

Paris, 3 August 2005

[Name]

Dear [Name],

**Re: Paris Declaration on Aid Effectiveness: Setting the Targets**

We are writing to you and to all the heads of delegation of the countries and organisations represented at the High Level Forum on Aid Effectiveness that took place in Paris on 28 February-2 March this year to follow up paragraph 9 of the Declaration we adopted. This states that the five preliminary targets which we established in Paris should be reviewed and targets should be set against remaining indicators as shown in Section III of the Declaration before the UNGA Summit in September 2005.

The partnership of donors and partner countries hosted by the OECD Development Assistance Committee (DAC) was asked to prepare for this urgently. The relevant group (the Working Party on Aid Effectiveness) met twice, on 30-31 May and on 7-8 July, and has completed its work. Many of your countries and agencies participated in these meetings. We are pleased now to be able to send you a formal proposal for targets for all eleven of the indicators for which it was agreed in Paris that targets should be reviewed or set. For the twelfth indicator, on untying, we agreed in Paris that the target should be "continued progress".

The proposal for targets which is attached represents the product of intensive technical work and equally intensive negotiation. We are very pleased that all members of the Working Party have been able to accept these targets, subject only to a reservation at this stage by one donor on the methodology for the indicators on procurement (2b and 5b) and on the applicability of a sub-target under indicator 5a to multilateral aid. We are in touch with the donor concerned with a view to assisting the resolution of the methodological concerns raised.

We believe that this agreement is a remarkable achievement which will help materially in encouraging the delivery of the commitments to which donors and partner countries committed themselves in Paris. We have sought, and we believe achieved, a reasonable balance between the levels of ambition proposed for both sets of actors. We would like to emphasise the fact that, as agreed in the Paris Declaration, the targets "are not intended to prejudice or substitute for any targets that individual partner countries may wish to set"; and the same goes of course for donors. What we will be measuring through these targets is the extent to which there is progress across the "universe" of those countries which participated in the High Level Forum, and the Working Party fully recognised that actual outcomes will need to reflect the actual situations and levels of ambition that individual actors wish to set themselves against this broader aggregate.

We very strongly recommend these targets to you on this basis and urge their approval by all Paris participants. We suggest that if you feel unable to subscribe to the targets, you so inform the Secretariat by the end of August [email to: christian.lehembre@oecd.org]. In the absence of comment, we will assume that you are content, though any expressions of support by the same date would of course be welcome. We will then report to the Co-Chairs of the UNGA Summit and to the UN Secretary-General the extent to which the Paris HLF participants have indeed succeeded in adopting the full set of targets ahead of the UNGA. We are writing in similar terms to the representatives of the civil society organisations present at the HLF, but not seeking their formal endorsement.

The Paris Declaration also commits us to propose, by the end of 2005, arrangements for the medium term monitoring of its commitments. We are pleased to report that work is in hand to this end. We anticipate that the first of the two monitoring rounds called for in paragraph 12 of the Declaration will be held in mid-2006. We are also delighted to inform you that, as members of the Working Party are already aware, the Government of Ghana has agreed to host the third High Level Forum in 2008, and the Government of Vietnam has agreed to host a regional event in the run-up to the HLF itself.

