



House of Commons
International Development
Committee

**Working Together to
Make Aid More
Effective: Government
Response to the
Committee's Ninth
Report of Session
2007–08**

**Seventh Special Report of Session
2007–08**

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Seventh Special Report

On 17 July 2008 the International Development Committee published its Ninth Report of Session 2007–08, *Working Together to Make Aid More Effective*, HC 520-I. On 23 September 2008 we received the Government's response to the Report. It is reproduced as an Appendix to this Special Report.

In the Government Response, the Committee's conclusions and recommendations are in bold text. The Government's response is in plain text.

Appendix: Government response

We welcome the International Development Committee's report and appreciate their consideration of this critical issue. We are pleased that the report recognises that the UK has performed well against almost all the targets in the Paris Declaration on Aid Effectiveness and that the Development Assistance Committee of the Organisation for Economic Cooperation and Development has acknowledged UK leadership on aid effectiveness. The report provides helpful contributions to further strengthen DFID's own aid effectiveness and our contribution to international progress on aid effectiveness.

More effective aid

[Paragraph 11] The Paris Declaration is an important milestone for aid effectiveness. We commend the commitment shown by donors and developing countries to working together to make aid more effective. The UK has performed well against almost all of the Declaration targets and we welcome UK commitment to meet all targets by the 2010 deadline. Global progress, however, has been patchy and slow. We recommend that DFID raise in its discussions with all donors, but particularly the United States and Japan, the urgency of progress against the targets.

The 2008 DAC monitoring survey of the Paris Declaration shows DFID continues to make strong progress. We have already met seven out of the ten 2010 targets and are on track to meet the remaining three. However, we remain concerned about slow progress at the international level. DFID recognises the importance of influencing other donors to implement the Paris Declaration in order to improve the effectiveness of global aid. This is critical to achieve the MDGs and requires action by all donors. DFID continues to work with and influence all donors through international processes to accelerate progress on aid effectiveness.

DFID's international leadership and influencing, working closely with the European Union (EU), at the third High Level Forum on Aid Effectiveness (HLF) in Ghana on 2 – 4 September 2008 helped reach a landmark international agreement which all major donors, including Japan and the US, have signed. Strong UK leadership helped to deliver commitments in crucial areas:

- A step change in donors' use of partner government systems to deliver aid, with a new target to channel 50% of government-to-government aid through country systems;
- Strengthening of national, and for the first time international, mutual accountability mechanisms, allowing donors and partner countries to better hold each other accountable for meeting their commitments, with a milestone agreed for 2009;
- Donors agreed to respect and support partner country-led efforts to agree a better division of labour between donors at country level - and for the first time at international level too; we agreed to start dialogue on international division of labour by June 2009;
- New policy commitments for donors working in fragile situations, including through use of pooled funding mechanisms where needed to support stabilisation and peace building;
- For the first time and beginning now, donors will provide partner governments with forward expenditure or implementation plans for the following 3-5 years.

Oxfam said of the Accra Agenda for Action: *The stage is set for important improvements in the way aid is delivered.... If governments north and south match their words with action, we could see real progress in tackling poverty.*¹

A copy of that agreement is attached to this response as an Annex.

[Paragraph 15] That transaction costs should come down as a result of better donor coordination is a plausible assumption. We would, however, like to see some hard evidence to prove this. Without it, DFID is operating on guesswork. We recommend that DFID programme the research necessary to provide the evidential base which links DFID's inputs in terms of coordinating with other donors to the outputs of lower transaction costs for the recipient country. This should provide the platform for the additional effort necessary if DFID is to respond positively to the OECD's recommendation that donors need to "work aggressively to reduce the transaction costs of delivering and managing aid".

DFID agrees it is important to collect evidence that aid effectiveness is reducing transaction costs for partner countries. The Paris Declaration on Aid Effectiveness is based on evidence about the negative impact of uncoordinated and unaligned aid on partner countries, for example, the major study *Assessing Aid*² published in 1998.

The UK has played a major role in commissioning two of the largest ever joint evaluations which look at how donors and developing countries are working together to harmonise and align aid. The UK led and co-funded the multi-donor evaluation of General Budget Support in 2006/7 and was one of the main funders of the independent evaluation of the Paris Declaration on Aid Effectiveness in 2008. Together these provide an authoritative

¹ Robert Fox, Oxfam International head of delegation

² *Assessing Aid: What Works, What Doesn't and Why*, D Dollar and L Pritchett, 1998, World Bank Policy Research paper

and independent assessment of the available evidence on transactions costs. The UK also commissioned an earlier smaller review in 2005/6 which looked at harmonisation and transaction costs.

Together these suggest that there is some evidence that harmonisation (ie donor coordination) has led to reduced transaction costs for partner countries but that this requires an up-front investment in systems for joint work which take time and resources initially. The benefits can only be realised if, as well as working together and through governments, we ensure that parallel systems at project level or from individual donor agencies are gradually dismantled. The Joint Evaluation of General Budget Support (2006) concluded *‘Although the high-level negotiation and monitoring costs of PGBS (partnership general budget support) are often perceived as onerous, there are large transaction cost savings for partner countries during the implementation of PGBS-financed activities. However, the extent of transaction cost savings has been limited by the scale on which other modalities have continued in parallel.’*³

DFID will continue to work through the DAC to encourage joint donor evaluation as this is more likely to lead to joint action by donors, which is necessary to reduce transaction costs. The second phase of the Paris Declaration Evaluation, to report in 2010, will seek more conclusive evidence of the longer-term effects.

[Paragraph 17] We are pleased to see that the Peer Review carried out by members of the Development Assistance Committee of the Organisation for Economic Cooperation and Development is broadly positive about DFID’s performance on aid effectiveness. Where DFID is a leader, it is right that it promotes its achievements. We agree, however, with the Chairman of that Committee that taking this a step further—being “pushy”—does not stimulate cooperation. Cooperation cannot simply be on DFID’s terms. Working with others to make aid more effective requires a certain flexibility of approach which DFID has so far found difficult. We recommend that DFID reassess its engagement with other donors on aid effectiveness so as to prioritise effective coordination over promotion of its own model.

DFID’s approach is to support partner country leadership rather than promoting its own model. In Ghana, for example, the UK has worked with a range of partners to develop a joint donor assistance strategy that places Ghana’s national development strategy at centre stage. DFID’s model is the international consensus on aid effectiveness, including the Paris Declaration which has been signed by over 100 donors, partner countries and NGOs.

We agree that it is very important to work in partnership with other donors and to adapt our approach to country circumstances. We pool funding or have delegated cooperation arrangements with other donors in 29 countries and we have joint strategies with other donors in 12 countries. We work with others on evaluation to learn jointly how to further improve, for example we have taken part in a joint donor study led by JICA (Japan International Co-operation Agency) on technical cooperation and we led the joint donor evaluation of budget support which was supported by 24 bilateral and multilateral donors and seven partner governments.

³ Joint Evaluation of General Budget Support 1994 -2004, IDD and Associates, Synthesis report, May 2006, p 55.

We consistently work to develop common positions with other donors eg in preparation for the Third High Level Forum we developed joint positions with the Nordic+ group of donors and the EU which proved critical in securing an ambitious international agreement. We recognise it is important that DFID staff have the right skills to work effectively with partners on a joint approach to aid effectiveness. To achieve this we expect our staff to have more political and institutional knowledge about DFID's stakeholders, interpersonal skills to enable them to build relationships and communication and influencing skills. These are all crucial to delivering better donor coordination.

