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Working Together to Make Aid More Effective

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International Development Committee

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Oral evidence

Taken before the International Development Committee

on Tuesday 29 April 2008

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Malcolm Bruce, in the Chair

John Battle
Hugh Bayley
Mr Stephen Crabb
Daniel Kawczynski

Ann McKechin
Mr Marsha Singh
Sir Robert Smith

Witnesses: **Mr Myles Wickstead**, Visiting Professor, Open University, **Ms Sarah Mulley**, Coordinator, UK Aid Network and **Ms Linda Doull**, Director of Health and Policy, Merlin, gave evidence.

Q1 Chairman: Good morning and thank you very much for coming in to assist us with this inquiry into aid coordination, or the lack of it. Obviously it has been triggered by suggestions that, for example, recipient countries have difficulties with so many different donors and so many different programmes and limited capacity to engage, and indeed donor countries also have issues about whether or not they coordinate. First of all, for the record, might you introduce yourselves before we start?

Ms Mulley: My name is Sarah Mulley and I coordinate the UK Aid Network, which is a network of around 40 British development NGOs and we work together on aid-related issues, doing policy and lobby work.

Mr Wickstead: My name is Myles Wickstead; I am currently Visiting Professor of International Relations at the Open University. I was previously in DFID and also British Ambassador in Ethiopia, and was Head of the Secretariat to the Commission for Africa.

Ms Doull: I am Linda Doull; I am the Director of Health and Policy at the British NGO Merlin. We are a health NGO and we work in approximately 18 countries, 90% of which are fragile states.

Q2 Chairman: Thank you very much for that. Perhaps we should start with the Department of International Development's own claims. To be fair, the Committee has seen some evidence of coordination on the ground in countries that we have been to where DFID has been taking something of a lead; nevertheless, the Overseas Development Institute has suggested that DFID is not quite as good as it thinks it is, and I quote, "Preliminary findings . . . show that DFID has some way to go in delivering on aid effectiveness commitments at country level. Among the 14 donor countries surveyed the UK ranks comparatively low in aligning general budget support missions with poverty reduction strategy reviews . . . The UK does little better than average among surveyed donors in minimising the number of reviews and missions it mounts, and in aligning disbursements with the national budget cycle", which I guess is not something that DFID would like to hear and it is

certainly not what they claim.¹ So the Committee would not have a clear view because we have certainly seen some evidence of DFID's coordination, but perhaps you can give us an indication of whether you feel that criticism has validity, or alternatively where you think they may have something that they can—not boast about—point to as being an achievement in coordination?

Mr Wickstead: Having been a civil servant in DFID, as indeed Sarah has as well, I would have said that their record is pretty good on the whole, would be my experience. No doubt it varies from country to country and depending both on the relationship with other donors and the sort of relationship that one has with government. But certainly DFID does its best to align itself with the rest of the donor community and behind government policies. So I would take a reasonably positive view of their record. I am slightly surprised that they come a bit further down the league table than one might think.

Ms Mulley: Maybe I can add to that? I think there is a question here about how you assess DFID and I think there is a sense from DFID that they are sort of top of the class and that they perform well against other donors and I think that is right, and I support the previous comments. I think the thing to remember, though, is that the class overall is not performing all that well, so they are not up against a terribly high performing peer group. My concern is that the way in which their performance is measured is, at the moment, very highly dependent on the Paris Declaration monitoring process, and that monitoring process is not comprehensive and I do not think it is an especially reliable measure, so I would want to see DFID actually doing more proactive monitoring and evaluation themselves of where they think they are and actually how they are performing on the ground because I do not think we have enough information on that.

Ms Doull: I would like to partly agree with Myles. I think it is a very mixed and very context specific. There is a country level where Merlin works, there are some countries like Liberia where DFID are aligning quite significantly with governments that

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have strategy and policy, particularly in health, and compared to some other donors, particularly the US, who choose not to align at all then they are definitely ahead of the game on that. But if you then take somewhere like DR Congo it is a mixed picture where there is almost no alignment on some specific issues, particularly in the finance and the health sector, where other donors are aligning behind governments and their strategy and DFID is not—probably for good reason, but it does create complexity on the ground.

Q3 Chairman: What good reason?

Ms Doull: They tried to focus on the issue of providing free access to health care in Eastern Congo which is a major issue and there is still a huge humanitarian crisis and high mortality rates, so in principle it is an action that we very much support. But when you have a national strategy which is based on user fees and there is only one donor going against that strategy you get a very mixed picture and from Merlin's experience in Maniema Province we are actually in a position where we have one donor, DFID, saying free health care, no user fees, where the other donors are saying, "We want user fees in place to support it." So that is very difficult to manage both for the Ministry and for others delivering healthcare, and for the population to really understand why there are two competing views.

Q4 Chairman: If you take that example that would presumably challenge the ODI's² assertion that the UK ranks comparatively low in aligning general budget support with the poverty reduction strategy, as that would appear to be exactly the case of aligning the two.

Ms Doull: I think it is the case in DRC³ but it is different—if I can again take Liberia as a better example, and even somewhere difficult like Maniema where it is a whole different issue about whether you align with national strategy or not—it is a shadow aligning process going on that is actually supportive of national health strategy and the way it is being funded and delivered is obviously the shadow alignment approach. I think you have to look at it very much on the contextual basis.

Q5 Chairman: So where does that take us? As a Committee we engage all the time with DFID both in the countries we visit and the evidence we get both in writing and orally, and I think it is fair to say that the Committee not only from its own view, but what people tell us will conclude that DFID has a very high reputation both in being a leader and a coordinator. But is there a danger of perhaps becoming a little smug about that if in its Annual Report it does engage with, say, the traffic light system relating to the MDGs⁴ as the indication because there is a big gap between the Millennium Development Goals and DFID's input and the connection between the two which obviously we will

press you to explain a little bit more. The question I have here is, is DFID doing enough to justify the claim that it is at the forefront on these issues, but perhaps I should rephrase it—is there a danger of some degree of smugness, complacency, we are doing quite well, rather than really challenging to say how much more could we do to ensure that what we do is coordinated more effectively?

Mr Wickstead: I am sure there is still plenty of scope for DFID to do better. I think there are lots of issues around the MDGs and the international community's role in helping to deliver on the MDGs. The MDGs are essentially about primary education and those basic health outputs, but in order to achieve those outputs you have to have a whole mass of inputs, which include, for example, infrastructure, which include science, technology, tertiary education, all those sorts of things, and there is a little bit of donor competition to see who can best deliver directly on primary education and basic health. I think DFID is in a situation where it ought to be sufficiently sophisticated to press on some of those other issues which are needed to deliver on the MDGs, which actually include not only those physical things but also issues like governance, peace and security, which takes us into some of the areas, in which I know your inquiry is interested, which is to do with relationships with other Whitehall departments.

Q6 Chairman: I am going to bring in Hugh Bayley, but the one thought that occurs to me is that DFID is now in many, many places and, across the piece, is one of the biggest donors in the world and in many countries it is the lead donor. That has both advantages and disadvantages. There is a danger that maybe they will take the view that they can force coordination through as the biggest player and not listen. But what is your evidence? Is it genuinely something that gives a reach that would enable DFID to do more in coordination, and if that is the case do you believe, taking on board that they vary from country to country, that they can do that in a way that is sensitive; in other words, it is coordination and not imposition?

Mr Wickstead: I would certainly contend—and I suspect my colleagues here would also contend—that the people who really need to take the lead in coordination are the developing countries themselves and the governments of those countries, which is easier in some instances than others. It is much more difficult to do, of course, in situations of crisis or in fragile states. Traditionally the UN, I suppose, and the World Bank have been the organisations which, because of their multilateral nature have been, as it were, at the side of government in coordinating. I think DFID's range of expertise across a whole range of issues—and there are in most countries in my experience a range of sub groups, looking at housing and education, good governance and whatever—I would say that DFID would certainly have the potential and the capacity to play a major role in some of those sub-sectors.

² Overseas Development Institute

³ Democratic Republic of Congo

⁴ Millennium Development Goals

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Ms Mulley: I would agree with that, and to go back to your previous point I have read several DFID documents recently where they talk about the fact that DFID provides only 12% of global aid and they said they need to be influencing others. I think 12% is a lot and we need to make sure that there is enough attention being paid to what DFID is actually doing itself with its own budget. As I said before, I think we need some better monitoring there. To pick up on the previous point, I think DFID is in a very strong position in many of the countries where it works to really lead these agendas and we have seen that in some countries certainly. DFID has been playing a really positive role in countries like Tanzania or Mozambique where DFID has really been at the forefront of these coordination arrangements and has been supporting government leadership. I think the challenge is rolling that out across the whole portfolio and making sure that good practice which develops in one place can be used to develop good practice elsewhere. I think the current set of targets, which are set internationally are not stretching enough for DFID and this is the problem of DFID being at the top of the class. I think the international structures are not really stretching DFID because they are operating in a difficult international context where you have a very wide range of donors at very different points in this process. So I think there is a need for more leadership from DFID to challenge itself. I think we should not underestimate how difficult this is, either. I would not want to suggest that this is an easy process; it is a very challenging change in the way they work and it really does change everything about how they work potentially. So I think it is a lot to ask but I think we should be asking for it.

Ms Doull: Can I support much of what has been said in that I think DFID is ahead of the game in many ways and certainly from our perspective as an implementing NGO they are now allowed to push the boundaries of discussions on issues of where investment is being made on more predictable funding, etcetera. Just taking it back to the ownership and investment area, I think also in a number of countries they support the issue of ownership of aid delivery within a country but it is very variable within countries and I think there perhaps has to be a more coherent approach to the type of leadership and stewardship assistance that we give to governments. Then in terms of where aid is being invested, if we take it back to health, I agree that there are a lot of competition brownie points to be scored in being seen to provide basic services but I would say that there is too much emphasis on the actual delivery and not enough on the health system itself, particularly in issues of health system management and developing human resources. So I think again, being a bit more astute about where investment is being made would be useful, particularly in fragile states.

Q7 Hugh Bayley: DFID has a donor coordination department but it does not have representation in the capitals of most donor countries, so obviously it relies upon the Foreign Office and I wonder whether

DFID has a strong enough lead within Whitehall to ensure that donor coordination gets the priority it should from Foreign Office officials in places where there is no DFID representation. What is your experience?

Mr Wickstead: Again I think the experience is probably quite variable and depends a good deal on individuals. Certainly within Europe I know that there are a number of ambassadors in posts who take the development agenda very seriously indeed. They talk to governments in other European capitals on a regular basis about the development agenda, the importance of alignment, etcetera. I think it is less true in other places. I think it is a problem perhaps that could be helped by a system of greater secondments across Whitehall and exchanges and interchanges. For example, if you take our mission in New York or our mission in Brussels where these are clearly issues that are discussed on a very regular basis and at the highest levels there is a regular input of DFID officials into those missions, and that is clearly right. I think if you look at a number of other governments and the way they handle these areas there is much more regular interchange. Some of, as it were, the good donors, the Swedes, the Dutch, the Finns, have basically a consolidated system of diplomacy and development running alongside each other, and I think that naturally gives you the sort of synergies that you need, so that when somebody in a particular post goes overseas they know what the development issues are. So I think that there is certainly scope for getting people to take these issues more seriously in a lot of posts. Perhaps the same happens in developing countries as well where aid is not necessarily the biggest issue on the agenda but is nevertheless important. It is important to have people there with a strong background in development in those posts to advise the senior management in the posts.