Yours sincerely,



Richard Manning  
Chair of the Development Assistance Committee



Michel Reveyard  
Chair, DAC Working Party on Aid Effectiveness

## PARIS DECLARATION ON AID EFFECTIVENESS

### Suggested Targets for the 12 Indicators of Progress

1. This document sets out the agreement reached by the OECD-DAC Working Party on Aid Effectiveness on the targets for the 12 Indicators of Progress included in the Paris Declaration (2 March 2005). A more comprehensive report describing the methodology is provided in another document [Ref. DCD/DAC/EFF(2005)9/REV2] and is available on the OECD-DAC Web site ([www.oecd.org/dac/effectiveness](http://www.oecd.org/dac/effectiveness)) and at: [www.aidharmonization.org](http://www.aidharmonization.org).
2. The targets, in accordance with the Paris Declaration, are: “designed to track and encourage progress at the global level among the countries and agencies that have agreed to this Declaration. They are not intended to prejudge or substitute for any targets that individual partner countries may wish to set.” (Paris Declaration para. 9)
3. It was agreed that a distinction would be made between, on the one hand, the universe of countries for which the targets will be set for 2010 (*universe for the purpose of targeting*), and on the other hand, the universe of countries for which progress will be monitored over time (*universe for the purpose of monitoring*). The *universe for the purpose of targeting* is limited to ODA eligible countries that have already endorsed the Paris Declaration (and listed under Appendix B of the Declaration) or will have endorsed it by 31 December 2005. The *universe for the purpose of monitoring* is open to all ODA eligible countries that have already endorsed, or will endorse in the future, the Paris Declaration.
4. It was noted that in accordance with the Paris Declaration (para. 12) two rounds of monitoring would be undertaken before the third High Level Forum on Aid Effectiveness planned in 2008. The first round is to be undertaken in the course of 2006 in order to establish the 2005 baselines for the twelve indicators. The comprehensive baseline in 2005 will provide the basis for expressing more representative numerical values for the relative targets (e.g. halve the proportion of aid flows (...)) will remain the target, but the equivalent value will be expressed as X% of aid flows).
5. It was recognised that additional work would have to be undertaken by the Working Party in order to develop a monitoring plan before the end of the year and design a questionnaire to collect data at country level. It was agreed that, in designing the questionnaire, particular attention would be given to minimising the transaction costs of collecting the information.
6. Additional points of agreement on specific indicators are presented in the appendix.

## Suggested Targets for the 12 Indicators of Progress in the Paris Declaration

Indicators		Assessment criteria		Definitions / Qualifying criteria	Baseline & Targets for 2010	
1	<b>OPERATIONAL DEVELOPMENT STRATEGIES</b>	<p><b>Qualitative assessment</b> based on five ownership-related assessment criteria drawn from the <i>World Bank Comprehensive Development Framework (CDF) Analysis</i>:</p> <ul style="list-style-type: none"> <li>▪ Coherent long-term vision.</li> <li>▪ Medium-term strategy derived from vision.</li> <li>▪ Country specific development targets.</li> <li>▪ Holistic, balanced, well sequenced strategy.</li> <li>▪ Capacity and resources for implementation.</li> </ul>		<p>Partner countries have operational development strategies when they have <b>substantially developed</b> (score an 'A' in CDF methodology) or <b>largely developed</b> (score a 'B') operational development strategies.</p>	<b>Baseline</b>	[9%]* on the basis of CDF analysis.
					<b>Target</b>	<b>At least 75% of partner countries</b> have operational development strategies.
2a	<b>RELIABLE COUNTRY PUBLIC FINANCIAL MANAGEMENT SYSTEMS</b>	<p><b>Qualitative assessment</b> based on four assessment criteria drawn from the <i>World Bank Country Policy and Institutional Assessment (CPIA) analysis</i>:</p> <ul style="list-style-type: none"> <li>▪ A comprehensive and credible budget linked to policy priorities.</li> <li>▪ Effective financial management systems of budget expenditure &amp; budget revenues.</li> <li>▪ Timely and accurate fiscal reporting.</li> <li>▪ Clear and balanced assignment of expenditures and revenues to each level of government.</li> </ul>		<p>Partner countries increase their score against the PFM scale of performance. The PFM scale of performance is based on the CPIA assessment and ranked from 1 (very weak PFM systems) to 6 (very strong) in half point (0.5) measures.</p>	<b>Baseline</b>	[Not applicable]
					<b>Target</b>	<b>Half of partner countries</b> move up at least one measure (i.e. 0.5 points) on the PFM/CPIA scale of performance.
2b	<b>RELIABLE COUNTRY PROCUREMENT SYSTEMS</b>	<p><b>Qualitative assessment</b> based on four assessment criteria drawn from the <i>Roundtable on Procurement analysis</i>:</p> <ul style="list-style-type: none"> <li>▪ Legislative and regulatory framework.</li> <li>▪ Institutional framework &amp; management capacity.</li> <li>▪ Procurement operations and market practice.</li> <li>▪ Transparency &amp; integrity of public procurement systems.</li> </ul>		<p>Partner countries increase their score against the Procurement scale of performance. The Procurement scale of performance is ranked from 'A' (systems fully achieve good practice) to 'D' (systems do not achieve good practice).</p>	<b>Baseline</b>	[Not applicable]
					<b>Target</b>	<b>One third of partner countries</b> move up at least one measure (i.e. from D to C, C to B or B to A) on the four-point scale used to assess performance for this indicator.
3	<b>AID FLOWS ARE ALIGNED ON NATIONAL PRIORITIES</b>	<b>Numerator</b>	Aid flows to the government sector reported on government's budget(s).	<p>Additional technical guidance to be developed by the WP-EFF on coverage of this indicator (see note below on Indicator 3).</p>	<b>Baseline</b>	[90%]* on the basis of IMF's indicative baseline survey.
		<b>Denominator</b>	Aid flows to the government sector scheduled for fiscal year.		<b>Target</b>	<b>Halve the gap</b> — halve the proportion of aid flows to government sector not reported on government's budget(s) (with at least 85% reported on budget).