Ownership

[Paragraph 20] It is anomalous that the Paris Declaration places so much emphasis on ownership as central to effective development and yet the process set up to monitor the Declaration places so little emphasis on it. We understand the argument that ownership is one of the more difficult principles to measure. Three years on from the Paris agreement, however, the principle of ownership seems to us to be more rather than less critical to the success of international commitments on aid effectiveness. It is therefore imperative that DFID work to agree more effective mechanisms at or following the Accra High Level Forum to monitor progress against a greater range of targets linked to ownership.

DFID agrees with the IDC about the centrality of ownership for effectiveness development. Though there are currently only two Paris targets specifically on ownership, other targets measure actions by both partner governments and donors, for example the targets on indicator 3 on recording aid on budget and indicator 7 on predictability of aid. The Accra Agenda for Action, agreed in September 2008, highlights country ownership as key. It includes new commitments by partner countries and donors to strengthen ownership by broadening development dialogue, supporting country-led capacity development and greater use of partner country systems.⁴ DFID and the EU helped get specific commitments in the Accra Agenda for Action to support country ownership, for example, to include stronger parliamentary scrutiny and citizen engagement in reviews of progress against mutually agreed results, and that donors will respect partner country priorities in determining the optimal roles of donors in supporting their development.

Also at the High Level Forum meeting, 14 public and private donors including the World Bank, UNDP, EC and Germany signed up to a new UK-led 'International Aid Transparency Initiative' to ensure that information on aid flows is available to everyone. The initiative was widely welcomed by donors, partner countries and civil society and will enable partner governments and their citizens—those who ultimately benefit from aid—to plan for and make the best use of aid. It also helps citizens hold donors and governments to account for their promises.

Agreeing new targets to monitor the Paris Declaration requires full international agreement with donors and partner countries so will require lengthy negotiation and influencing. The current DAC evaluation of the Paris Declaration will provide evidence to help identify what new targets are needed, as will the commitments agreed in the Accra

⁴ Accra Agenda for Action, September 2008, paras 12 - 15

Agenda for Action. DFID will take this forward through the international process to agree a new set of targets to monitor the Paris Declaration from 2010 onwards.

[Paragraph 24] Governments’ natural interlocutors are other governments. But ownership can no longer be understood simply to mean government ownership of the development effort. DFID must consistently define ownership as a democratic process which involves parliaments, civil society and citizens more broadly. We recommend that DFID adopt a strategy to ensure that its programmes secure a broader level of ownership by involving organisations and individuals outside government regularly and meaningfully in its development dialogue with developing country governments. DFID should also make a commitment, as the Swedish Government has done, to place citizens actively at the heart of its development policy, emphasising that they are not simply passive recipients. We also urge DFID to give more active support to parliamentarians in developing countries, including opposition members, to enable them to take a more active part in shaping and monitoring aid to their countries.

We agree that ownership should be defined as a democratic process involving parliaments, civil society and citizens more broadly. DFID’s 2006 White Paper: “Making Governance Work for the Poor” and our recent publication, “Governance, Development and Democratic Politics” clearly outline DFID’s commitment to bringing citizens centre-stage by promoting improved accountability and responsiveness of states to their citizens.

DFID actively supports parliaments, civil society and marginalised and excluded groups to participate in the development of country policies and strategies. Our new £130 million Governance and Transparency Fund supports civil society to engage with governments about the way they plan, prioritise and allocate resources. We have parliamentary support projects in 10 countries in Africa (compared to budget support in nine countries in Africa), including a £2.65 million programme to strengthen the capacity of the Nigerian National Assembly. DFID has supported over 30 parliamentary strengthening projects since 1988 and our annual bilateral spend of approx £14 million each year is on an upward trend. Our support to parliaments is in line with the Paris Declaration, for example, our aid is provided through local plans, is long-term and predictable and we coordinate with other donors. With four other donors, we have created an evidence base to demonstrate how gender equality, human rights and social inclusion have been integrated into current approaches to aid effectiveness and implementation of Paris, in order to help ensure that development benefits poor people.

DFID consults widely with partners in country, such as parliamentarians and civil society, when it develops its country strategy and at key points, such as during regular reviews of progress on budget support and other key programmes. Given the proliferation of donors and finite capacity of parliamentarians and civil society, we need to use their time strategically and avoid burdening them with large numbers of donor-specific projects and plans. This could compromise their ability to hold their own governments to account for use of all resources, both national and external.

The Accra Agenda for Action highlights the critical role of parliaments in ensuring country ownership of the development process. DFID helped achieve ambitious commitments to turn this into reality. For example, we were successful in achieving agreement that there will be ‘stronger parliamentary scrutiny and citizen engagement’ in mutual reviews of

progress between donors and partner governments in-country. Developing countries agreed to facilitate parliamentary oversight by making their financial management systems more transparent.⁵ Donors committed to support the capacity of all development actors, including parliaments, to take an active role in dialogue on development policy and on the role of aid in contributing to countries' development objectives.⁶

[Paragraph 27] We believe that broad ownership and leadership by developing countries of their own development effort is intrinsically necessary, fair and right. This argument would however be stronger with the support of a solid evidential base linking ownership to better development outcomes. Without such a base, DFID is acting in accordance with a broad consensus and with good intentions, but without proof that ownership is right not only in principle but also as a means to achieving effective aid and therefore good value for UK taxpayers. We recommend that DFID pursue such research urgently.

We agree with the importance of solid evidence to demonstrate the link between ownership and better development outcomes. DFID's approach is based on strong evidence demonstrating this. For example, a major World Bank study by Dollar and Pritchett: *Assessing aid: What Works, What doesn't and Why* (1998) concluded: *When societies desire reform, foreign aid can provide critical support—in ideas, training, and finance. Efforts to 'buy' policy improvements in countries where there is no movement for reform, by contrast, have typically failed.* Other major studies have documented evidence of the importance of ownership for development outcomes.

Experience shows ownership is critical for achieving the MDGs. For example, aid for health has doubled since 2000 because many countries remain off-track for the health MDGs. While there have been some impressive results, progress in other areas has been slower, especially reducing child and maternal mortality. Poor underlying health systems are the constraining factor. To build basic health systems, aid needs to support national priorities and appear on the national budget. Through the International Health Partnership, which the UK pioneered, donors are now supporting partner country plans to strengthen the health system and coordinate aid.

DFID is working with other donors and partner countries to develop evidence and learning. For example, both the Joint Evaluation of General Budget Support (2006) and the first phase of the DAC-led Evaluation of the Paris Declaration (2008) have shown that there has been tangible strengthening of national development policies and strategies—and implementation—in partner countries since 2005. This is linked to the focus on ownership in the political dialogue at the core of aid relationships, and the use of new aid instruments, such as budget support and other programmatic aid. While both evaluations report positive findings and trends, they also highlight the significant challenges of leadership and partner government capacity, and caution against overly-high expectations. A second phase of the Evaluation of the Paris Declaration (to 2010) will focus on understanding the development outcomes of the Paris commitments. Where appropriate and possible, both DFID and joint evaluations will continue to gather evidence on the

⁵ Accra Agenda for Action, September 2008, paras 24 a and b,

⁶ Accra Agenda for Action, September 2008, para 13b,

development outcomes which can be attributed to political ownership, and the lessons which can be learned from recent experience.

[Paragraph 30] Effective leadership by recipient governments of development efforts is particularly difficult in fragile states. We agree with DFID that the UN, despite the many concerns about the effectiveness of that organisation, can play a leading role in such environments. We encourage the Government to include in its strategies for such states complementary engagement with local stakeholders on the ground.