Q8 Hugh Bayley: How many Foreign Office officials get seconded across to DFID for DFID postings and would it be a good idea if that happened more frequently.

Mr Wickstead: Yes. I am afraid I cannot give you a definitive answer on that. I certainly know that when I was appointed as an Ambassador in Ethiopia, having been a DFID official then secondment took place in the other direction. I certainly think there is more scope for that to happen and it certainly happens at lower levels in the system. My sense is that could happen a good deal more, and not just between the Foreign Office and DFID. I think that there are other departments which are international departments in trade issues, education issues and health issues, and in my view there would be a lot more scope for exchanges between those departments.

Q9 Hugh Bayley: If I think back to the Commission for Africa days I thought that the Commission and DFID did a brilliant job in terms of teasing out the policy issues, but I think the UK probably did a less good job on the politics of building a political momentum behind the commitments to more aid,

debt relief, to better coordination and so on. In fact I remember having a conversation either with you or the Downing Street team early in the year to say, "Look, you need to be rolling out a pledge from the Germans to do this in February and the Dutch to do this in March," and thinking about the process since Gleneagles there has not really been the political follow through, which is part of the reason why we are doing this inquiry. That again suggests to me that there is either a lack of joined-upness between the Foreign Office—and maybe other government departments, the Treasury perhaps—and DFID in terms of following through the development agenda because it is a development agenda long term, so that there is a strategy for how we move American policy more into the mainstream over a three-to-five-year period. Do you sense that there are some weaknesses there in terms of our relationships with other donors, that they are not fostered with a driving political strategy over the medium term on a donor-to-donor basis?

Mr Wickstead: I am not sure the issue identifies essentially a problem of coordination across Whitehall. I think we did make huge progress in 2005 and that was a combination—and thank you for your kind words—of the Commission for Africa, which was an independent body and we kept some distance away from the British Government, but working very closely together, and I think we made a lot of progress. I think it was inevitable that there should be some sort of relaxation, as it were, after that process. I think that we achieved in 2005 some terrific commitments from the international community and the trick now is to keep the momentum behind those commitments. I think the UK continues to do its bit and other members of the international community are not stepping up to the mark as strongly, and I completely agree with you that there is scope for the UK to push very hard on that, and that requires a lot of diplomatic effort and endeavour because you just cannot keep banging away as people will get fed up, frankly. So you have to address this in a rather subtle way. As I said, not everybody buys into this agenda. In many of the G8 countries, for example, you do not have this fantastic political consensus that developed here in 2005, essentially, around the importance of achieving a 0.7% target, and that puts the UK in a fantastically strong position. But I do not think that that is essentially a problem, to come back to your point, about Whitehall coordination, necessarily; it is about how you keep that political will developing amongst other countries and administrations.

Q10 Hugh Bayley: This is something about which Sarah and Linda may have views. You talk about this political consensus that has been developed in the UK largely by NGOs and the churches, but supported by political parties and the political establishment, behind "drop the debt" and behind 0.7%, but should DFID not be more political internationally? Should it not be working with UK NGOs and UK churches to do more work with European NGOs, American NGOs and Canadian NGOs and churches to try to build similar civil

society fan clubs for development in other countries? And it always strikes me that so much more could be done on a parliamentarian-to-parliamentarian basis. I remember in 2005 going with little teams of MPs to see the German parliamentarians, to see Italian parliamentarians to try and excite their interest in the Gleneagles process, but should not DFID have a parliamentary support unit or parliamentary unit that sees the importance of this and tries to make sure that UK parliamentarians are being their ambassadors in the parliamentary field?

Ms Mulley: A couple of points. I think in terms of DFID's international strategy they need a twin-track approach because there is a group of donors who are in agreement with DFID and who are sympathetic, particularly in the EU context, and I think that DFID needs to be doing more to build on that like-minded coalition to see what can be delivered within that group. So, for example, I think we could be doing a lot more at the EU level. Then I think there is a separate strategy about trying to bring in the donors which are less sympathetic. I think if you try and do both at once you probably miss on both counts; so that is the first point. In terms of building the international political movement in these countries, I work, for example, with a coalition of European NGOs and we have groups in all 27 Member States working on these issues and trying to bring them up the political agenda, and we publish an annual report which sets out the progress about European targets for all those Member States. I think there is that movement emerging but I think you have to remember the different contexts in different countries, so to talk about aid in, say, Romania, it is obviously a very different discussion than to talk about aid here. Whether it is DFID's role to do that I think is an interesting question, and whether DFID could be doing more to support that kind of advocacy in donor countries, I honestly do not know what the right answer is because they obviously have to be sensitive about not being seen to interfere in other people's political processes; but they are certainly supportive of our efforts to do that, and that is something on which we work quite successfully with them. I think the parliamentarians point is a very good one; I think we should be doing more to build up those connections. I would also add to that that there is great scope, I think, for even more work to be done to link up parliamentarians in donor countries with parliamentarians in developing countries to actually share those experiences and to understand that perspective, because obviously you have a very useful perspective from here and if more could be done to support those relationships that would be great. Again, I do not know quite what DFID's role in that should be but we would certainly be supportive.

Ms Doull: I am not sure I have anything particular to add to that, but I wonder again in terms of greater civil society engagement, that is actually a role of NGOs like ourselves who are really on the ground and very close to civil society, and whether that is something in which we should be more active; but, again, it comes down to how that is supported within

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country programmes, both at national level and through individual agency programmes. But it is something worth exploring.

Mr Wickstead: Just simply to record the fact that before this meeting I had a meeting with the Secretariat of the Commonwealth Parliamentary Association who are proposing to have a series of discussions in November precisely around these issues of aid effectiveness and precisely to bring together these different groups of MPs, to which Sarah referred, both from the donor international community and from the foreign community.

Q11 Sir Robert Smith: One of the benefits of coordination, as DFID point out, there are a lot more bodies involved as donors. There were 12 per country in the 1960s and now 30 in 2001 to 2005. One of the frequently cited benefits of coordination is lower transaction costs, yet the OECD⁵ are concerned in their monitoring of the Paris Declaration that progress has not been fast enough and that donors will need to work aggressively. I just want to explore what you saw in terms of benefits. When we were in Ghana the Health Ministry recognised that obviously now that the Netherlands and the UK are working together that is one meeting instead of two meetings, but they did point out that since they were pretty well aligned before they coordinated that they as a Health Ministry had not seen—but DFID possibly have seen—benefits in reduced transaction costs. I just wondered what difference you felt that has made on lowering transaction costs.

Mr Wickstead: I think there is a pretty mixed picture. I think the international community is beginning to understand the burden that aid can put on developing countries, particularly on their finance ministries but also on other departments like health and education particularly, and I am very conscious that even back in the 1990s when I was running British development programmes in East Africa that the Treasury in Tanzania told me that they had 400 donor missions per year. That is just over one a day and these are the people who, essentially, should have been responsible for running the Tanzanian economy and they did not really have time to do that. I think that since those days we have made significant progress, and my view is that this shift towards budgetary support is a welcome one and that is a way that it should be possible to reduce transaction costs by people putting money essentially into the budget with a general understanding of the areas for which that budget support will be used, but with a single set of reports back to the international community at the end of every year or whatever. Nevertheless, it remains a significant burden on the capacity of Treasuries and other ministries and I think that the donor community would do well to think about supporting the capacity within developing countries to deal with the international community. Not, importantly, from outside the system but within the system because I think the risk is that you set up a project

implementation unit or whatever to deal with all this stuff and you do not build up the system, as others have referred to. The crucial thing that we now have to do is to build up the capacity, build up the system so that countries can take on these responsibilities themselves.

Ms Mulley: Can I make one quick point? I think there is a risk with moving to these modalities that what ends up happening is that you keep the old modalities and then you layer the new ones on top, and you actually end up in the short term potentially increasing transaction costs. So I think there need to be commitments from donors not just to do new things but also to stop doing old things. I think it also means that we might not expect to see the benefits of this immediately; that this is going to be something that happens over time and people need to stick with it. To add to what Myles has said, it is not just about coordination, this transaction costs point, it is about budget support, it is about predictability, crucially. One of the most difficult things for recipient country governments to deal with is just never, ever knowing how much aid is going to come, whether it is going to arrive on schedule, whether it is going to arrive on the last day of the budget year, and it is dealing with some of those problems. Those can be done individually by donors as well as through coordination, so it is not all about coordination.

Q12 Sir Robert Smith: We will come on to budget support in more detail but on the other perceived benefits or risks of seeing transaction costs going down, which way does it take it in terms of staff levels for DFID? Some of our evidence suggests a concern that by trying to “do more with less”—the government’s slogan—in a sense we missed the point that possibly coordination requires quite a lot of work by the donor countries in terms of staff resources and also in terms of monitoring. Where do you think the benefits lie and where do the risks lie?

Mr Wickstead: I think it is very important to monitor where resources go because DFID has a responsibility through Parliament and the British taxpayer to ensure that those funds are used properly. My guess is that as you move away from project support towards more budget support then you do reduce, probably, the number of people that you need in order to be able to manage the programme. At the same time I think it is very important that DFID and HMG generally have a pretty good understanding of what is going on within the country. So if you are talking about budget support being used to development health systems, education systems, capacity in those areas, you cannot just sit in the capital and expect to know what the impact of that is in areas in other parts of the country. Essentially you have to have eyes and ears out in the country to develop a real understanding of what is going on. That does not necessarily have to be DFID people or even funded by DFID, but they need to be working very closely with civil society groups, with NGOs, perhaps with volunteers who are spread throughout the country. When I was ambassador in Ethiopia where we had

⁵ Organisation for Economic Co-operation and Development

about 100 VSOs⁶ spread throughout the country they were a fantastic source of information and intelligence about what was going on and, for example, what the impact of drought was on poor people in those areas. So I think it is very important to maintain those networks so that people can really understand what is happening at local levels.

Chairman: From the Committee's point of view, quite often when we have visited countries we have found out that our visit has been a rare opportunity—to put it in those terms, rather than an excuse—for DFID staff to actually leave the capital, in order to first of all prearrange our visit and then to accompany it. In some cases this is because of security and in some cases because of pressure of work, but it does bear the point out. Although I think it is quite interesting what you have just said, that it does not require always DFID staff to go and do the gathering of information.

Q13 Mr Crabb: You have already alluded to the importance of direct budgetary support, but for clarification are you saying that you believe that providing more bilateral aid through direct budgetary support is the best way for the UK to achieve greater coordination?

