) Develop systematic and comprehensive country-led strategies to strengthen capacity based on these diagnostic reviews.
- g) Integrate the country-led capacity development programmes within their national development plans such as poverty reduction strategies.

Goal 2: Align around country strategies and systems

2. Alignment is the commitment made by donors to base development assistance on partner countries' national strategies, institutions and processes. In practice, the depth of alignment depends on the quality of the partner countries' national development strategy and its institutional capacity to implement these strategies effectively. Making a reality of alignment therefore engages development agencies and partner countries in both short and longer -term processes.

In this connection, what are your views on the possible commitments presented below? How could they be further strengthened? Are there additional or alternative commitments or specific targets that you wish to add?

Possible donor commitments:

- a) Base donor country strategies, programmes and policy dialogue on partners' national development strategies and results frameworks.
- b) Draw, as much as possible, conditionality from partners' national development strategies.
- c) Rely on country-owned monitoring and evaluation systems to track progress against the objectives set out in partners' national development strategies.
- d) Use country systems and procedures where these provide reasonable assurance that aid will be effectively used for agreed results.

Possible partner country commitments:

- e) Base national development strategies on sound macro-economic and poverty diagnoses.
- f) Translate these national strategies into operational, results-oriented frameworks with clear policy commitments, improved strategic prioritisation of programmes and costing.
- g) Further strengthen the results orientation of national development strategies by increased focus on developing monitoring and evaluation systems useful for managing toward results.
- h) Establish mechanisms to monitor progress in implementing national development strategies that are firmly embedded in domestic institutions.

Goal 3: Intensify harmonisation and complementarity

3. Harmonisation is the commitment made by donors to rationalise their multiple, and often uncoordinated, activities in ways that maximise the collective efficacy of aid under country ownership. In practice, this requires that partner countries exercise strong leadership and establish appropriate frameworks for coordinating external partners.

In this connection, what are your views on the possible commitments presented below? How could they be further strengthened? Are there additional or alternative commitments or specific targets that you wish to add?

Possible donor commitments:

- a) Review and implement the donor action plans that they have undertaken to introduce and implement as part of the follow-up to the Rome High-Level Forum.
- b) Reform procedures that prevent agencies from working effectively with development partners and other donors.
- c) Strengthen incentives for management and staff to work collaboratively in support of country-owned development strategies and country monitoring and evaluation systems.
- d) Generalise common arrangements for planning, funding and implementing aid.

Possible partner country commitments:

- e) Strengthen their operational frameworks for coordinating aid such as country-based action plans on harmonisation and alignment.
- f) Take the lead in coordinating aid at all levels: national, sub-national and at sector level.
- g) Challenge donors that do not abide by agreed principles for providing aid.

Goal 4: Enhance accountability for development

4. A major priority for partner countries and donors is to enhance accountability on the use of development resources as a way of ensuring that aid is effectively used, thus strengthening public support for national policies and development assistance.

In this connection, what are your views on the possible commitments presented below? How could they be further strengthened? Are there additional or alternative commitments or specific targets that you wish to add?

Possible donor commitments:

- a) Provide transparent and comprehensive information on aid flows so as to enable partner authorities to present comprehensive budget reports to legislatures and publics.
- b) Disclose information on aid flows that is consistent with partners' reporting formats and systems of classification.
- c) Support countries in developing monitoring and evaluation capacities linked to budgetary processes.

Possible partner country commitments:

- d) Strengthen legislative oversight on the achievement of their national development strategies.
- e) Reinforce participatory approaches by systematically involving a broad range of development partners when formulating and assessing progress in implementing national development strategies.
- f) Improve the quality and comprehensiveness of public financial reporting on the use of domestic and external resources.
- g) Adopt, where appropriate, International Public Sector Accounting Standards (IPSAS).
- h) Strengthen monitoring and evaluation systems that are linked to budgetary processes.