The DAC Principles for Good International Engagement in Fragile States and Situations make it clear that where national governance and leadership is weak, donors should consult with a range of national stakeholders to identify and meet the needs of people on the ground. DFID regularly consults such stakeholders, including civil society, parliaments and the private sector in countries where our aid programmes are aligned with government strategies, but especially where this is not possible. For example, in Zimbabwe by working through UNICEF, DFID is able to support an existing National Plan of Action on Orphans and Vulnerable Children. This includes needs assessments and multi-stakeholder co-ordination structures (23 intermediary NGOs reaching around 100 faith based organisations). The UN's potential leadership role depends on country context and is particularly important in conflict-affected countries. We also encourage the UN to work closely with local stakeholders in the ground. For example, we have been strong supporters of civil society participation in the process of drawing up peacebuilding strategies and managing peacebuilding funds in the countries on the UN Peacebuilding Commission's agenda.

In the Accra Agenda for Action, donors agreed ways to use aid better to support state-building and peace-building in 'fragile states', including those suffering from conflict. This includes commitments to strengthen engagement with local stakeholders on the ground. Donors have agreed to engage with developing country authorities and '*other relevant stakeholders*' in countries in fragile situations to help decide their strategy. Donors and partner countries have also agreed that peace- and state-building objectives will '*help ensure the protection and participation of women*'.⁷

[Paragraph 35] Where there is demand from developing countries for technical assistance, we believe that it can be a useful channel for British aid. All too often, however, developing countries assert that technical assistance is a fig leaf for tied aid which allows donors to keep tight control of the assistance on offer. Those donors, such as DFID, who are responsive to these concerns should take a lead in persuading others away from a supply-led approach to technical assistance. On the other hand, DFID must ensure that it has programmes in place to increase the capacity of developing countries to manage and procure technical assistance effectively. We recommend that DFID commit to achieving a technical assistance portfolio which is 100% coordinated and demonstrably demand-driven.

DFID fully untied its aid in 2001. Through the EU commitments on aid effectiveness, DFID has already committed to provide 100% capacity-building assistance through coordinated programmes with an increasing use of multi-donor arrangements. The 2008

⁷ Accra Agenda for Action, September 2008, para 21

Paris monitoring survey shows that we have increased the share of our technical assistance provided through co-ordinated, country led capacity building programmes. 66% of our technical assistance is now provided in this way, up from 56% in 2005, placing us well clear of the Paris target of 50%. In preparation for the High level Forum we supported a joint donor study led by the Japanese aid agency JICA on the use of technical cooperation for capacity building.

DFID is in the process of contracting a panel of procurement agents who will help partner governments to develop their procurement capacity. The panel will be able to assess initial capacity, develop and implement capacity development programmes and do audit and compliance checks. They will provide this support in cases where DFID and the partner government agree that procurement agents should be used. DFID India is active in improving the procurement capacity of Government of India in spending both its own funds and donors'. DFID India is supporting improved procurement by central ministries and four focal states. Progress has been made in developing clear generic drug and medical specifications, procurement IT systems, standardised procurement processes, bidding/contract documentation and improvements in quality control and management processes. DFID India is increasingly allowing Indian parastatal organisations and NGOs to procure technical assistance using their own systems, where DFID judges that the systems are sufficiently robust.

[Paragraph 39] It is common sense that budgets are made very difficult for partner countries to manage if they do not know when or how much money will be available. Predictable aid flows allow recipients to plan effectively and for the longer term. We urge DFID to show leadership on this issue at the Accra High Level Forum, drawing on its experience of 10-year development commitments.

We agree that aid predictability is critical for effective development and a priority for the Accra High Level Forum. Partner countries prioritised predictability for the Accra High Level Forum. DFID demonstrated leadership at Accra by signing a new long-term development partnership arrangement with Ghana.

The Paris target to release 75% of aid on schedule within one year is important, but we also need to address predictability from a longer term perspective if aid is to help partner countries recruit nurses and teachers, for example. In the Accra Agenda for Action, we achieved international agreements that donors will, beginning now, provide timely information on their three- to five-year forward expenditure plans so partner countries can include indicative figures in their medium-term planning. We also secured agreement that partner countries and donors will develop tools to measure medium-term predictability. This could help pave the way for a new target on medium-term predictability.

New support mechanisms that commit aid funds over longer periods are being developed, such as the European Commission's so-called MDG contract.

Division of labour

[Paragraph 48] The European Union has particular responsibilities as the world's largest donor in leading efforts to ensure complementary and coordinated donor activity. The Code of Conduct on the Division of Labour is a useful starting point for this task. We endorse this attempt to draw together good practice principles and guidance into an agreement around which EU governments and the Commission can focus their work. We accept that the Code is in its early days of implementation. But if it is to be credible as a practical agreement, the EU must soon be able to show that it is having an impact on the ground. We recommend that DFID work with the Commission to identify countries in which there is the potential for the Code to have a positive impact and where the recipient government is supportive of the Code, and to prioritise efforts in these countries.

DFID agrees that excessive fragmentation of aid impairs aid effectiveness and development outcomes. DFID has a strong track record in implementing division of labour, for example, through delegated cooperation arrangements with other donors (where they represent us in a sector or we represent them). For example, in Ghana, Denmark/Germany represents DFID in the water and sanitation sector, whilst DFID represents the EC and Netherlands in Education. DFID country offices have been working with the Commission to promote division of labour in Burundi, Ethiopia, Kenya, Malawi, Mozambique and Uganda, amongst others. We are committed to taking forward country-led division of labour on a case by case basis taking account of country circumstances, particularly partner country preferences and the comparative advantages of different donors in each country.

The UK has supported EU efforts to reach international consensus on a country-led framework for division of labour to reduce the heavy burden on partner countries of receiving aid from multiple sources. At the third High Level Forum, we helped the EU to secure agreement in the Accra Agenda for Action that donors will respect developing country priorities, that the DAC will complete good practice principles on country-led division of labour, evaluate progress in implementation starting in 2009 and start dialogue on international division of labour across countries by June 2009.⁸

[Paragraph 49] We record our disappointment that the Commission is not able to lead by example on questions of aid effectiveness by putting in a stronger performance against the Paris Declaration indicator targets. We challenge the Development Commissioner to take a more pro-active role in promoting practical coordination both among member states and between member states and the Commission. We understand that the percentage of EU aid which falls under the direct control of the Commission will diminish as national budgets increase. But the Commission's coordination role needs to be strengthened irrespective of its share of the EU's total development budget.

DFID has recently published its Institutional Strategy Paper for the European Union. It has three objectives, one of which is better European Community aid. Recent years have seen a step-change in the quality of the Commission's aid effort. We are working with EU partners to further reform European development assistance and institutions to increase

⁸ Accra Agenda for Action, September 2008, para 15.

Community effectiveness and speed of delivery. DFID is pleased that the EU showed a strong leadership role on aid effectiveness in preparation for and at the High Level Forum. Before the HLF, EU member states signed up to commitments on division of labour, use of country systems, predictability, and mutual accountability for results. This helps drive up standards of aid effectiveness by all EU member states, and helped achieve an ambitious international agreement at the High Level Forum.

[Paragraph 57] The proliferation of donors in recent decades brings welcome new resources to the international development effort but also brings new challenges for recipients in managing a range of donor relationships. The principles contained in the Paris Declaration are as applicable to new donors, such as China, India and Brazil, as to the OECD Development Assistance Committee member countries. We recommend that DFID seek opportunities to share with new donors its own experience of working towards more effective aid but also to support efforts by developing countries to draw new donors into a recipient-led dialogue on aid effectiveness.