Mr Wickstead: I think that in certain country circumstances that is the case, but before you can give direct budget support you need to ensure that countries have transparent and accountable systems; you need to be able to track those resources being used effectively. So you cannot apply that to all developing countries. You basically have a spectrum that for the best managed economies budget support is appropriate, and as you move, as it were, down the spectrum towards fragile states you have to engage at that level in fairly small-scale projects, or for large-scale project activities where you are counting every penny. So there is a spectrum. Ideally what we should be doing is helping borrowing countries to move along that spectrum to the stage where they are able to deal with direct budget support. That, in my view, is the ideal scenario.

Q14 John Battle: Just to follow up on that. First of all, I am in favour of budget support. When you were ambassador did you find that Britain was campaigning for budget support and other countries, or your colleague ambassadors, were not in favour of it? Were we leading the caravan and cajoling them around for it, or is there a consensus in the international community that what you have just said is the way forward?

Mr Wickstead: There is no consensus but I think that there are a number of donors which are very firmly alongside the UK in believing that budget support is the right way to go, and there are other countries which firmly believe, for whatever reason, that what they should be doing is continuing to fund projects. That can be for a number of different reasons. There are accountability arguments; they

feel that by funding projects they could more closely monitor every penny or every cent or every yen that is going into these projects.

Q15 Chairman: Not mentioning any particular countries, then!

Mr Wickstead: But of course that does not address the issue of accountability, which is that if you are funding a particular project however carefully you count everything that is going into it, other resources could be used for other purposes. So I think that there are pretty clearly two camps—at least two camps—within the leading donor communities, some of which favour a shift to budget support where possible, and others which are very hard to move away from that sense that the project is the right way to go.

Q16 Mr Crabb: What are some of the risks associated with using direct budgetary support and how well does DFID do in terms of assessing and managing those? For example, how well does DFID do with assessing, monitoring levels of fiduciary risk in countries where it is engaged in direct budgetary support?

Mr Wickstead: I think it does quite well. There was an NAO⁷ report on budgetary aid quite recently, which gave a little bit of a mixed picture but on the whole was quite positive about the way that DFID was managing this. It is easier of course with projects to account in accountancy terms for what every penny is being used for, but what you do not know is that the money that would otherwise have been used by that government for funding that project could well be being transferred to excessive military expenditure, for example. I think what giving direct budgetary support does is give you the ability to look across the budget as a whole and to look with the government at priorities within that overall budget and make your judgments about it, which include, for example, military expenditure, and being within certain bounds and limits of what people would consider to be reasonable. So I think it is the more responsible approach in practice, and I think it gives you the ability to see the big picture and not just focus on the small picture, and I think that is what we should be about at government-to-government level.

Ms Mulley: Can I just add to that? I think the key thing is to think about the relative risks and benefits of budget support; it is not about looking at budget support in isolation—we need to be comparing it with other possible modalities. Projects are not immune from corruption and fiduciary risk. I would agree with what has been said about the benefits of budget support and I would also say that in the long term it has to be about this; it has to be about building up country systems and building up those domestic accountability mechanisms. Donors will never be able to tackle corruption from the outside; what needs to happen is that those domestic processes need to be built up. The one thing I would maybe nuance slightly differently is the appropriate

⁶ representatives of Voluntary Service Overseas

⁷ National Audit Office

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role of donors in determining priorities across the whole budget. I would agree that I think one of the advantages is to give donors that overview, but I would say that ultimately those decisions about how budgets are spent and what policies are followed need to be accountable to citizens in the recipient countries, and donors will obviously need to take a view. But I think donors need to be very careful when giving budget support that they do not replace that domestic political process, and that is a very delicate balance.

Ms Doull: To use Liberia as an example, where within the health sector budget which is US\$100 million, \$30 million of that currently is direct budget support; the other \$70 million goes to a number of project related funding streams, either through global health partnerships or NGOs. Coming back to these specific points, with a government that has just come out of 15 years of conflict, what expectation should we have of their ability to manage what level of direct budget support they get and what is the role of DFID and other donors in providing that support and how that links to predictability of aid in funding.

Q17 Mr Singh: But does not budget support tie you in more closely and if there was ever a need to withdraw it would be very difficult because you would destabilise the whole budgetary system? So are you not tied in long term as you go down that route?

Mr Wickstead: Can I give you a specific example of how that has happened? We have touched on it in answer to some of the previous questions about issues not only of levels of support but predictability, and on the whole now DFID is making 10-year commitments to a certain level of budget support; but of course on the understanding that there may be circumstances in which it is no longer appropriate to give those levels of support through the budget. What happened in Ethiopia after I left, in 2005 there were some issues around the elections and the British Government concluded that it was no longer appropriate to give that sort of direct budget support at the time, but rather cleverly, I think, decided that they would maintain the levels of support but targeted very specifically on health and education issues, and making the expenditure of those resources more directly accountable. And I now understand that they are now moving back into budget support. But I think that was a rather sophisticated way actually of keeping up the level of expenditure and making sure that it was targeted but addressing the accountability points that you have mentioned.

Q18 Ann McKechin: Can I tease out with you this issue about country ownership, which is now part of the common jargon about aid effectiveness. Myles, your Commission noted the absence of an overarching aid strategy in most sub-Saharan African countries, and I wondered to what extent anything has been done by DFID in particular or the donor community in general about trying to tackle that? A subsidiary question that would follow from

that is that if they are supporting ownership how do they do it without making their influence so strong that it actually inhibits true ownership from the recipient countries?

Mr Wickstead: I think on the whole, just thinking about Africa, that there has been really quite significant progress over the last 10 years. This is 10 years on from the Birmingham Summit, 1998, and I think there was some frustration around that—the UK and others wanted to do a good deal around debt relief and the Jubilee Debt Campaign was beginning then, all those sorts of things—that they felt there was nothing within Africa really to hang on to. They did not have these clear objectives themselves. Looking at the first five years of this decade there have been huge developments, for example the creation of the African Union out of the old OAU, the creation of the New Partnership for Africa's Development (NEPAD), which is about regional projects which have developed precisely that African ownership which allowed us in 2005 to make that progress because there was something there which the international community could support. The Commission for Africa report was precisely that these are the things that Africa needs to do, these are the things that Africa is beginning to own and how can the international community seek to support that. That would not have been possible 10 years earlier, for all sorts of political and other reasons. But I think it is very important and I think there has been really good progress.

Ms Mulley: I think more needs to be done on this question of aid strategies. I think a number of African countries have now developed very good aid strategies. I think donors could support that process more in other countries and I think there could be some quite specific outcomes this year, for example from the Accra High Level Forum in September, to really pledge that support. I think the other thing to recognise is that ownership is not just a recipient country responsibility. I think the Paris agenda, as it is currently set out, is ownership is over there with the recipients, and actually donors are not recognising enough that the way they behave can inhibit that ownership, which picks up your second point. I think what we are really looking for from the UK and from other donors this year is much more of a recognition that the way that they behave can inhibit that ownership on approaches like tying aid or heavy policy conditionality. I think the other thing to say is that the definition of ownership that is currently used is problematic and it is often used just to talk about central government agencies, maybe just the Ministry of Finance, maybe just three people in the Ministry of Finance, and it is very closely tied to the World Bank's Poverty Reduction Strategy Paper (PRSP) process. We recently did some research in seven countries about this issue and one of the government people in Cambodia we interviewed said that the PRSP is so broad that donors would have to build hotels on the moon in order to not align with the PRSP because so much is in it that anybody can find a hook. So I think there is a real need for donors to be willing to actually change what their priorities are and change what

they are doing, and until donors show themselves to be willing to do that recipients are going to be very reluctant to take the lead because they do not want to risk angering their donors.

Q19 Ann McKechin: I just wondered, following on from that, particularly in Africa whether NEPAD has a role in terms of actually generating an interest in policy development about this issue of ownership and how it can be expanded in recipient countries, so that it is not just the few officials in the Ministry of Finance who make the ultimate decision.

Mr Wickstead: I do think it has an important role and I think it is a genuinely owned African programme and countries are now beginning to support a number of NEPAD programmes. I think there are other complications around NEPAD, which are to do with the relationship between NEPAD and the African Union, which makes it particularly difficult, but this is a teething process and I think it will be resolved. But I think there are some tensions between the AU Commission and the NEPAD Secretariat, which means it has not developed quite as vigorously as one might have hoped.

Q20 Ann McKechin: Linda, you made some very interesting comments about the problem of conflict of ownership when the UK has a set policy about no user fees. Professor Mick Moore of the University of Sussex has queried the value and the emphasis on ownership because he said that in many cases the best uses of aid are regional rather than country-led, and he believes that donors need to make their central concern the quality of aid. I just wondered how you view the relationship between ownership, which demands that the recipient country's view be taken into account; and the second important thing about the quality of aid.

Ms Doull: Maybe just going back to the example of the Congo. It is interesting in that it is a country that does have already a fully developed PRSP with the donor support behind it, but the government currently in Kinshasa does not articulate that in terms of its policy development and the policy that is rolled out countrywide is very weak. So the question there is again how are donor governments supporting? Indeed the Congolese Government articulate these policies more effectively and I think that is one thing that needs to be looked at, and perhaps because there is a difference between the international community's views on the Congo that is sort of negating or weakening that support. If you compare it to somewhere like Afghanistan, there is a very self-determined government that also receives huge amounts of technical support to enhance that strategic leadership role in the country and I think we need to look at why those different approaches were taken.

Q21 John Battle: In terms of the quality of aid there are new buzz words around that idea of impact evaluation and I wonder what sense we can make of these words in a world in which it is very difficult to get quality standards for evaluation. Even here in

Britain there are great rows going on at the present time of what the retail price index is and whether the National Statistics Office is objective or a corrupt body—I will not make a political comment about that! It is not easy. We obviously cannot just leave it to the self-assessments carried out by DFID, can we, in terms of this impact evaluation? There is a kind of consensus that we should have it, but what would it look like and how can we build an objective consensus around it?

Mr Wickstead: I think it is a very difficult question because it is very difficult, for example, for individual donors to be able to say that their particular input has led to this particular result. In a way that was easier to do under project assistance, where you could say, "We have built this school, this health clinic," or whatever, and before it was servicing 500 people a week and now it is servicing 2000. It is easy to judge that impact. As you move along that spectrum towards budget support and you are aligning yourself with others then it is more difficult, perhaps, to judge the individual impact but it is, I think, potentially easier to judge the impact on the country as a whole, and what you have to do essentially is to say that the international community has contributed to these developments, i.e. the MDGs, essentially—more children's schools. Some of those things are very easy to judge, like the debt relief that was given in 2005 and this sudden massive increase of numbers of children getting universal primary education because of the abolition of school fees—that was a very easy thing and very quick. In a way this demands a bit of a change of mindset amongst the donor community too, where they cannot say, "We did this and this is the result." It is "we" together—the international community support of this government doing this, and these are the results. In a way it sounds vaguer but I think actually that is the route we have to go.