\* Comprehensive baseline for 2005 to be established in the course of 2006.

Suggested Targets for the 12 Indicators of Progress in the Paris Declaration

Indicators		Assessment criteria		Definitions / Qualifying criteria	Baseline & Targets for 2010	
4	<b>STRENGTHEN CAPACITY BY COORDINATED SUPPORT</b>	<b>Numerator</b>	Volume of technical cooperation provided through coordinated programmes in support of capacity development.	Additional technical guidance to be developed by the WP-EFF on operational definition of "coordinated programmes" and "technical cooperation".	<b>Baseline</b>	[27%]* on the basis of World Bank's indicative baseline survey.
		<b>Denominator</b>	Total volume of technical cooperation provided at country level.		<b>Target</b>	<b>50% of technical cooperation flows</b> are implemented through coordinated programmes consistent with national development strategies.
5a	<b>USE OF COUNTRY PFM SYSTEMS (% of aid flows)</b>	<b>Numerator</b>	Aid flows that use country PFM systems.	Partner countries with a <b>score of 5 or above</b> on the PFM/CPIA scale of performance (see Indicator 2a).	<b>Baseline</b>	[Indicative baseline currently not available]
		<b>Denominator</b>	Total aid flows.		<b>Target</b>	<b>Reduce the gap by two-thirds</b> – A two-thirds reduction in the proportion of flows to the public sector not using partner countries' PFM systems.
		<b>Numerator</b>	Aid flows that use country PFM systems.	Partner countries with a <b>score between 3.5 and 4.5</b> on the PFM/CPIA scale of performance (see Indicator 2a).	<b>Baseline</b>	[Indicative baseline currently not available]
		<b>Denominator</b>	Total aid flows.		<b>Target</b>	<b>Reduce the gap by one third</b> — A one-third reduction in the proportion of flows to the public sector not using partner countries' PFM systems.
5a	<b>USE OF COUNTRY PFM SYSTEMS (% of donors)</b>	<b>Numerator</b>	Number of donors that use country PFM systems on a country by country basis.	Partner countries with a <b>score of 5 or above</b> on the PFM/CPIA scale of performance (see Indicator 2a)	<b>Baseline</b>	[Indicative baseline currently not available]
		<b>Denominator</b>	Total number of donors on a country by country basis.		<b>Target</b>	<b>100% of donors</b> use partner countries' PFM systems.
		<b>Numerator</b>	Number of donors that use country PFM systems on a country by country basis.	Partner countries with a <b>score between 3.5 and 4.5</b> on the PFM/CPIA scale of performance (see Indicator 2a)	<b>Baseline</b>	[Indicative baseline currently not available]
		<b>Denominator</b>	Total number of donors on a country by country basis.		<b>Target</b>	<b>90% of donors</b> use partner countries' PFM systems.

\* Comprehensive baseline for 2005 to be established in the course of 2006.