DFID is working with newer donors to promote more coordinated development support. We have established a regular high level development dialogue with the Government of China, reinforced in the recent UK-China summit, and entered a new partnership to achieve the MDGs with the Indian government. The UK now wants this dialogue to move into practical measures. For example, in the DRC, DFID is working with the Government of the DRC and the Chinese Government to mitigate the environmental and social impacts of new Chinese-built roads.

We agree with the need to support efforts by developing countries to draw new donors into a recipient-led dialogue on aid effectiveness. We supported work in preparation for the third High Level Forum on Aid Effectiveness to engage with new donors and to encourage their participation in the event and adoption of the principles set out in the Paris Declaration. The resulting Accra Agenda for Action recognises the particular contribution of middle income countries as both providers and recipients of aid. It encourages all development actors, including those involved in South-South cooperation, to use the Paris Declaration principles.⁹ DFID has successfully brought on board both traditional and non-traditional donors to the UK-led International Aid Transparency Initiative, launched at the High Level Forum. The signatories include the Hewlett Foundation and the Global Alliance for Vaccines and Immunisation (GAVI).

We have also supported the wider efforts of the Development Assistance Committee of the Organisation for Economic Cooperation and Development at outreach to new donors. These have included support and advice offered by the Secretariat of the organisation on specific issues of interest to new donors, such as building their statistical capacity to track and report on their aid, and invitations to a number of new donors (China, India, Brazil and South Africa) to participate as observers in Senior Level meetings of the Committee itself.

⁹ Accra agenda for Action, September 2008, Para 19 c

Next steps in implementing the Paris agenda

[Paragraph 61] We have focused in this Report on ownership and division of labour as the most important components of the Paris Declaration. We agree with many of our witnesses that not enough is being done in these areas. We are therefore pleased to see that key actors at the Accra Forum, such as the International Civil Society Steering Group and the European Commission, have emphasised the importance of making progress on these two issues and will propose ways to do so at the Forum. We are also pleased to see these topics among DFID's several priorities for the Forum. We would, however, recommend that the Government prioritise its efforts for the Forum on taking forward these two particular strands. We believe meaningful progress in these areas could provide renewed impetus for progress on the rest of the Paris Declaration commitments.

We agree on the importance of these two issues for the High Level Forum. DFID's priorities for the Accra HLF were developed in response to those of partner countries: predictability, country-led division of labour, incentives for agency effectiveness, untying aid, and accountability between donors and partner countries and their citizens. We agree on the need to make faster progress on country ownership. At the High Level Forum, donors and partner countries reaffirmed that country ownership is key and agreed new commitments to support country ownership. DFID played a prominent role in securing ambitious agreements to increase donor use of partner country financial systems, given the evidence that even where partner countries have good-quality country systems, donors often do not use them. Donors agreed to use country systems as the first option for aid programmes, to share transparent plans on how they will meet their Paris Declaration commitments on using country systems, and to channel 50% or more of government-to-government assistance through country systems.¹⁰ 14 donors signed up to the UK-led International Aid Transparency Initiative in Accra. More transparency by donors about what they are funding will support partner country efforts to take greater ownership of aid.

We supported a stronger voice for partner countries in the Accra negotiations eg through DFID support for the creation of the Partner Country Contact Group, and we supported the involvement of Northern and Southern civil society to produce independent analysis and proposals for action. For example, we funded the EURODAD report *Turning the tables: Aid and accountability under the Paris framework*, 2008.

[Paragraph 62] We believe that the Accra Forum is an opportunity to affirm high-level buy-in to core international standards for effective, high quality aid. The Forum must also address the role of parliaments and civil society in making aid more effective. But practical steps towards better harmonisation and alignment are needed to move from a technocratic to a more practical approach to making aid more effective.

We agree it was important that the HLF should result in practical steps to make aid more effective. The UK believes that a major effort is needed to build an aid system with recipient countries in the lead. We played a prominent role in ensuring the Accra Agenda for Action had practical and monitorable international commitments with deadlines for implementation. For example, we were successful, working with the EU, in getting

¹⁰ Accra Agenda for Action, September 2008, para 15, and DAC Monitoring Survey of the Paris Declaration, 2008.

international agreement that, beginning now, donors will publish information on their forward three- to-five-year spending plans; that in 2009 we will evaluate progress in implementing good practice principles on division of labour; and that we will review proposals for strengthening mutual accountability mechanisms at the international level by the end of 2009. These commitments help turn Paris Declaration principles into practical action.

DFID is supporting partner countries to develop aid management strategies in a number of countries. For example, in Ethiopia, DFID helped finance an Aid Management Platform for the Ministry of Finance, which provides a database of all donor activities. In Vietnam, through our role as the first co-chair of the Donor Government Partnership Group for Aid Effectiveness, DFID has worked with the government and other donors to adapt the Paris Declaration to local circumstances and agreed a Hanoi Core Statement on Aid Effectiveness in 2005. In Cambodia, DFID, together with UNDP, is the co-facilitator of the Government & Donor Partnership and Harmonisation Technical Working Group, to strengthen aid co-ordination.

[Paragraph 64] We agree that donor coordination and division of labour is ancillary to developing country ownership of the development process. Yet ambitious forms of coordination and division of labour, whereby DFID works through others whose approach and safeguards are compatible, are a way of making concrete progress against a Paris Declaration principle which is in need of strong leadership. We recommend that DFID develop a set of criteria for such arrangements and undertake a survey to assess where such arrangements might be used effectively.

DFID has supported the international process to develop principles for country-led division of labour for agreement at the Accra High Level Forum. Donors and partner countries have agreed in the Accra Agenda for Action that the Working Party on Aid Effectiveness will complete these and evaluate progress in implementation, starting in 2009.¹¹ DFID has a strong track record on implementing division of labour. For example we have delegated cooperation arrangements where we delegate to another donor responsibility for our support to a particular sector or vice versa in Malawi, Uganda, Ghana, Tanzania and Yemen. We are committed to taking forward country-led division of labour on a case by case basis taking account of country circumstances, particularly partner country preferences and the comparative advantages of different donors in each country. We are working with the EU in their current initiative to identify countries to fast track division of labour, based on country leadership of the process. We have produced a survey documenting examples from almost thirty countries of DFID experience on joint strategic planning, pooled funding and improved division of labour. This helps DFID country office staff take forward coordination and division of labour by learning from experience and good practice elsewhere.

¹¹ Accra Agenda for Action, September 2008, para 17.

[Paragraph 67] The UK is acknowledged internationally as a leading advocate of direct budget support. This is a tool we have previously welcomed in certain contexts, such as in Vietnam and through the Afghanistan Reconstruction Trust Fund, although we have also raised concerns that it should not be seen as the easy option for spending a rising aid budget. We believe that aid effectiveness arguments are persuasive in making a case for greater use of this instrument where the conditions are right. We recommend that the Government ensure that any decision to support national budgets in partner countries is accompanied by thorough assessment and planning to include parliaments, civil society and other stakeholders in the budget discussions. Funding to build capacity within parliaments and civil society to manage the technical detail involved in such discussions should be included in the relevant DFID programmes.

The National Audit Office report on DFID's use of budget support (February 2008) found that DFID and other donors have recognised an important role for civil society organisations in holding developing country governments to account for implementation of Poverty Reduction Strategies. The NAO found that a higher proportion of countries where DFID uses budget support receive technical assistance for domestic institutions (civil society, parliaments and state audit institutions) than in non-budget support countries (NAO, 2008, para 3.15). The NAO found examples where DFID is specifically encouraging civil society to engage in debates on the national budget. For example, in India, DFID had argued for inclusion of civil society groups in dialogue with government on policy and programme implementation. DFID's £130 million Governance and Transparency Fund supports civil society to engage with governments about the way they plan, prioritise and allocate resources.