Ms Mulley: I think that is exactly right, but I think what we need to make sure that DFID and other donors are doing is supporting country-led evaluation processes, so this should not be a donor effort to measure development outcomes in Tanzania—it should be a Tanzanian effort to measure development outcomes in Tanzania. The second thing I would say is that this much more broad outcome-focused evaluation is exactly right but we also need measures which allow us to hold individual donors to account for their performance and for their delivery, and I think at the moment that that kind of evaluation is also significantly lacking. There are no independent sources of data and analysis, and one of the things we would like to see come out of these international conferences this year is a commitment from all the donors or from the EU or from whoever is happy to engage with it to actually establish that kind of independent process internationally because we do need to be able to hold individual donors to account and that needs to be there to complement that more general outcome.

Q22 Mr Singh: I think the issue of predictability of aid has already been alluded to, but the UK Aid Network in its memorandum to us stated very

strongly that developing countries need to be able to rely on long term support in order to implement development strategies. First of all, surely it is not possible to offer long term support to every developing country? Surely there needs to be some criteria in terms of stability, in terms of governance issues. What kind of issues would you look at to actually recommend a country for that long term predictable aid? And what kind of models would you suggest that should be used? And when it seems so blindingly obvious that this is necessary for a country to develop in some kind of rational, long term way, why are there donors not going down this path?

Ms Mulley: I think it is absolutely essential and from a recipient-country point of view you just cannot plan long-term health interventions or anything else if you do not have it, so I think we have to look at a way to get there. You are absolutely right; you do not want to be making binding, unmoveable 10-year commitments to every country. I would go back to the point that was made earlier about having a plan B, so that you can continue to be predictable about the amount of aid that you give but be flexible about the way you give it. The other thing I would say is that it is absolutely vital that those criteria are transparent. So at the moment from a recipient country's point of view it is often not very clear what the criteria they are being held to are, and certainly from a civil society point of view, or from a citizen's perspective, it is difficult to know what criteria their government is being held to. So I think the model I would propose is that you make long-term commitments and you are very transparent and clear about how you are going to make decisions about delivery on those commitments. The other thing is that at the moment the recipient countries that go off-track in whatever way are punished swiftly and severely by the international community, whereas for donors who do not deliver what they said they will deliver there is no mechanism to hold them to account. We have been calling for donors to publish an explanation when they fail to deliver money they have promised, for example. The question of why donors do not do it is a complicated one. A lot of donors have annual budget rounds, so USAID⁸ only gets its money one year at a time, which makes it harder, and obviously DFID is in a better position than that because they get three-year budget settlements. But I think the fact that DFID are able to make 10-year commitments, even though obviously they do not have 10-year budgets, demonstrates that donors ought to be able to get around this. To me, the main reason it does not happen is that in many donor countries aid is highly political and the flexibility of making short-term commitments is used to make decisions on the donors' political objectives or strategic objectives rather than for that long-term impact. But I think this is an area where we should be able to make real progress this year. I think the EU has made some very strong commitments in this area and we ought to be able to build on that to really deliver on it.

Chairman: A couple of final questions on the role of coordination and conflict issues in fragile states.

Q23 Hugh Bayley: The first recommendation on peace and security from the Commission for Africa said to make it more effective at reducing conflict all donors should be required to use assessments of how to reduce the risk of violent conflict and improve human security in formulating their country and regional assistance strategies. When you read the Paris Declaration it does not really say anything specifically about conflict prevention at all. Do you think that the Paris Declaration has taken its eye off the ball, and in what ways could it be improved to take greater account of conflict issues in fragile states?

Ms Doull: Certainly from our perspective the question is what are the drivers of fragility which lead to conflict issues, and I think the provision of basic services comes into that. I think there is, as was alluded to earlier, quite significant emphasis on the provision of basic services by a number of international donors, so I do not think there is a lack of recognition of those issues. Perhaps at the level at which that discussion is articulated it could be better addressed but again it comes down to what is predictability and the ability of a country to show that those services are going to be delivered on a regular basis to a community, particularly in a post-conflict environment, where there are high expectations of service provision. I think again it comes down to the fragility of a national government if they are not being supported to take through the issues. We have talked about this but if we do not sort these things out that is another driver for conflict.

Ms Mulley: There is not very much in the Paris Declaration about these issues and there is a danger that the aid effectiveness agenda as set out in Paris becomes an agenda for the good performers. One of the things which is on the agenda at the meeting in Accra in September is to try and move this forward. I am no great expert on fragile states *per se* but I think we should not underestimate the extent to which the same arguments apply, so governments in those circumstances need coordination, predictability and transparency from donors even more. The question is about being flexible with the modalities again to make sure that you can give aid in a way that is appropriate. The way the Paris Declaration is currently monitored tends to miss some of the fragile states because the monitoring process depends on the capacity of individual countries to monitor what is going on with their own donors and obviously fragile states are less likely to have that capacity, which means they are somewhat under-represented in the data, which I think is an issue that needs to be addressed.

Ms Doull: To use Liberia as an example, it is well documented that fragile states or post-conflict countries slide back into conflict within five years of that conflict end. If we take the concept of providing the basic services against reducing fragility, Liberia right now has 20 donors inputting into the health sector. The Minister of Health only knows two of

⁸ United States Agency for International Development

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those donors will fund him beyond 2009. That is the Global Fund and USAID. I think therefore there is a challenge to us to say “What are we doing?” If he is living with that degree of uncertainty, we need to question whether that is of benefit.

Q24 Hugh Bayley: In their evidence Saferworld said, “well-intentioned development assistance may, in certain contexts, affect the relative advantage of one ethnic group over another, or affect access to scarce resources—thereby fuelling tensions and exacerbating the potential for violent conflict.”⁹ They concluded, “It is therefore essential that the Paris Declaration fully examines the extent to which conflict issues are being taken into account in its implementation”.¹⁰ Whereas I accept very much what you are saying, Linda, that the needs of post-conflict countries for transparency and predictability are the same as other countries, would it not make sense to build into the Paris Declaration a conflict filter which requires donors to answer that question? Is there a way, for instance, of rebuilding health care that is going to be seen by some people as favouring one group over another or of promoting inequalities between communities? Would it not be a good thing at Accra to suggest that a new filter is built into the Paris process?

Ms Doull: Yes. That is probably a good answer. There is the whole issue of health equity and whether that is what we should be trying to achieve or whether we should be deliberately targeting services at populations that are most likely to create disturbance in the country.

Q25 Hugh Bayley: The answers are not there but the questions should be asked?

Ms Doull: Yes, I think the questions should be asked.

Q26 Chairman: The Committee has visited a number of post-conflict and fragile states such as DRC, Sierra Leone and Afghanistan and we have seen some of the problems associated with that. In those situations, if you are going to assist in reconstruction, who should coordinate all this? The reality is that by definition there is not a functional government, if it is functioning at all. Should it be coordinated by a lead organisation like the World Bank, to take Afghanistan? Two different things happen there. One, the World Bank administers the trust fund so budget support is being provided. I think I am right in saying that uniquely in the world it is the one area where the United States is

effectively engaged in budget support. At the other end of the scale in Afghanistan we also saw money being given to community development committees to spend, although they were given it for one year and did not know what to do next, even though it galvanised communities working together and identifying projects. It is not coordinated. We have the budget support at one end, so who should take the lead if you are going to try to rebuild? I remember John Battle saying, when we came to look at the DRC something that he could have prefaced by saying heretically: is actually having an election the first priority or is building a functioning state a first priority? What is the way forward and are we doing it in too piecemeal a way?

Mr Wickstead: That is another difficult set of issues. What is encouraging about what is happening within the British government at the moment is that there is a lot more thinking around this issue of state building and building effective states in which not only DFID but also the Foreign Office and the Ministry of Defence are engaged, because it is likely that in these circumstances you will have possibly the need for some sort of military operation, the need clearly for a humanitarian operation, the need for state building which takes all those sorts of things into account, and of course the need for diplomatic interventions too in New York and elsewhere. I think that is an imperative development. One probably has to be a bit pragmatic over this, depending on which particular country you are talking about and what the historical circumstances may be. From time to time, as I suppose happened in Sierra Leone, the UK took very much a lead in those issues and I think that was absolutely fine. In other cases it may be the World Bank, although the bank is a little bit constrained because it is forbidden under its Articles from really getting involved too heavily in political governance issues. The UN clearly is a potential leader in some of these things, UNDP¹¹ and others, and in many ways I think that is the most appropriate body as the kind of fallback position if there is no other obvious person to take the lead. My view would be that one has to be pragmatic and look at what might work best under given circumstances.

Chairman: Thank you very much, all three of you, for coming and giving us that insight. Obviously it is not an easy subject but equally, if you are a poor, developing country, it is not easy to deal with a huge number of donors with conflicting agendas, so it is in everyone’s interest to try and improve that interface. Thank you very much indeed.

Witnesses: **Mr Antonio Tujan Jr**, Chairman of the Reality of Aid Network, Director of IBON International, and **Mr Howard White**, Executive Director, International Initiative for Impact Evaluation, gave evidence.

Q27 Chairman: Thank you very much for coming in. You have both been listening to the previous evidence session so you will understand the context. It is very good of you to come along. Perhaps you could briefly introduce yourselves for the record.

Mr Tujan: I am Antonio Tujan, the international director of IBON. It is a research and education NGO based in Manila in the Philippines. I am also the current chairperson of the Reality of Aid Network, the global, north-south network of NGO platforms which monitor aid.

Mr White: I am Howard White. I have spent most of my career as an academic working, amongst other things, on issues that affect aid management. For the last five years I have been leading the Impact Evaluation Programme of the Evaluation Department of the World Bank and I am now the head of the new International Initiative for Impact Evaluation.

Q28 Chairman: Which likes to call itself 3ie. We have obviously been looking at the Paris Declaration as part of the framework for coordination. When we were in Ghana, we got some slightly negative feedback from the Ghanaians about the commitment of members of the Paris club, if you like, and the expectations for the forum that is going to take place in September. From your point of view—you can be as frank as you wish—how well do you think both the donors and of course the recipients, because they are part of the process, have lived up to the commitments that they have made under the Paris Declaration? If you are able to quantify it or be specific, that would be helpful.

Mr Tujan: I just arrived from Ghana this morning where we had the results of prior research that began in preparation for Accra. In this process they raised a number of key points that civil society in Ghana is particularly interested in on the questions of gender equity, environment and production. They felt that there is a large gap between what they thought was necessary and could bring Ghana along the path forward and what has been delivered. The monitoring survey that was conducted by the OECD in 2006 has shown that there has been a very low level of performance to the Paris Declaration commitments. To a certain degree this is understandable because, on the one hand, it was a new survey and our indicators were unclear and so on. The new survey is presently being processed. There are initial results and the peek into that that was announced by the EDCDE in Bangkok last week was that there is a slight improvement. In short, it is still slight.