Goal 5: Financing partners' medium-term development programmes

5. Significant progress will have to be made in ensuring greater predictability of medium-term financing — domestic and external — of partners' development programmes in order to meet the MDGs by 2015. Medium-term predictability of total development resources will increase aid effectiveness by enhancing macro-economic stability and improving the efficiency with which available resources are used for poverty reduction.

In this connection, what are your views on the possible commitments presented below? How could they be further strengthened? Are there additional or alternative commitments or specific targets that you wish to add?

Possible donor commitments:

- a) Programme and release aid flows over a rolling multi-year framework that is, aligned with partners' financial cycle.
- b) Provide partner authorities with comprehensive and reliable information on the expected volume of aid to be released and the circumstances under which it might be suspended or adjusted.
- c) Design and streamline conditionality so as to enhance predictable disbursements of aid especially within partners' budget cycle.
- d) Disburse funds in accordance with the schedule of disbursements agreed with partner authorities, recognising that there are legitimate circumstances under which donors might, in exceptional circumstances, suspend their support.

Possible partner country commitments:

- e) Intensify efforts to mobilise domestic resources by strengthening fiscal sustainability and creating an enabling environment for public and private investments.
- f) Establish efficient, transparent and accountable public financial management systems for mobilising public resources and managing their use by authorities.
- g) Improve forecasting of domestic and external revenues and expenditure in order to strengthen medium-term fiscal planning and expenditure programming.
- h) Strengthen linkages between national development plans and the medium-term fiscal and expenditure frameworks with a view to improving strategic prioritisation of programmes and their costing.

Goal 6: Managing for development results

6. Managing for results involves the use of evidence for decision-making, enabling resource allocation, planning and implementation to be better focused on achieving development results. Practical results based approaches can be applied at all stages of the development cycle, thereby improving clarity on what is expected to be achieved, transparency in what is being achieved and accountability for the use of development resources.

In this connection, what are your views on the possible commitments presented below? How could they be further strengthened? Are there additional or alternative commitments or specific targets that you wish to add?

Possible donor commitments:

- a) Intensify support for capacity building in results based public sector management by ensuring that support for monitoring and evaluation and statistics is properly phased, integrated into public sector management reforms, and coordinated across donors.
- b) Use country based monitoring and evaluation systems for reporting on donor supported operations, avoiding fragmented systems that are not integrated into a broader capacity building effort.
- c) Ensure that alignment of donor country programs to national strategies includes a clear results orientation that allows results management of the country program during implementation.

Possible partner country commitments:

- d) Intensify efforts to deepen the use of results based monitoring and evaluation in planning and expenditure management.
- e) Emphasize the importance of strengthening monitoring and evaluation capacity at the sub-national level of Government, which is appropriately linked to national systems.
- f) Increase the active involvement of civil society in the monitoring and evaluation of national programs
- g) Continue to focus on improving statistical capacity

Additional challenges and issues for consideration and follow-up

7. Donors are encouraged to bolster their efforts by (i) strengthening implementation of the 2001 DAC Recommendation on untying aid; (ii) increasing transparency about the tying status of technical co-operation; (iii) improving the effectiveness of food aid, and; (iv) extending the benefits of untying to a wider group of stakeholder.

8. To facilitate implementation and to be able to monitor and evaluate progress toward the above goals, donors and partners should:

- Disseminate good practices across donors and partner countries.
- Develop a limited set of monitorable indicators as a means of tracking and reporting on progress in implementing the commitments made in Rome and Paris.
- Establish means of independent evaluation of progress in implementing the commitments made in Rome and Paris.
- Establish monitoring processes at country level to review cooperation between and among donors and partner countries (e.g. drawing on the Tanzania Independent Monitoring Group).
- Undertake regular public reviews of the above commitments.
- Organise a stocktaking meeting in 2 years.

Please suggest additional challenges that need to be addressed in order to improve aid effectiveness.