DFID's updated policy on budget support (February 2008) recognises the importance of supporting parliaments and civil society. The policy states that DFID will work with partner governments and other donors through multi-donor budget support groups, joint assistance strategies and division of labour arrangements to maximise the combined impact of budget support and complementary support to parliament and civil society. In the Accra Agenda for Action, partner countries agreed to work more closely with parliaments and local authorities in preparing, implementing and monitoring national development policies and plans. DFID, along with other donors, agreed to support all development actors, including parliaments and civil society, to take an active role in dialogue on development policy and the role of aid in contributing to countries' development objectives.¹²

[Paragraph 69] Implementing the Paris Declaration requires some changes in the way DFID operates. Staff buy-in is crucial to the success of any change programme. We are therefore encouraged to hear that DFID's country performance frameworks include aid effectiveness objectives. We are not clear, however, whether: a) all individual staff objectives take account of the Paris Declaration principles; and b) such objectives are deemed as important as other performance assessment measurements, for example in terms of securing bonuses and promotion. We invite the Government to provide examples of these objectives in its response and to clarify the relative importance of them to individual staff.

¹² Accra Agenda for Action, September 2008, para 12

DFID staff objectives flow from DFID's overall corporate objectives as they cascade through line management. All members of staff can therefore establish a clear line of sight from their own work objectives to DFID's Departmental Strategic Objectives and the Cross-Government Public Service Agreements. DFID's Departmental Strategic Objectives now entrench aid effectiveness as a corporate priority. Two of DFID's seven departmental strategic objectives are about aid effectiveness: to make all bilateral and multilateral donors more effective, and to deliver high quality and effective bilateral development assistance.

All divisions in DFID have divisional performance frameworks showing how they will help DFID achieve its Departmental Strategic Objectives, including the two objectives on aid effectiveness. As staff objectives flow from the divisional performance frameworks and Departmental Strategic Objectives, they include aid effectiveness and the Paris Declaration where relevant. For example, Head of DFID Ghana's annual objectives from March 2008 to April 2009 include the following:

Fully engage to ensure successful participation by Ghana in HLF. Harmonisation Action plan for Ghana fully implemented in respect of Paris declaration and DFID's policy agendas. Specifically, mutual accountability process commenced, Division of labour process commenced, Aid management policy produced and Heads of Agencies reformed and revitalised.

The extent to which individual members of staff achieve their objectives forms a fundamental part of DFID's performance management arrangements, and progress is monitored on a regular basis. The end of year performance review has a direct impact on the level of any salary bonuses, and managers are required to take into account an individual's overall level of performance when endorsing applications for promotion.

DFID is taking steps to ensure that the Paris Declaration principles are fully incorporated into our policies, procedures and strategies. In addition to including aid effectiveness in Departmental Strategic Objectives:

- All country assistance plans are expected to include an assessment of aid effectiveness
- A new Results Action Plan was published in January 2008, setting out how we will embed results into our own and our partners' culture and systems.
- Progress against Paris Declaration targets is included in our Institutional Strategy Papers for key multilateral organisations.

[Paragraph 73] Credible monitoring and evaluation of development impact is needed to show objectively that aid can make a difference. Such assessments both increase public confidence in the development effort and enable agencies such as DFID to tailor their programmes to use budgets most effectively. The credibility of these assessments stems in part from their independence. Self-assessment and donors assessing other donors, as happens under the Development Assistance Committee's Peer Review system, have a role to play but should be complemented by other initiatives. We recommend that DFID actively support such initiatives, especially those led by developing countries, and submit to—and encourage other OECD donors to submit to—reviews conducted other than by peers.

We agree on the importance of independent rigorous monitoring and evaluation of both development impact and of donor performance in relation to aid effectiveness commitments. DFID actively supports independent reviews of donor performance on aid effectiveness. For example, in Mozambique, DFID, along with all the budget support donors, is reviewed annually by independent consultants acting on behalf of the Government of Mozambique to assess how far we are meeting our aid effectiveness commitments. DFID volunteered to be reviewed by independent consultants acting on behalf of the DAC as part of the DAC evaluation of the Paris Declaration, published before the third High Level Forum.

At the Accra High Level Forum, DFID worked closely with the EU and partner countries to secure a new agreement on accountability for development results. This now requires donors and partner governments to account to each other for mutually agreed results at the international level, as well as at country level. This review process will include '*peer review with the participation of developing countries*'. Donors and partner countries have signed up to be more transparent about how much aid they give and what it achieves, to include more independent evidence and analysis when reviewing progress against mutually agreed results, and to enable greater scrutiny by parliaments and civil society.¹³ The UK-led International Aid Transparency Initiative, launched at the High Level Forum, will help donors meet these commitments.

On independent evaluation of development impact, DFID is working to ensure a stronger focus on rigorous evidence of impact, and better coordination of evaluation across donors to reduce the burden on partner countries. We are a founder member of two important new joint donor institutions to support impact evaluation: the International Initiative on Impact evaluation a (3IE) and the Network of Networks for Impact Evaluation (NONIE).

[Paragraph 74] The credibility of impact evaluations is also drawn in part from their methodology. We recommend that DFID consider funding more robust impact assessments, such as counterfactual ones carried out by independent development economists, to bolster its evidence base.

We recognise there is an international “evaluation gap” ie insufficient high quality, rigorous and policy-relevant impact evaluations funded by the international development agencies as a whole¹⁴. DFID is playing a key role internationally to fill that gap, through a number of complementary activities. Firstly, DFID has sought to enhance the rigour and quality of its own evaluations, through the establishment of the Independent Advisory Committee on Development Impact (IACDI). Additionally, we undertake a strong role in international networking, and are contributing funding to a number of new initiatives. Foremost among these is a major new initiative, the International Initiative on Impact Evaluation (3IE). 3IE will fund new high quality impact evaluations, and will promote both the development of capacity to conduct rigorous impact evaluations, and the use of evidence in policymaking in low and middle income countries. DFID also contributes to a joint international training network with the World Bank (the 'Spanish Impact Evaluation Fund'), and chairs the international 'Network of Networks on Impact

¹³ Accra Agenda for Action, September 2008, para 24

¹⁴ When will we ever Learn? Improving lives through Impact Evaluation, Evaluation Gap Working Group, Centre for Global Development, May 2006

Evaluation' (NONIE), which brings together representatives from donors and developing countries to share information and develop standards and guidance on impact evaluation. Over the next 4 years DFID plans to invest £9-10 million in supporting impact evaluation through 3IE and other routes such as the Network of Networks on Impact Evaluation and the World Bank's joint fund (with the Spanish Ministry) on impact evaluation of human development.

Conclusion

[Paragraph 76] DFID must ensure that it is not simply joining a well-meaning consensus on aid effectiveness but has done the research to prove to us and, equally importantly, the taxpayer that its approach delivers more effective aid.

DFID's approach to aid effectiveness is based on the Paris Declaration on Aid Effectiveness (2005), which was informed by a large body of research spanning more than two decades. We recognise the importance of gathering and using evidence more effectively, both in order to demonstrate that our aid works, and to ensure that it is achieving the maximum impact for poor people. The second phase of the DAC evaluation of the Paris Declaration, expected to be completed by 2010, will provide further evidence on the impact of effective aid on poverty outcomes. The creation of the Independent Advisory Committee on Development Impact is helping DFID further strengthen the rigour of its evaluations. Our Results Action Plan (<http://www.dfid.gov.uk/pubs/files/results-action-plan08.pdf>) sets out how we will improve the way we use information in our decision making and in our focus on poverty outcomes.