Mr White: Forgive me if I take a slightly longer-term view, but I think it is very useful to do that. When the Paris Declaration was first signed, there were no particular grounds for being optimistic. This is not the first declaration the international community has made and it is certainly not the first that will not be met. It is not the case that aid coordination is a

new idea. The DAC¹² has existed for well over 40 years, going on for 50 years. The DAC was founded as an aid coordination body, so what has it been doing for the last 50 years? There was mention in the last session that the multilateral agencies are there to play a coordination role. This is patently not the case. No one thinks the EU is coordinating the aid of the various EU donors on the ground in the recipient countries. The multilateral agencies, by and large, are not playing that role either. We come into a context where general declarations and the history of aid coordination have not done terribly well. We have to ask ourselves what is different now. What has changed that will mean this might actually work? There are two sides you have to look at because the Paris Declaration talks about aid coordination and about recipient control. I would rather say “recipient control” than “ownership” because without control there is no ownership. I think the modest progress that has been made is on the aid coordination side amongst the donors themselves. The progress towards recipient control has been very slight, if there at all. Without that, there is very little incentive for the recipients to get seriously engaged with the Paris agenda and very little likelihood that the Paris agenda is realised. Let us look even on the aid coordination side at whether there is some modest movement. I think we have to recognise that change there is necessarily slow. Institutional change is slow, unless you are talking about stroke of a pen reforms which you can do just by signing a document. Untying aid is one example where the UK indeed did that. Untying aid over the last decade is one success story in aid coordination. You ask what the DAC has been doing for 50 years: it was trying for a long time to get progress made in untying, as has now happened. On day-to-day management of aid, it is what is happening at the ground level in country programmes that matters and there things take a very long time to happen. You have the aid managers signing the Paris Declaration, but they are not the people who are down there in the country programme actually doing the work on a day-to-day basis. These are people still in DFID for example who come from a background of being project staff, project managers and are now having to change their roles to be sector specialists and change the sorts of things they look at. It is a very slow process. One thing I worked on some years ago now was the predecessor of budget support, which was import support, programme aid and various forms of macro support like that. The Strategic Programme for Africa, the SPA, was trying to coordinate the aid management of adjustment lending to Africa. It took pretty much 10 years to get some alignment on import support and disbursement of procurement systems, even though all the major donors agreed on it. In that case a particular sticking point was the World Bank. It was not until the World Bank introduced its simplified disbursement procedures that it was possible to coordinate just one particular aid programme to one

⁹ Ev 92

¹⁰ Ev 92

¹¹ UN Development Programme

¹² Development Assistance Committee, Organisation for Economic Co-operation and Development

particular group of countries. When I think of a recent experience I had in Bangladesh, you can arguably say you have had a health sector programme in Bangladesh since independence. They have always had very coordinated aid. When they started the health sector programme proper in the 1990s, only a small amount of money was going into the pooled finance. The rest was still projectised and even the amount going to the pooled finance was not in the first project part of the government procurement system. It was done as a separate pool, managed by the Ministry, and it was not until six years later with the second programme that they brought the procurement system more in-line with the government procurement system. It took a number of years to achieve that. These things take time. I want to use Bangladesh to illustrate a previous point I made about control because it really is my belief that donors are very reluctant to relinquish control. Bangladesh is a very striking case. I was there during the pre-negotiations for the health, nutrition and population sector programme and we were discussing with government officials the new strategy document. We had all had a copy for the last couple of weeks. We were going in to discuss it and the senior government officials would say, "We would like to discuss that document with you but we have never seen it." It was written by donor-financed consultants. This is very peculiar in Bangladesh because it wrote its own five-year plan and had the donors coming in on that, financing its plan very successfully. Bangladesh in the 1980s produced the first ever drugs policy for use with generic drugs and, against US and World Bank opposition, introduced that policy. Suddenly, 20 years later, the country cannot write its own strategy. When I asked a senior health official about this, his answer was, "The donors know what they want so why not let them write it?"

Chairman: We did get a complaint from Afghanistan that donors were not telling them what was forthcoming. I happened to notice a report from the Afghan Government about forward expectations and the figure from DFID was zero. We all know that DFID has a commitment and they can read our reports and see it but they have not told the Afghan Government what it is apparently.

Q29 Mr Singh: It seems that your report on the Paris Declaration is, "Could have done a lot better." What are your expectations for the High-Level Forum in Ghana? What do you expect to come out of that? Is there a way, if concrete commitments come out of that forum, that they can be sustained and implemented?

Mr Tujan: In the first place I would like to emphasise that the Paris Declaration has gone way beyond the issue of coordination which was the agreement in Rome in 2003. In 2005 in Paris, it became aid effectiveness precisely because it was no longer about the donors coordinating. You bring in the recipient countries and they were there in Paris. They were spectators in Rome. They still felt like they were spectators in Paris, so they said. The important thing was that in Paris you already had

the notion of ownership. The problem with the Paris Declaration is that the notion of ownership in Paris is about control. When you talk about control, it is about governance. We do know that development is not just about governance; it is about people. Therefore, you will find that in the Paris Declaration CSOs¹³ are not there. Parliaments are not there. The commitments to accountability are very thin because obviously you cannot have proper accountability without democratic systems. That includes other players. That is why in Accra there is a movement beyond Paris. So in a sense we are moving in three-year stages in terms of commitments. It appears that in Accra there is going to be discussion now on democratic ownership, recognising that ownership means the whole process in a recipient country. That includes CSOs, parliaments, media and so on. There is a discussion of putting in CSOs to enrich the whole Paris Declaration which means you talk about accountability with the CSOs in the picture. You talk about donor accountability but it is no longer just governments. It includes citizens and CSOs in the recipient countries. There is a lot more that is coming in. Also, in the Accra Agenda there is language on conflict affected states but that language so far as formulated in the first consultative draft is very problematic. The important thing is it is there. There is also language that is being pushed on the so-called cross cutting issues on gender equality, human rights and environment. Accra, by optimistic expectations, would be quite a movement forward from the Paris Declaration and the discussion now is how to move it forward. There are some sectors which are much more conservative about it. Of course the question of implementation is another story. It always happens that way, that implementation lags behind commitment.

Mr White: By and large, I would agree with that. There is great potential in Accra still, despite my earlier pessimism. I always come out being an optimist in the end. There is potential to try and realise the ideals of the Paris Declaration, to use it as a means for empowering the recipients to take more control of the use of aid funds. I fully accept that recipient does not just mean government; it means all forces of society. There is a great danger that Accra will result in noble statements along those lines and very little that is concrete will come out of it. It would be useful to think ahead as to how one might practically engage in the process to look for concrete things that come out of that that would result in improved aid management practices where recipients take an important part in that process. For example, something I have mentioned many times on previous occasions, the DAC peer review mechanism should be replaced by a recipient peer review mechanism whereby it is a group of recipient governments that is doing the review of donor performance, not DAC members.

Q30 Mr Crabb: Moving on to impact evaluation, there seems to be some consensus that impact evaluation is one of the keys to achieving better

¹³ civil society organisations

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coordinated, more effective aid. How credible do you think are the self-assessments that are currently being carried out by DFID and other donors? How could they be improved?

Mr Tujan: We have been referred to the drafts of a study on that. Indeed, there is a plethora of assessments that are being made. The question is how credible are they to change behaviour. The OECD has embarked on a 12-country evaluation of the implementation of the Paris Declaration. I think that is a process that can go forward, except that for civil society we think there should be an independent monitoring and evaluation process, which means it is not by the recipient countries and it is not by the donor community, but an independent process. To have that in place, we have to look at the aid architecture because the question is who will now manage that process.

Mr White: In terms of the assessments made by the development agencies, you have both the self-assessments carried out by the operational side of the agency, and then you have the evaluations carried out by the evaluation department of the agency. Then you have the possibility of evaluations carried out by some other, nominally independent body. To date we have essentially the self-assessments which are the vast bulk of all assessment work being done in any agency. Then, the evaluation departments are carrying out a smaller number of normally thematic or sectoral studies rather than project specific studies and you do not as yet particularly have any systematic, independent evaluation function which is the purpose of 3ie, the organisation I am heading. For both the evaluation departments' work and the self-assessment operations, the quality varies from agency to agency. I have worked for many agencies and there are some like the EU where you know that if you are critical you never work for them again. There are others like the Swedes who love to be told they are bad and do things wrong. The more critical you are, the more they like your report. DFID falls somewhere between those on the evaluation department side but on the self-assessment side DFID ranks pretty badly in terms of the operational studies that are done, particularly the routine completion reports. There is no quality-control function on those, so managers can put in pretty much what they like. They are not anyway particularly detailed studies. On the side of those I would give a pretty low mark. On the side of the evaluation departments I would give a reasonable mark of seven out of ten or so.

Q31 Mr Crabb: In terms of the weaknesses you have identified in the operational self-evaluation, how is that manifested? What is coming out which is incorrect?

Mr White: Evaluations serve two functions, accountability and lesson learning. I do not think they can serve either function satisfactorily. It does not send any clear signal about whether taxpayers' money is being used effectively or not because there are biases in the reporting of the outcomes of the interventions and it serves no lesson learning

purpose because it is not particularly well structured and there is probably no lesson learning anyway. It is critical to draw out lessons.

Q32 Mr Crabb: Could I ask Mr White a couple of questions about the 3ie initiative? How do you intend to ensure that it does not cut across any other similar initiatives? How would you describe the specific unique added value that you bring to this area?

Mr White: There are three sets of similar initiatives of which 3ie is one. The first set of initiatives are those undertaken by agencies themselves to have more impact evaluations. The World Bank has been particularly active in that area in what is called the Development Impact Evaluation Initiative, DIME, which was initiated by the World Bank's research department. Last time I checked the portfolio which was in January of this year, DIME had 230 ongoing impact evaluations, which is a fantastically large increase in the number of impact evaluations going on in any one agency. There are other initiatives in the World Bank, particularly the Impact Evaluation Fund which is also funding impact evaluations of World Bank interventions. There are the agency specific initiatives. They have a very clear role because they are doing impact evaluations of initiatives funded by that agency as part of the project and the system as self-evaluations. The second initiative for which the World Bank's evaluation department has a secretariat is NONIE, the Network of Networks on Impact Evaluation. NONIE was created to create quality impact evaluation amongst, in the first instance, the official development agencies. It was created at a meeting of the DAC, the ECG, the Evaluation Cooperation Group of Multilaterals, and the UNEG, the United Nations Evaluation Group. It has since expanded to incorporate the evaluation associations of developing countries, particularly AFREA, the African Research and Evaluation Association. NONIE has no money *per se* to do impact studies. NONIE's role is to create awareness of the importance of quality impact evaluation and to equip people with the skills to manage, interpret or read these studies by producing guidelines on quality impact evaluation. 3ie's role is really rather different. 3ie's role is going to be as a funder of quality impact evaluations and to carry out advocacy work on evidence based policy making on the findings of impact studies financed by 3ie and from other sources. I would see quite a lot of complementarity between the roles of the different initiatives. Also, the World Bank carries out direct capacity-building work to create the capacity to do impact evaluation work in developing countries. You have NONIE which is meant to be there primarily to create demand and 3ie which is there to service that demand, if you like, a demand that will emanate from developing country governments which will then be filled by the money coming from 3ie. We have one example even though 3ie has not even started yet. One of the NONIE sub-committee members is from the Pakistan Rehabilitation Authority and 3ie is financing a study for him on

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how you do impact evaluation of disaster relief. Given that demand is created, the initiatives coming from the World Bank and other agencies can also help satisfy that demand by having better quality impact evaluation carried out within the World Bank financed projects and so on. I believe particularly strongly that it is important that the evaluation function rests with the recipient governments and that they see the aid money as being their money, which in the end it is. The evaluation is one way of achieving this because they will see ways for those funds to be used much better.