Suggested Targets for the 12 Indicators of Progress in the Paris Declaration

Indicators		Assessment criteria		Definitions / Qualifying criteria	Baseline & Targets for 2010	
5b	USE OF COUNTRY PROCUREMENT SYSTEMS (% of aid flows)	Numerator	Aid flows that use country Procurement systems.	Partner countries with a <b>score of 'A'</b> on the Procurement scale of performance (see Indicator 2b).	Baseline	[Indicative baseline currently not available]*
		Denominator	Total aid flows.		Target	<b>Reduce the gap by two-thirds</b> — A two-thirds reduction in the proportion of flows to the public sector not using partner countries' procurement systems.
		Numerator	Aid flows that use country Procurement systems.	Partner countries with a <b>score of 'B'</b> on the Procurement scale of performance (see Indicator 2b).	Baseline	[Indicative baseline currently not available]*
		Denominator	Total aid flows.		Target	<b>Reduce the gap by one third</b> — A one-third reduction in the proportion of flows to the public sector not using partner countries' procurement systems.
5b	USE OF COUNTRY PROCUREMENT SYSTEMS (% of donors)	Numerator	Number of donors that use country Procurement systems on a country by country basis.	Partner countries with a <b>score of 'A'</b> on the Procurement scale of performance (see Indicator 2b).	Baseline	[Indicative baseline currently not available]*
		Denominator	Total number of donors on a country by country basis.		Target	<b>100% of donors</b> use partner countries' procurement systems.
		Numerator	Number of donors that use country Procurement systems on a country by country basis.	Partner countries with a <b>score of 'B'</b> on the Procurement scale of performance (see Indicator 2b).	Baseline	[Indicative baseline currently not available]*
		Denominator	Total number of donors on a country by country basis.		Target	<b>90% of donors</b> use partner countries' procurement systems.
6	AVOIDING PARALLEL IMPLEMENTATION STRUCTURES	Number of parallel Project Implementation Units (PIUs).		<p><b>PIU</b> — dedicated management units designed to support donor funded projects or programmes.</p> <p><b>Parallel PIU</b> – PIU created outside the existing structure of the national implementing agency (e.g. ministry or other agencies) or which duplicate or recreate ministry functions and capabilities (see note on Indicator 6 below).</p>	Baseline	[World Bank indicative analysis shows that are more than 1652 parallel PIUs in 34 countries]*
				Target	<b>Reduce by two-thirds</b> the stock of parallel PIUs.	

\* Comprehensive baseline for 2005 to be established in the course of 2006.

## Suggested Targets for the 12 Indicators of Progress in the Paris Declaration

Indicators		Assessment criteria		Definitions / Qualifying criteria	Baseline & Targets for 2010	
7	<b>AID IS MORE PREDICTABLE</b>	<b>Numerator</b>	Aid flows disbursed within the fiscal year for which it was scheduled.	Additional technical guidance to be developed by the WP-EFF.	<b>Baseline</b>	[80%]* on the basis of World Bank's indicative baseline survey.
		<b>Denominator</b>	Aid flows scheduled for fiscal year.		<b>Target</b>	<b>Halve the gap</b> — halve the proportion of aid not disbursed within the fiscal year for which it was scheduled.
8	<b>AID IS UNTIED</b>	<b>Numerator</b>	Untied bilateral ODA commitments.	Data drawn from reporting by DAC donors to the annual DAC questionnaire.	<b>Baseline</b>	[41%]* of aid flows are untied.
		<b>Denominator</b>	Total bilateral ODA commitments.		<b>Target</b>	<b>Continued progress over time.</b>
9	<b>USE OF COMMON ARRANGEMENTS OR PROCEDURES</b>	<b>Numerator</b>	Volume of aid released as programme-based approach.	Programme-based approach (PBA) as defined in Paris Declaration and categorised as follows: <ul style="list-style-type: none"> <li>▪ National support (general budget and balance of payment support).</li> <li>▪ Sector support (budget support at sector level and projects integrated in sector-wide approaches).</li> <li>▪ Other forms of PBAs.</li> </ul>	<b>Baseline</b>	[43%]* on the basis of World Bank's indicative baseline survey.
		<b>Denominator</b>	Total aid flows.		<b>Target</b>	<b>66% of aid flows</b> are provided in the context of programme based approaches.
10a	<b>JOINT MISSIONS</b>	<b>Numerator</b>	Number of donor missions to the field undertaken by two or more donors jointly or by one donor on behalf of other donor(s).	<b>Donor missions to the field</b> — are missions undertaken by officials to an aid recipient country and that include a request to meet with officials from the country of destination excluding workshops, conferences etc.	<b>Baseline</b>	[15%]* on the basis of World Bank's indicative baseline survey.
		<b>Denominator</b>	Total number of donor missions to the field.		<b>Target</b>	<b>40% of donor missions</b> to the field are joint.

\* Comprehensive baseline for 2005 to be established in the course of 2006.