[Paragraph 77] Joint working between DFID and other donors, and indeed DFID working through other donors, is likely to become a more frequent occurrence and this has implications for the scrutiny performed by this Committee. DFID must work proactively to ensure that we have meaningful oversight of all of its work, however the budget is spent.

We agree that joint working between DFID, partner countries and other donors is likely to become more frequent. Closer working with partner countries and other donors enables us to influence them so that all aid, not just the UK's, and all partner country resources are used more effectively to reduce poverty. This is critical to achieve the MDGs. But it is important that these relationships operate in the public interest and in a way that satisfies parliamentary and Treasury requirements. A key requirement is that public funds are used in a way that gives reasonable assurance that resources are used to deliver the intended objectives. DFID has considerable experience of different kinds of partnerships and has practical documented arrangements in place with other organisations. Partnership frameworks set out the purpose, governance and accountability, decision making and financial management arrangements. This means there is no doubt about responsibilities and helps ensure there is no weakening of accountability for the use of public funds, including reporting to Parliament.

Annex: Accra Agenda for Action

Ministers of developing and donor countries responsible for promoting development and heads of multilateral and bilateral development institutions endorsed the following statement in Accra, Ghana, on 4 September 2008 to accelerate and deepen implementation of the Paris Declaration on Aid Effectiveness (2 March 2005).

This is a moment of opportunity

1. We are committed to eradicating poverty and promoting peace and prosperity by building stronger, more effective partnerships that enable developing countries to realise their development goals.

2. There has been progress. Fifteen years ago, two out of five people lived in extreme poverty; today, that figure has been reduced to one in four. However, 1.4 billion people—most of them women and girls—still live in extreme poverty,¹⁵ and access to safe drinking water and health care remains a major issue in many parts of the world. In addition, new global challenges—rising food and fuel prices and climate change—threaten the advances against poverty many countries have made.

3. We need to achieve much more if all countries are to meet the Millennium Development Goals (MDGs). Aid is only one part of the development picture. Democracy, economic growth, social progress, and care for the environment are the prime engines of development in all countries. Addressing inequalities of income and opportunity within countries and between states is essential to global progress. Gender equality, respect for human rights, and environmental sustainability are cornerstones for achieving enduring impact on the lives and potential of poor women, men, and children. It is vital that all our policies address these issues in a more systematic and coherent way.

4. In 2008, three international conferences will help us accelerate the pace of change: the Accra High Level Forum on Aid Effectiveness, the United Nations High Level Event on the MDGs in New York, and the Financing for Development follow-up meeting in Doha. Today at Accra, we are leading the way, united in a common objective: to unlock the full potential of aid in achieving lasting development results.

We are making progress, but not enough

5. Learning from our past successes and failures in development co-operation and building on the 2003 Rome Declaration on Harmonisation, in March 2005 we adopted an ambitious set of reforms: the Paris Declaration on Aid Effectiveness. In the Paris Declaration, we agreed to develop a genuine partnership, with developing countries clearly in charge of their own development processes. We also agreed to hold each other accountable for achieving concrete development results. Three and one-half years later, we are reconvening in Accra to review progress and address the challenges that now face us.

¹⁵ These figures are based on a recent World Bank study that found the poverty line to be \$1.25 a day in 2005 prices.

6. Evidence shows we are making progress, but not enough. A recent evaluation shows that the Paris Declaration has created powerful momentum to change the way developing countries and donors work together on the ground. According to the 2008 Monitoring Survey, a large number of developing countries have improved their management of public funds. Donors, in turn, are increasingly improving their co-ordination at country level. Yet the pace of progress is too slow. Without further reform and faster action we will not meet our 2010 commitments and targets for improving the quality of aid.

We will take action to accelerate progress

7. Evidence shows that we will need to address three major challenges to accelerate progress on aid effectiveness:

8. **Country ownership is key.** Developing country governments will take stronger leadership of their own development policies, and will engage with their parliaments and citizens in shaping those policies. Donors will support them by respecting countries' priorities, investing in their human resources and institutions, making greater use of their systems to deliver aid, and increasing the predictability of aid flows.

9. **Building more effective and inclusive partnerships.** In recent years, more development actors—middle-income countries, global funds, the private sector, civil society organisations—have been increasing their contributions and bringing valuable experience to the table. This also creates management and co-ordination challenges. Together, all development actors will work in more inclusive partnerships so that all our efforts have greater impact on reducing poverty.

10. **Achieving development results—and openly accounting for them—must be at the heart of all we do.** More than ever, citizens and taxpayers of all countries expect to see the tangible results of development efforts. We will demonstrate that our actions translate into positive impacts on people's lives. We will be accountable to each other and to our respective parliaments and governing bodies for these outcomes.

11. Without addressing these obstacles to faster progress, we will fall short of our commitments and miss opportunities to improve the livelihoods of the most vulnerable people in the world. Therefore, we are reaffirming the commitments we made in the Paris Declaration and, in this Accra Agenda for Action, are agreeing on concrete and monitorable actions to accelerate progress to meet those commitments by 2010. We commit to continuing efforts in monitoring and evaluation that will assess whether we have achieved the commitments we agreed in the Paris Declaration and the Accra Agenda for Action, and to what extent aid effectiveness is improving and generating greater development impact.

Strengthening Country Ownership over Development

12. Developing countries determine and implement their development policies to achieve their own economic, social and environmental goals. We agreed in the Paris Declaration that this would be our first priority. Today, we are taking additional steps to turn this resolution into a reality.

We will broaden country-level policy dialogue on development

13. We will engage in open and inclusive dialogue on development policies. We acknowledge the critical role and responsibility of parliaments in ensuring country ownership of development processes. To further this objective we will take the following actions:

- a) Developing country governments will work more closely with parliaments and local authorities in preparing, implementing and monitoring national development policies and plans. They will also engage with civil society organisations (CSOs).
- b) Donors will support efforts to increase the capacity of all development actors—parliaments, central and local governments, CSOs, research institutes, media and the private sector—to take an active role in dialogue on development policy and on the role of aid in contributing to countries’ development objectives.
- c) Developing countries and donors will ensure that their respective development policies and programmes are designed and implemented in ways consistent with their agreed international commitments on gender equality, human rights, disability and environmental sustainability.

Developing countries will strengthen their capacity to lead and manage development

14. Without robust capacity—strong institutions, systems, and local expertise—developing countries cannot fully own and manage their development processes. We agreed in the Paris Declaration that capacity development is the responsibility of developing countries, with donors playing a supportive role, and that technical co-operation is one means among others to develop capacity. Together, developing countries and donors will take the following actions to strengthen capacity development:

- a) Developing countries will systematically identify areas where there is a need to strengthen the capacity to perform and deliver services at all levels—national, sub-national, sectoral, and thematic—and design strategies to address them. Donors will strengthen their own capacity and skills to be more responsive to developing countries’ needs.
- b) Donors’ support for capacity development will be demand-driven and designed to support country ownership. To this end, developing countries and donors will i) jointly select and manage technical co-operation, and ii) promote the provision of technical co-operation by local and regional resources, including through South-South co-operation.
- c) Developing countries and donors will work together at all levels to promote operational changes that make capacity development support more effective.