Q33 Mr Crabb: What do you think is the likelihood of achieving some common quality standards across all these different evaluation mechanisms?

Mr White: Surprisingly high. I am now in 3ie but I was involved in setting up NONIE and at the first meeting we had a couple of years ago I went in quite pessimistically, thinking that like minded donors would all sign up. Then we would have the UN, the French saying, "Oh no, it is not what we want to do." Then we would have a middle group of donors who were not one way or the other. In fact, there was unanimous agreement in that first meeting, even from UNEG members, that this was something we had to do. Whilst NONIE is having quite a hard time keeping on board with the particular view of impact evaluation which is being promoted, it is succeeding. I do not think it is something that is going to happen overnight but I believe the core supporters of both NONIE and 3ie will adopt common standards very quickly. They will make sure the impact work they do will meet those standards. There have even been movements by previous non-supporters like the Danes, who have said now very clearly, "We recognise the impact work we did previously was not to standard. We are not going to finance work for that any more. We are only going to finance studies that satisfy certain quality standards." The UN system is, if you like, the Soviet Bloc of moves to improve impact evaluation. I thought it would be the last to crumble but at their meeting in Geneva last month they did a pre-AGM session on impact evaluation and discussed both NONIE, 3ie and UNEG's role in NONIE. They are formally represented in NONIE, so there seems to be also some crumbling of the wall there as well.

Q34 Sir Robert Smith: One of the ways donor countries try to assist is through technical assistance, providing expertise, advice and experts in-country. The Paris Declaration requires far greater coordination and alignment with developing country strategies. How can that technical assistance be enhanced by coordination? What are the obstacles to better coordinated technical assistance?

Mr Tujan: I will predicate that with ownership. The reason why I am saying that is first of all because under the Paris Declaration coordination is very important for ownership. It does not mean that there is no coordination acting without ownership. In fact there is. That can create problems and is creating problems. We have the example of Indonesia where you have donors coordinating around the World

Bank but without the ownership of the government, so in effect you have the donors running different sector-wide projects and the Indonesian Government is left out. On the question of technical assistance, coordination is premised on the leadership that is exercised by the government which would in fact enhance coordination such as clarifying first of all which donor would be in the best position to provide the technical assistance that is requested by the government. The assumption of technical assistance with ownership is that technical assistance is not simply provided by the donor; it is demanded. It is demand driven and when it is demand driven and there is coordination, then in effect the demanded TA will be paired up with which donor has the comparative advantage and that way it works better. The question of comparative advantage, the question of improving the quality of technical assistance, I think is predicated not so much on coordination but coordination under ownership.

Mr White: I would agree with that. There are many historical examples of successful technical assistance with Meiji restoration in Japan and reclaiming land in Essex, where I come from, using Dutch technical assistance. Botswana in the 1980s and 1990s was using government purchased technical assistance. There is demand for international technical expertise that can be purchased by government from the international market for technical assistance. That market has been very seriously distorted by the donors who have required governments to take technical experts that the donor wants them to have, largely because of the desire of the donors to retain control and the lack of trust of the donor in the recipients' ability. I would agree entirely with what Antonio was saying. The key here is to put the government in charge of demand for technical assistance and only to supply technical assistance that is demanded by the government and then the coordination function falls into place.

Q35 Chairman: Is that an opportunity for DFID to use its constraints on staffing more creatively? We have discussed that in connection with other issues. For example, instead of putting in technical experts on the DFID payroll, those technical experts would be on the recipient government's payroll. What DFID is doing is making a financial contribution to enable them to strengthen their own technical assistance. Could that be a better way of doing it?

Mr White: Absolutely, provided those technical experts are demanded by the government.

Mr Tujan: Even more so because the government will also be able to take certain technical experts and they would come out cheaper.

Q36 Sir Robert Smith: The crucial bit of coordination is ownership by the recipient country rather than all the countries getting together and deciding what is needed?

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Mr White: Yes.

Q37 Hugh Bayley: How fundamental is ownership to aid effectiveness? Can you think of examples of effective aid achieved without ownership?

Mr Tujan: The Paris Declaration defines ownership as the most fundamental of the five principles. It is the over-arching principle. Alignment, harmonisation, mutual accountability are supposedly premised on ownership. Ownership has four dimensions to it. First, there is the political dimension which relates to state-to-state relations. After all, aid is a function of development cooperation and international relations. Also you have the problem of new administrations so when you have elections new governments come in and it changes ownership because it affects the political will of the recipient government when there is a government change. Then there is the dimension of the aid relationship and how that works when in the first place we must understand that it is almost essentially two different social systems at work. You have a very developed, industrialised country that is providing assistance to a country that is coming out of feudal or very undeveloped democratic systems and state mechanisms, and where institutions are weak. Ownership in that relationship is something that is negotiated. It is not automatic. It becomes a function of political will and capacity. A country can have the political will but not the capacity in its institutions to be able to own development. That is why we have this problem of ownership from the country side as well. The donor comes in and has to assist in capacity building. Before long, the relationship becomes paternalistic. It is a very difficult relationship when you assume that the country owns its development but that country may or may not have the political will or the capacity. The third dimension is the question of democratic ownership. These countries generally do not have good functioning democracies. Therefore, ownership for them also has to be understood in the context of how parliaments work, how civil society works and so on. There is a fourth dimension of ownership and this is the ownership by the poor themselves. They are the ones who are in the end the objects of this development issue. Do they own their development? If you build a dam or a bridge, how does it affect them? Do they own that? Most often, they are the ones who are removed from their own communities when somebody decides to dam their river. Ownership is a difficult, complicated issue but in the end the decisive dimensions are ownership in aid management and democratic ownership—the middle two. I agree it is not easy to be a donor in a situation where it is so easy to become paternalistic. Let us face it: ownership is also about capacity.

Q38 Hugh Bayley: What you say obviously is drawn in part from your own experience in the Philippines. There is a difference between decision making and consultation, but are you really saying in a state where you do not have an open democracy, you do not have freedom of the press, you do not have freedom of a civil society to criticise the government,

you do not have a multi-party system, that country ownership is a bit of a sham? The donor will own the aid programme but it should as a matter of good practice consult as broadly as it can with the poor, with parliamentarians, with civil society and the state, but because you have in liberal terms a malfunctioning state the donor will ultimately retain decision making.

Mr Tujan: There is a great danger in that relationship that the tendency is for the donor to own it. While we keep saying ownership, ownership, ownership, it is not an easy thing. My premise is not just based on the Philippines. Our NGO works also in Indonesia, Africa, India and south Asia, as we are an international NGO. What I would like to emphasise is that you can have efficient aid. I would not say it is effective aid. That is aid that is so very focused towards the delivery of certain services, is completely transparent and so on. That can happen but in the end how effective would that aid be in terms of the poor? How would you measure the effectiveness of that aid? In the end it should be measured by how it actually impacts on the lives of the poor. That is why impact evaluation in the end matters because it is not simply about delivering some support efficiently. In the end, is it actually impacting on development? When we talk about impacting on development, it becomes a complicated process because development itself is a political and complicated political process.

Q39 Hugh Bayley: Mr White, if ownership is good practice as a means to an end and you are assessing the technical efficiency and effectiveness of aid, should not the Paris mantra be effectiveness, effectiveness, effectiveness, not ownership, ownership, ownership? Measure the outcome and then determine what is good and what is bad.

Mr White: The answer lies in the relationship between the two so I will go back to the earlier question because I think it does address that point also. Let us not get carried away. Of course it would be possible to design an intervention, target it and achieve positive development impacts with no local consultation whatsoever. We have a lot of experience of that. In conflict zones, we often have to do something like that but vertical programmes also do that to a large extent. They are designed top down, inserted top down. The expanded programme for immunisation for example is a largely top down programme and highly successful. It becomes horizontal over a long period of time. We have an example now of the Millennium Villages Project which is exactly that, a very top down intervention from donor countries with no consultation or government involvement. They claim it will show a very positive development outcome. That remains to be seen. One problem is the political one. In working that way you are setting aside democratic principles of consultation which I will come back to. The second one is I genuinely believe that you will undermine the efficiency and sustainability of the activity by working in that way. You undermine efficiency because there exist structures to deliver these services on the ground throughout developing

countries. There is a lot of nonsense spoken about the lack of capacity in developing-country governments, particularly at district level. It is not uncommon to find now district-level workers who have bachelor's degrees and may even have overseas master's degrees. The reason why these people are not doing their jobs is because they are inadequately resourced, not because of lack of motivation or anything else. I have one example of a district building officer in central Zambia. The World Bank and EU financed social fund was doing a lot of school construction in the area and he was busy, going out visiting these schools that were being constructed, inspecting the ones that were under construction. I asked him, "How much of your time do you spend looking at social fund constructive facilities?" He said, "It is about 50% of my time or more." I asked, "Does this not take away from doing your proper job if you are spending all your time on this project?" He said, "No. This is my job. Before there was nothing to do. I am a buildings officer. These are buildings. There were no buildings before. I just used to sit and read the paper." People like this are there, able to implement these projects so why would you put in parallel structures and say that these people do not have capacity? These people do not have the money for their petrol to go to the village. Like you, we went to one resettlement village in northern Zambia. We took the resettlement officer. He had not been to the village in three years because he could not afford to go there. There was no way in which he could carry out his function simply because of the lack of a couple of pounds a year, basically. You create parallel structures where you say the capacity is not there. It is not the lack of institutional capacity; it is the lack of a very small amount of resources. In the end, you do not want to run projects that are going to be externally financed forever. You want to have these administered through the government aid which is at district level where that money can be allocated through district block grants. You have to work with these people so that you have their buy-in. This comes down to the point about the definition of ownership. I agree we need broad consultation but let us not think that in developing countries you have a much greater desire to participate and be consulted than we have in our own country. You do not. The people you really need to involve are those who are responsible for implementing the intervention. If you do not do that you are not going to get very far. You need to consult the politicians, both national and local, who are in the area where the intervention is going to be carried out. Otherwise you will not get very far. You will not get much support. You need to have some sort of consultation with the beneficiaries to make sure it is really what they want and that they understand the nature of the investment. The call for general, broad consultation should not be overstated. Back to your claim: effectiveness, effectiveness, effectiveness. I absolutely would agree but there are aspects of ownership that necessarily underlie that.