## Suggested Targets for the 12 Indicators of Progress in the Paris Declaration

Indicators		Assessment criteria		Definitions / Qualifying criteria	Baseline & Targets for 2010	
10b	JOINT COUNTRY ANALYTIC WORK	Numerator	Number of country analytic reports undertaken by two or more donors jointly or by one donor on behalf of other donor(s).	<b>Country analytic work</b> — country analytic work is defined to include: <ul style="list-style-type: none"> <li>▪ Diagnostic reviews (e.g. Country Procurement Assessment Report).</li> <li>▪ Country or sector studies and strategies.</li> <li>▪ Country or sector evaluations and discussion papers.</li> </ul>	Baseline	[30%]* on the basis of World Bank's indicative baseline survey.
		Denominator	Total number of country analytic reports.		Target	<b>66% of country analytic work is joint.</b>
11	RESULTS-ORIENTED FRAMEWORKS	<b>Qualitative assessment</b> based on three assessment criteria drawn from the <i>World Bank CDF Analysis</i> : <ul style="list-style-type: none"> <li>▪ Quality of development information.</li> <li>▪ Stakeholder access to development information.</li> <li>▪ Coordinated country-level monitoring &amp; evaluation.</li> </ul>		Partner countries have transparent and monitorable performance assessment frameworks when they have <b>substantially</b> (score an 'A' in CDF methodology) or <b>largely developed</b> (Score a 'B') good practice in this area.	Baseline	[4%]* on the basis of CDF analysis.
					Target	<b>Reduce the gap by one third</b> — Reduce the proportion of countries without transparent & monitorable performance assessment frameworks by one third.
12	MUTUAL ACCOUNTABILITY	Numerator	Number of partner countries that undertake mutual assessments of progress in implementing agreed commitments and more broadly their development partnerships.	<b>Mutual assessments</b> include independent assessments and can draw from South-South learning.	Baseline	[9%]* on the basis of World Bank's indicative baseline survey.
		Denominator	Total number of countries.		Target	<b>100% of partner countries</b> have mutual assessment reviews in place.

\* Comprehensive baseline for 2005 to be established in the course of 2006.

## **APPENDIX:** ADDITIONAL POINTS OF AGREEMENT ON THE INDICATORS OF PROGRESS

**Indicator 1** — It was agreed that the World Bank would be asked to take account of concerns expressed by members on the CDF<sup>1</sup> methodology for assessing national development strategies and in particular, on the need for the CDF assessment to consult partner countries. Members also suggested that the assessment criteria should give priority to such issues as: (i) participation of stakeholders to national development strategies (NDS), (ii) linkages to the Millennium Development Goals (MDGs) and (iii) clear relationship between the NDS and medium-term budgets.

**Indicator 3** — Additional technical guidance will be developed by the WP-EFF in order to determine: (i) which aid flows to the government sector might be reported on government budget(s) and; (ii) whether in addition to the central government budgets Indicator 3 should also capture aid flows reported on budgets at sub-national levels. In doing so, the WP-EFF will balance the desirability of comprehensive coverage against the practicality and cost of collecting the information.

**Indicators 2b & 5b** — Building on the approach agreed at the Working Party, additional work is to be undertaken on the methodology for categorising reliable procurement systems.

**Indicator 4** — Indicator 4 will be measured on the basis of a questionnaire rather than on the basis of a qualitative assessment. Additional technical guidance will be developed by the Working Party on operational definitions of “coordinated programmes” and “technical cooperation”. When designing the questionnaire special attention will be given to minimising the transaction costs incurred in collecting information for this indicator and encouraging country level dialogue.

**Indicator 6** — The target would be set on the basis of the total stock of parallel PIUs rather than the number of parallel PIUs per country. It was agreed that in assessing locally whether PIUs are “outside the existing structure of the national implementing agency” the following criteria might be useful: (i) Staff are mainly not on the payroll of the national implementing agency; (ii) Parallel PIUs are accountable to the external funding agencies rather than to the national implementing agency; (iii) Parallel PIUs have terms of reference for externally appointed staff that are determined by the external funding agency rather than by the national implementing agency. It was also agreed that additional technical guidance on indicator 6 will be developed by the Working Party as necessary. This should include criteria to clearly distinguish PIUs from technical advice provided directly to national implementing agencies.

**Indicators 7 & 9** — Additional technical guidance to be developed by the Working Party including types of aid flows to be reported for Indicator 7.

**Indicator 10a** — The Working Party agreed that discipline should be exerted over the total number of missions to any country. The target set against this indicator recognises that there is a proper place for missions from a single donor.

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<sup>1</sup> Comprehensive Development Framework (CDF).