We will strengthen and use developing country systems to the maximum extent possible

15. Successful development depends to a large extent on a government’s capacity to implement its policies and manage public resources through its own institutions and systems. In the Paris Declaration, developing countries committed to strengthen their

systems¹⁶ and donors committed to use those systems to the maximum extent possible. Evidence shows, however, that developing countries and donors are not on track to meet these commitments. Progress in improving the quality of country systems varies considerably among countries; and even when there are good-quality country systems, donors often do not use them. Yet it is recognised that using country systems promotes their development. To strengthen and increase the use of country systems, we will take the following actions:

- a) Donors agree to use country systems as the first option for aid programmes in support of activities managed by the public sector.
- b) Should donors choose to use another option and rely on aid delivery mechanisms outside country systems (including parallel project implementation units), they will transparently state the rationale for this and will review their positions at regular intervals. Where use of country systems is not feasible, donors will establish additional safeguards and measures in ways that strengthen rather than undermine country systems and procedures.
- c) Developing countries and donors will jointly assess the quality of country systems in a country-led process using mutually agreed diagnostic tools. Where country systems require further strengthening, developing countries will lead in defining reform programmes and priorities. Donors will support these reforms and provide capacity development assistance.
- d) Donors will immediately start working on and sharing transparent plans for undertaking their Paris commitments on using country systems in all forms of development assistance; provide staff guidance on how these systems can be used; and ensure that internal incentives encourage their use. They will finalise these plans as a matter of urgency.
- e) Donors recollect and reaffirm their Paris Declaration commitment to provide 66% of aid as programme-based approaches. In addition, donors will aim to channel 50% or more of government-to-government assistance through country fiduciary systems, including by increasing the percentage of assistance provided through programme based approaches.

Building More Effective and Inclusive Partnerships for Development

16. Aid is about building partnerships for development. Such partnerships are most effective when they fully harness the energy, skills and experience of all development actors—bilateral and multilateral donors, global funds, CSOs, and the private sector. To support developing countries' efforts to build for the future, we resolve to create partnerships that will include all these actors.

¹⁶ These include, but are not limited to, systems for public financial management, procurement, audit, monitoring and evaluation, and social and environmental assessment.

We will reduce costly fragmentation of aid

17. The effectiveness of aid is reduced when there are too many duplicating initiatives, especially at country and sector levels. We will reduce the fragmentation of aid by improving the complementarity of donors' efforts and the division of labour among donors, including through improved allocation of resources within sectors, within countries, and across countries. To this end:

- a) Developing countries will lead in determining the optimal roles of donors in supporting their development efforts at national, regional and sectoral levels. Donors will respect developing countries' priorities, ensuring that new arrangements on the division of labour will not result in individual developing countries receiving less aid.
- b) Donors and developing countries will work together with the Working Party on Aid Effectiveness to complete good practice principles on country-led division of labour. To that end, they will elaborate plans to ensure the maximum coordination of development co-operation. We will evaluate progress in implementation starting in 2009.
- c) We will start dialogue on international division of labour across countries by June 2009.
- d) We will work to address the issue of countries that receive insufficient aid.

We will increase aid's value for money

18. Since the Paris Declaration was agreed in 2005, OECD-DAC donors have made progress in untying their aid. A number of donors have already fully untied their aid, and we encourage others to do so. We will pursue, and accelerate, these efforts by taking the following actions:

- a) OECD-DAC donors will extend coverage of the 2001 DAC Recommendation on Untying Aid to non-LDC HIPC¹⁷ and will improve their reporting on the 2001 DAC Recommendation.
- b) Donors will elaborate individual plans to further untie their aid to the maximum extent.
- c) Donors will promote the use of local and regional procurement by ensuring that their procurement procedures are transparent and allow local and regional firms to compete. We will build on examples of good practice to help improve local firms' capacity to compete successfully for aid-funded procurement.
- d) We will respect our international agreements on corporate social responsibility.

17 The 2001 DAC recommendation on Untying ODA to the Least Developed Countries (LDCs) covers 31 so-called Heavily Indebted Poor Countries (HIPCs). The OECD Development Assistance Committee (DAC) at its 2008 High Level Meeting agreed to extend the 2001 Recommendation to cover the remaining eight countries that are part of the HIPC initiative: Bolivia, Cameroon, Côte d'Ivoire, Ghana, Guyana, Honduras, Nicaragua and Republic of Congo.

We welcome and will work with all development actors

19. The contributions of all development actors are more effective when developing countries are in a position to manage and co-ordinate them. We welcome the role of new contributors and will improve the way all development actors work together by taking the following actions:

a) We encourage all development actors, including those engaged in South-South co-operation, to use the Paris Declaration principles as a point of reference in providing development co-operation.

b) We acknowledge the contributions made by all development actors, and in particular the role of middle-income countries as both providers and recipients of aid. We recognise the importance and particularities of South-South cooperation and acknowledge that we can learn from the experience of developing countries. We encourage further development of triangular co-operation.

c) Global funds and programmes make an important contribution to development. The programmes they fund are most effective in conjunction with complementary efforts to improve the policy environment and to strengthen the institutions in the sectors in which they operate. We call upon all global funds to support country ownership, to align and harmonise their assistance proactively, and to make good use of mutual accountability frameworks, while continuing their emphasis on achieving results. As new global challenges emerge, donors will ensure that existing channels for aid delivery are used and, if necessary, strengthened before creating separate new channels that risk further fragmentation and complicate co-ordination at country level. We encourage developing countries to mobilise, manage and evaluate their international cooperation initiatives for the benefit of other developing countries.

d) South-South co-operation on development aims to observe the principle of non-interference in internal affairs, equality among developing partners and respect for their independence, national sovereignty, cultural diversity and identity and local content. It plays an important role in international development co-operation and is a valuable complement to North-South co-operation.

We will deepen our engagement with civil society organisations

20. We will deepen our engagement with CSOs as independent development actors in their own right whose efforts complement those of governments and the private sector. We share an interest in ensuring that CSO contributions to development reach their full potential. To this end:

a) We invite CSOs to reflect on how they can apply the Paris principles of aid effectiveness from a CSO perspective.

b) We welcome the CSOs' proposal to engage with them in a CSO-led multistakeholder process to promote CSO development effectiveness. As part of that process, we will seek to i) improve co-ordination of CSO efforts with

government programmes, ii) enhance CSO accountability for results, and iii) improve information on CSO activities.

c) We will work with CSOs to provide an enabling environment that maximises their contributions to development.

We will adapt aid policies for countries in fragile situations

21. In the Paris Declaration, we agreed that aid effectiveness principles apply equally to development co-operation in situations of fragility, including countries emerging from conflict, but that these principles need to be adapted to environments of weak ownership or capacity. Since then, Principles for Good International Engagement in Fragile States and Situations have been agreed. To further improve aid effectiveness in these environments, we will take the following actions:

a) Donors will conduct joint assessments of governance and capacity and examine the causes of conflict, fragility and insecurity, engaging developing country authorities and other relevant stakeholders to the maximum extent possible.

b) At country level, donors and developing countries will work and agree on a set of realistic peace- and state-building objectives that address the root causes of conflict and fragility and help ensure the protection and participation of women. This process will be informed by international dialogue between partners and donors on these objectives as prerequisites for development.

c) Donors will provide demand-driven, tailored and co-ordinated capacity-development support for core state functions and for early and sustained recovery. They will work with developing countries to design interim measures that are appropriately sequenced and that lead to sustainable local institutions.

d) Donors will work on flexible, rapid and long-term funding modalities, on a pooled basis where appropriate, to i) bridge humanitarian, recovery and longer-term development phases, and ii) support stabilisation, inclusive peace building, and the building of capable, accountable and responsive states. In collaboration with developing countries, donors will foster partnerships with the UN System, international financial institutions and other donors.

e) At country level and on a voluntary basis, donors and developing countries will monitor implementation of the Principles for Good International Engagement in Fragile States and Situations, and will share results as part of progress reports on implementing the Paris Declaration.