Q40 Ann McKechin: Coming back to the issue which Linda Doull raised: in somewhere like the DRC about the issue of user fees, her argument was that

the UK was the best way to deliver quality of aid without user fees but the government wanted to use user fees. There is this issue about consultation and I found it very helpful, Mr White, how you set that out. Donors should try and reach some agreement along with recipients about what levels of intervention would be appropriate in different states. It will be different in the Philippines to how it is in the DRC, for example. Donors expect much greater engagement in the Philippines than somewhere in the DRC where actually getting aid on the ground quickly where people are in very dire straits is obviously the first priority. Is there a need, as well as discussion about quality of aid on the one hand and ownership on the other, that there is some understanding about how that interacts in different types of countries in different sorts of situations?

Mr Tujan: Ownership is operational. It is also a process of development and therefore in any country you have different modalities and circumstances. You have different targets at a given time. There are general principles and I would agree that in certain countries the mechanisms for engagement with civil society do not yet exist, so they have to be built. They cannot be artificially created. The important thing is that if it is in the framework of the relationship then it makes for a sustainable development process.

Q41 John Battle: In the previous session, Sarah Mulley from the UK Aid Network was particularly good at insisting that ownership is about government but also about civil society, and it is the relationship between the two. I just wondered if you could say a little bit about what DFID could do to support a broader understanding of democratic ownership that involves governments but also parliaments and civil society which we have tended to neglect for the last 60 years.

Mr Tujan: First of all, DFID is not in the forefront, as you would expect, on this issue. DFID is one of the more progressive donors but in reality you have the Nordic donors. DFID is the plus in the Nordic plus, but it is not taking more action and that is, for me, quite interesting because I would have expected DFID to become involved. Second, on the question of democratic ownership, DFID generally finds it easier to relate to UK NGOs and that is understandable. When DFID starts working, let us say, in Zambia on how it could strengthen the NGOs there, it utilises Oxfam to do the programme and so on instead of going straight to interacting with Zambian CSOs. That experience goes around. Actually, there is a bit of resistance that we notice in terms of engaging with southern civil societies. There was discussion in the earlier session about would DFID work with UK NGOs in developing greater democratic processes in the recipient countries. The greater challenge is working with the southern CSOs and there is an awful lot of room to do that.

Mr White: When you look at the way the ownership agenda has been treated and things like PRSPs specifically which are meant to be a manifestation of

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the new move towards broad consultation, the glaring gap is parliamentarians and politicians at all levels.

Q42 Chairman: That is a particularly interesting comment. Hugh Bayley is Chair for the Westminster Foundation. The Committee frequently discusses this but you are saying it was interesting but disappointing that DFID was not doing more on that front. I infer that from what you said.

Mr Tujan: Yes. There are official consultations that are ongoing to prepare for Accra. I attended on behalf of the round table six on civil society the consultation in Bangkok. DFID was not there, so it is quite interesting.

Q43 Chairman: They have just closed their office in Bangkok. When we visit a country we occasionally meet local civil society or NGO partnerships but nevertheless you think they are not enough engaged in that dimension. They are not doing enough.

Mr Tujan: Interestingly this year, there is an increase of engagement towards developing and mobilising different stakeholders towards aid architecture. For example, the Development Cooperation Forum which is going to happen in July is organising a meeting of parliamentarians in Rome in June. The idea precisely is that civil society, parliamentarians and all other stakeholders come on board on the issue because the question of democratic ownership in the end is not just a matter to be studied. It is also a question of how it is made more effective through support from the donors.

Chairman: Thank you very much for your evidence. As a Committee we are very conscious of the fact that there are a lot of different facets of development that need to be coordinated but nevertheless some better coordination is required if aid is to be effectively delivered, so I just hope we can add something constructive to that debate. Thank you very much for helping us with that.

Wednesday 7 May 2008

Members present

Malcolm Bruce, in the Chair

John Battle
Richard Burden
Ann McKechin

Jim Sheridan
Mr Marsha Singh
Sir Robert Smith

Witnesses: **Mr Eckhard Deutscher**, Chair, Development Assistance Committee, Organisation for Economic Co-operation and Development (OECD DAC), and **Ms Brenda Killen**, Head of Aid Effectiveness Division, OECD Development Co-operation Directorate, gave evidence.

Q44 Chairman: Welcome to the Committee. For the record, would you introduce yourselves before we get into the discussion?

Mr Deutscher: My name is Eckhard Deutscher. Since January I have been chairman of the Development Assistance Committee of the OECD.

Ms Killen: My name is Brenda Killen. I head up the Aid Effectiveness Division at OECD in Paris.

Q45 Chairman: Thank you very much for coming. As you know, we are looking at donor co-ordination and aid effectiveness resulting from it. You may be aware, to put it in context, that separately from this we are making some visits next week to Rome, Berlin and Copenhagen. Part of the reason for going to Rome is to look at the World Food Programme, but we are also going to ask the Italians, for example, why their aid and development programme seems to be going rapidly backwards. Obviously, we shall be engaging with Germany which in our view could be doing more. Our engagement with Denmark is more to do with that country being very much in the vanguard in terms of both commitment and approach, and we shall also have an opportunity to explore the Paris rules. I just thought I should set the context because if there is anything that you think we can usefully look for in those exchanges and can share with us that would be helpful. Looking at your own DAC report on aid effectiveness, on the whole you give our own Department for International Development (DFID) a pretty positive, if not rave, endorsement but there are some qualifications. We witness this sometimes on the ground when we visit recipient countries. We have met and asked other donors their views on DFID. It is clear to us that in a lot of cases DFID takes the lead in bringing together donors in-country and encourages co-operation, but in reality how effective is it in doing that? How does it compare with other donors? Is it quite as good as it thinks it is? The suggestion has already been made that maybe it pushes its own agenda a little too much. By definition co-ordination means you should be playing to the strengths and approaches of different donors to ensure that what you do is harmonised and does not create too many problems for the recipient country, and that you do not step on each other's toes. It is not really about one donor saying what it thinks and hoping all the others will be whipped

into line behind. One implied criticism is that occasionally DFID falls into that trap. Is that a fair assessment?

Mr Deutscher: First, let me thank you for this invitation. It is an honour for me to share with you some ideas and experiences. You mentioned as the main point in the context of the Paris agenda all the efforts of the international donor community in the past three to five years to achieve greater aid effectiveness. Effectiveness should not be only a word; it should be improved. In the Paris Declaration there are a lot of rules or commitments about what donors and recipients should do to demonstrate that aid is effective and aid effectiveness can contribute to better development of our partner countries. This is a relatively young and fresh process. The international donor community is trying to talk together about its own rules and how aid can be made to work better. This started concretely within the framework of the Paris Declaration and had never existed before. I think the experiences of members of the international donor community and what they are doing right now not only among themselves but with partner countries, lead directly to the question: what have we done in the past 30 or 40 years, and can we do a better job to contribute to better development? I like to go to partner countries and get a smell of what is happening on the ground. Two months ago I was in Bolivia. My impression was that the Paris Declaration on aid effectiveness was very much in the minds and behaviours of the donors. On the other side it seemed to me to be very difficult to turn this into concrete actions. This means that we come directly to the problem of how we are organised. In Bolivia there have been about 30 different donors or donor agencies. It was said that there was co-ordination and we met twice but I felt that there was not yet a results-oriented approach. Having spoken to the Government of Bolivia, yes, it is very aware of and keen to have ownership of the process. My feeling was that in Bolivia time was required: it was a process running in the right direction but experiences were still needed. In the second half of this year I intend to visit African countries because my professional career was mostly in Latin America. I worked there on the ground in projects and I know what it means to work in the field under, let us say, a political umbrella like the Paris Declaration. Sometimes people tell me what they

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are doing, elaborating something on the green desk, which does not affect us on the ground. That brings me to the idea that maybe we should do more of what we call capacity building for our agencies so that they, not just governments, carry a big responsibility for aid effectiveness. I mentioned Latin America. My experience was the same three years ago when the then president of Nicaragua told us that there were 40 donors in the country. When I still worked at the World Bank there were four or five missions from that bank, the IMF¹ and Banco Interamericano, the Latin American development bank. That occupied their capacity and at the same time they were being offered fresh money. Maybe it is not funny, but he summarised it as the “Disneyland of the donors”. In a neighbouring country we saw no donor co-operation at all. That was three years ago but since then a lot has happened. I was in Guatemala at the end of last year and donor co-ordination had already started. These are learning processes. It also brings us to the problem of the number of agencies and the fact that developing and partner countries are simply not able to share this volume of co-operation when donors have different methods, reporting systems etc, etc.

Q46 Chairman: Perhaps I may press you a little more on the role of DFID. As you will know, because of the 90/10 split and the concentration of bilateral aid on low-income countries, DFID’s engagement in Latin America is pretty minimal these days, whereas engagement in Africa and parts of Asia is quite high. DAC has described DFID as being at the forefront and leading on aid effectiveness. It talks about strong political leadership and driving forward international efforts to improve the effectiveness of aid and it says that DFID has inspired and endorsed the Paris Declaration in ringing terms. You have just described a number of countries where, to put it bluntly, DFID is not in that position. Would it be different if it was? To put it the other way round, first, is there a noticeable difference in co-ordination when DFID is present on the ground as a significant donor? Second, to what extent is DFID genuinely co-ordinating other donors as opposed to trying to drive its own agenda which is your criticism?

Mr Deutscher: My experiences are that DFID is a leader in co-ordination. In my view it is very far ahead compared with other donor agencies in complying with the Paris agenda, especially on co-ordination. I know the other side of the coin. I was told several times that DFID was putting other agencies in a passive role and they could not breathe sufficiently to develop their own ideas. I think DFID should encourage and remind other donors of the Paris rules under the declaration. Other donor countries can learn from the focus on effectiveness in terms of conception, organisation and management. Maybe when a climate is created

that is too pushy it does not stimulate more co-operation. In my view the concept of, engagement in and effectiveness of aid management—what DFID provides—should not be reduced or diminished, but maybe some educational role or intention would be very fruitful.

Q47 Mr Singh: I would like to contrast what the DAC peer review says in terms of DFID’s leadership role and what the Overseas Development Institute says in its evidence to the Committee. That evidence says “that DFID has some way to go in delivering on aid effectiveness commitments at country level” and that the “UK does little better than average among surveyed donors in minimising the number of reviews and missions it mounts, and in aligning disbursements with the national budget cycle.”² It says that, “The UK ranks comparatively low in aligning GBS missions with PRS (poverty reduction strategies) reviews”.³ Why is there a contrast between what you appear to be saying and what the ODI says?

Mr Deutscher: The contrast is characterised mostly by my own experiences. Very often I am in the field speaking with partners and donors. In the past 10 years when I was in the World Bank I together with the German Secretary of State made field visits every year especially on donor co-ordination on bilateral and, we should not forget, multilateral donor co-ordination. My experiences are that DFID is very compliant in the field and has a high degree of acceptance by the partner. The important criterion is not the view we have of ourselves; it should and must be what partners are thinking.