Delivering and Accounting for Development Results

22. We will be judged by the impacts that our collective efforts have on the lives of poor people. We recognise that greater transparency and accountability for the use of development resources—domestic as well as external—are powerful drivers of progress.

We will focus on delivering results

23. We will improve our management for results by taking the following actions:

- a) Developing countries will strengthen the quality of policy design, implementation and assessment by improving information systems, including, as appropriate, disaggregating data by sex, region and socioeconomic status.
- b) Developing countries and donors will work to develop cost-effective results management instruments to assess the impact of development policies and adjust them as necessary. We will better co-ordinate and link the various sources of information, including national statistical systems, budgeting, planning, monitoring and country-led evaluations of policy performance.
- c) Donors will align their monitoring with country information systems. They will support, and invest in strengthening, developing countries' national statistical capacity and information systems, including those for managing aid.
- d) We will strengthen incentives to improve aid effectiveness. We will systematically review and address legal or administrative impediments to implementing international commitments on aid effectiveness. Donors will pay more attention to delegating sufficient authority to country offices and to changing organisational and staff incentives to promote behaviour in line with aid effectiveness principles.

We will be more accountable and transparent to our publics for results

24. Transparency and accountability are essential elements for development results. They lie at the heart of the Paris Declaration, in which we agreed that countries and donors would become more accountable to each other and to their citizens. We will pursue these efforts by taking the following actions:

- a) We will make aid more transparent. Developing countries will facilitate parliamentary oversight by implementing greater transparency in public financial management, including public disclosure of revenues, budgets, expenditures, procurement and audits. Donors will publicly disclose regular, detailed and timely information on volume, allocation and, when available, results of development expenditure to enable more accurate budget, accounting and audit by developing countries.
- b) We will step up our efforts to ensure that—as agreed in the Paris Declaration—mutual assessment reviews are in place by 2010 in all countries that have endorsed the Declaration. These reviews will be based on country results reporting and information systems complemented with available donor data and credible independent evidence. They will draw on emerging good practice with stronger parliamentary scrutiny and citizen engagement. With them we will hold each other accountable for mutually agreed results in keeping with country development and aid policies.
- c) To complement mutual assessment reviews at country level and drive better performance, developing countries and donors will jointly review and strengthen

existing international accountability mechanisms, including peer review with participation of developing countries. We will review proposals for strengthening the mechanisms by end 2009.

d) Effective and efficient use of development financing requires both donors and partner countries to do their utmost to fight corruption. Donors and developing countries will respect the principles to which they have agreed, including those under the UN Convention against Corruption. Developing countries will address corruption by improving systems of investigation, legal redress, accountability and transparency in the use of public funds. Donors will take steps in their own countries to combat corruption by individuals or corporations and to track, freeze, and recover illegally acquired assets.

We will continue to change the nature of conditionality to support ownership

25. To strengthen country ownership and improve the predictability of aid flows, donors agreed in the Paris Declaration that, whenever possible, they would draw their conditions from developing countries' own development policies. We reaffirm our commitment to this principle and will continue to change the nature of conditionality by taking the following actions:

- a) Donors will work with developing countries to agree on a limited set of mutually agreed conditions based on national development strategies. We will jointly assess donor and developing country performance in meeting commitments.
- b) Beginning now, donors and developing countries will regularly make public all conditions linked to disbursements.
- c) Developing countries and donors will work together at the international level to review, document and disseminate good practices on conditionality with a view to reinforcing country ownership and other Paris Declaration Principles by increasing emphasis on harmonised, results-based conditionality. They will be receptive to contributions from civil society.

We will increase the medium-term predictability of aid

26. In the Paris Declaration, we agreed that greater predictability in the provision of aid flows is needed to enable developing countries to effectively plan and manage their development programmes over the short and medium term. As a matter of priority, we will take the following actions to improve the predictability of aid:

- a) Developing countries will strengthen budget planning processes for managing domestic and external resources and will improve the linkages between expenditures and results over the medium term.
- b) Beginning now, donors will provide full and timely information on annual commitments and actual disbursements so that developing countries are in a position to accurately record all aid flows in their budget estimates and their accounting systems.

c) Beginning now, donors will provide developing countries with regular and timely information on their rolling three- to five-year forward expenditure and/or implementation plans, with at least indicative resource allocations that developing countries can integrate in their medium-term planning and macroeconomic frameworks. Donors will address any constraints to providing such information.

d) Developing countries and donors will work together at the international level on ways of further improving the medium-term predictability of aid, including by developing tools to measure it.

Looking Forward

27. The reforms we agree on today in Accra will require continued high level political support, peer pressure, and co-ordinated action at global, regional, and country levels. To achieve these reforms, we renew our commitment to the principles and targets established in the Paris Declaration, and will continue to assess progress in implementing them.

28. The commitments we agree today will need to be adapted to different country circumstances—including in middle-income countries, small states and countries in situations of fragility. To this end, we encourage developing countries to design—with active support from donors—country-based action plans that set out time-bound and monitorable proposals to implement the Paris Declaration and the Accra Agenda for Action.

29. We agree that, by 2010, each of us should meet the commitments we made on aid effectiveness in Paris and today in Accra, and to reach beyond these commitments where we can. We agree to reflect and draw upon the many valuable ideas and initiatives that have been presented at this High Level Forum. We agree that challenges such as climate change and rising food and fuel prices underline the importance of applying aid effectiveness principles. In response to the food crisis, we will develop and implement the global partnership on agriculture and food swiftly, efficiently and flexibly.

30. We ask the Working Party on Aid Effectiveness to continue monitoring progress on implementing the Paris Declaration and the Accra Agenda for Action and to report back to the Fourth High Level Forum on Aid Effectiveness in 2011. We recognise that additional work will be required to improve the methodology and indicators of progress of aid effectiveness. In 2011, we will undertake the third round of monitoring that will tell us whether we have achieved the targets for 2010 agreed in Paris in 2005.¹⁸ To carry forward this work, we will need to develop institutionalised processes for the joint and equal partnership of developing countries and the engagement of stakeholders.

31. We recognise that aid effectiveness is an integral part of the broader financing for development agenda. To achieve development outcomes and the MDGs we need to meet our commitments on both aid quality and aid volumes. We ask the Secretary General of the United Nations to transmit the conclusions of the Third High Level Forum on Aid Effectiveness to the High Level Event on the MDGs in New York later this month and the

¹⁸ We will have that information available for the Fourth High Level Forum on Aid Effectiveness in 2011, along with comprehensive second phase evaluations of the implementation of the Paris Declaration and the Accra Agenda for Action as of 2010. Attention will also be paid to improving and developing communications on aid effectiveness for long-term development success and broad-based public support.

Financing for Development Review meeting in Doha in November 2008. We welcome the contribution that the ECOSOC Development Co-operation Forum is making to the international dialogue and to mutual accountability on aid issues. We call upon the UN development system to further support the capacities of developing countries for effective management of development assistance.

32. Today, more than ever, we resolve to work together to help countries across the world build the successful future all of us want to see—a future based on a shared commitment to overcome poverty, a future in which no countries will depend on aid.