Q48 Mr Singh: Would you say that the ODI survey represents a rather harsh view of what DFID is doing?

Mr Deutscher: Sometimes it might be good to be a little bit sharper in one’s own views and formulate them to make the problems clear. It would be interesting to talk to the examiners and find out what they have in mind in making such expressions. From the multilateral perspective I was always delighted to work together with the British chair in the World Bank and the Fund. There was a very active and constructive role even in very difficult times.

Q49 Chairman: You know that the UK has now decided to have a full-time director for the World Bank?

Mr Deutscher: I was informed of it a couple of weeks ago.

Chairman: That was something of which the Committee was very much in favour.

Q50 Sir Robert Smith: I just wonder whether this has to do with the way the measurement is made by the ODI because it talked about things like the number of review missions DFID mounted and it was making statistical comparisons with other development agencies in terms of the nuts and bolts

¹ International Monetary Fund

² Ev 91

³ Ev 91

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of alignment and trying to meet the Paris Declaration. Could it be that whilst the perception is that it has the right approach when one comes to the detail it is still mounting a lot of reviews, missions and putting quite a lot of burdens on the recipients?

Mr Deutscher: I did not catch your question.

Ms Killen: Perhaps I may introduce some evidence from the Paris Declaration survey. We have the baseline survey conducted in 2006 which looked at the situation in 2005. There is a survey looking at progress since then that is now being analysed. The data we have on the UK programme is very good and DFID has either met or exceeded targets. For example, on the use of country public financial management and procurement systems DFID has exceeded the EU targets. It has also achieved targets on co-ordinating technical co-operation and untying aid. It has also met indicator 10 which looks at joint missions and country analytical work, that is, 40% of missions and 66% of country analytical work are joint. I have not seen the ODI survey but I wonder how many of the missions in the survey are joint. Whilst I think it is a relevant criticism to question whether donors are mounting too many missions and how much analysis should be done in-country, if DFID is reducing the overall number by making sure that the ones in which it is involved are joint then that is moving in the right direction. I think that to look at the overall total and how much that should be driven from within the country rather than from outside is very valid.

Q51 Ann McKechin: Following on the 2006 survey that you spoke about, what do you say are the key lessons for donors and recipients? One of the findings was that very few countries effectively co-ordinated their technical assistance and some felt that none of their technical assistance could be counted as co-ordinated at all. Given the outcome of that survey, has there been any debate or discussion amongst donors about the need to improve those figures, and what measures are proposed to achieve it?

Ms Killen: Technical assistance is a big battle ground for aid effectiveness and it is a big issue for debate. It is something that has come up in the discussions we have had with partner countries in their priorities for the Accra high-level forum later this year. The donors are discussing in the forum of the DAC what they are willing to do. This is concerned particularly with making progress on capacity development and ownership. There are discussions around how to co-ordinate technical co-operation and ways of making such co-operation more demand driven. We shall see the evidence of the 2008 survey in the middle of this month, so by the time of the high-level meeting of the DAC which draws in all the heads of agencies we shall have some up-to-date evidence of whether or not there has been progress on that front. But it is certainly being debated and it is something on which partner countries want to see progress at Accra.

Q52 Chairman: Would it be fair or unfair to say that part of the problem is the extent to which all the donors are really signed up to the Paris Declaration, because clearly for some that is a breach of their past practice? Is there a problem with countries not really wanting to give up their own distinctive approach either in terms of limiting the number of engagements or sharing the priorities, or is it more a matter of simply communicating with each other so that they eliminate duplication and work in the same direction?

Mr Deutscher: In my view it is more a matter of communication. There are efforts to rationalise the engagement of donors in partner countries. One proposal of the European Commission was not to be involved or active in more than three sectors in a country. This brings us easily to the complexity of the development donor system when we take into account that worldwide we have 280 bilateral agencies, 243 multilateral institutions and programmes and 24 international development banks. I am rightly informed that there are 40 UN units dealing with development issues. There is a change in the landscape with the so-called new donors: China and India. I know that Mexico and Russia are now creating new development agencies. We must not forget private foundations with significant amounts of money. This all shows that this is not only a matter of communication. We have to talk about how we can get all these activities in context, but we should be clear that there are also very different interests.

Q53 Chairman: I take that point, but let us talk simply about members of the DAC. To be specific and perhaps unfair, we did a report on Afghanistan.⁴ One of the issues that emerged was that, first, the United States was not really prepared to do budget support although it has begun to do it in Afghanistan uniquely. In addition, it still insisted on spending money or commissioning a lot of what was being done back in the United States and therefore the impact on the ground was a lot less than for other donors. I think we had an objective assessment which said that UK aid was three times more effective on the ground than US aid because more of the money was spent on local purchases, basically. My point is that the United States is a very big donor. Is it really playing its full part in trying to achieve both your objectives and the Paris Declaration?

Mr Deutscher: I have no doubt that the Paris Declaration and objectives are on the radar screen of US development assistance. The problem is that every member country has its own constraints. I give the example of budget support. I know that to your colleagues in the German Parliament this is not acceptable. The argument is that when you are responsible for taxpayers' money and are losing control over whether the money is spent rightly or not that instrument cannot be accepted. On the other side, we know from our experiences that budget support on a transparent basis can

⁴ International Development Committee, Fourth Report of Session 2007–08, *Reconstructing Afghanistan*, HC 65

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contribute a lot more, maybe much more, than another instrument. I am telling you only about the constraints. We have no unified views. When you take into account the development policy of Japan, the US and the Europeans, among the Europeans there are more common views but not in everything. When we have the high level meeting in two and a half weeks we shall talk about critical points like untying aid and the problem of conditionality. This is what partner countries are urging donors to talk about. We are not shying away. Here the United States and every member is involved and will take part. We will see what the outcome is. There are constraints and critical problems but we know what we have to do and cannot solve the problems from one week to another.

Q54 John Battle: You made an interesting distinction between action in the field and the green desk. I want to focus on the green desk. Of course it is about organisation and co-ordination, but it is also about methodology. I want to question the 2006 survey on monitoring the Paris Declaration. You suggest that it is about debate, but it is also about systems for monitoring and developing the evaluation whose object is shared and agreed to by all. One of the NGOs⁵ that challenged the survey's credibility said in evidence: "The 2006 OECD Development Assistance Committee survey of implementation of the Paris Declaration was fatally undermined by donors insisting on 'negotiating' on the figures".⁶ Therefore, the figures in the final document were in many cases significantly different from the earlier drafts. I am a little surprised that we can negotiate the figures and agree a different set. It seems to me to undermine an objective approach. Is that true? Is that what happened? How can the evaluations carried out by DFID and other donors have any credibility if figures are simply a matter of negotiation? I believed that occasionally there could be some truth in the arithmetic.

Mr Deutscher: Numbers are numbers. You are absolutely right. I do not know how far this was negotiated, in which cases or whether, if this is true in one or two cases, it can be translated into a general expression like that. I know that there are questions about the credibility of the old process and whether it is donor driven. I take this very seriously. All donors have to look at this, not shy away from it. This is also a form of dialogue culture within NGOs which I think is very important in the old process. For example, I was in New York for four weeks and was invited by ECOSOC⁷ to prepare for the Doha round on financing for development. I read such things between the lines and I would like to know concretely what this means. On the one hand it is said that partner countries are not involved in the process and on the other hand we have now finalised the 2008 survey with 56 countries and this creates its own dynamic. I would like to know—perhaps Ms

Killen can go into the details—what are the concrete circumstances. I assure you that I take such expressions seriously.

Ms Killen: Certainly, the survey can be criticised because if any of us started with a blank sheet and wrote out how we would monitor aid effectiveness we would not come up with the survey that we have, but it was in part driven by a partnership. This is something that the partner countries and donor countries could sign up to; and it was also crucially driven by what could be measured. That is your point about getting data at country level. Some questions are more controversial than others and that is quite a useful thing in itself because it throws a light on whether there are political difficulties in moving on aid effectiveness. It shows that pressure is being put on parties when they are not happy with how things are being measured. We have very rigorous standards for assessing the data that goes into the survey. We have a joint venture on monitoring the Paris Declaration which advises the working party on aid effectiveness. That has members from partner countries and a range of donors and that works with national co-ordinators and government representatives in countries on the survey. This year we have much more of a flow chart containing yes/no questions so we can reduce the opportunities to massage how the figures might be interpreted on the ground. Whilst in the 2006 survey there might have been some interpretation it will not be wildly wrong in terms of the data and the 2008 survey will be much harder. This year we have had 56 countries compared with 34 countries the first time round. I think that the survey will take on a life after the Paris Declaration, because the process of discussing this in-country is very popular with partner countries and civil societies. I believe that it has been useful in and of itself.

Q55 John Battle: I completely accept that developing the evaluation methodology is a process. I do not want to make it personal because even in Britain my own government is having a great row about inflation figures and whether the Office of National Statistics can be trusted. There is a political argument about what constitutes inflation measures. There will always be some kind of row. Could the working party to which you refer take on the role of developing common standards of evaluation? Would that be internal to the OECD, or would we be looking to outside bodies? We took evidence from the so-called 3IE (International Initiative for Impact Evaluation) which seems to be setting itself up as an objective measure. I rather wondered whether that was in-house for you and we could build confidence in evaluation. In a way I am playing them out of the game as second fiddle to check. How do you see this development of agreed common quality standards for evaluation? Do you see it as your job to get that affirmed?

Ms Killen: I think that is a useful job. We have a network of evaluators within OECD. We are also looking at the mandates of particular joint ventures and the working party on aid effectiveness, so after the Accra high-level forum the work planned for the

⁵ Non-governmental organisation

⁶ Ev 61

⁷ The Economic and Social Council of the United Nations

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next two years of the Paris Declaration will be reviewed. Certainly, that is something that is coming up particularly in relation to developing ownership in-country and using a country's own systems. That is a good idea. You have helped me out because after the Accra high-level forum I need to look at the priorities going forward.

Q56 Jim Sheridan: Referring to the 2008 OECD survey of the Paris Declaration, given that the Committee will be visiting Europe in the next week or two and meeting the evaluation secretariat can you give a taster of what the early findings of this survey are and, likewise, for the separate OECD evaluation to be carried out by Denmark and Vietnam?

Mr Deutscher: We do not yet have the final results of the newest survey. What colleagues from the DAC can tell you is that it has been reported to me that dynamics are created towards more ownership than in the past and that the whole process of a development country-driven survey is very good. I hope that we shall have the final results during the Accra meeting and we will discuss them.

Q57 Jim Sheridan: Is there any information that you can share with the Committee prior to its European visit?

Ms Killen: When is your European visit?

Q58 Chairman: Next week.

Ms Killen: We may have something. At the moment from what we are getting back it does not look like things have changed a great deal and the same problems are still there, but that is very tentative. We would need to look at information by individual countries, in particular the qualitative information. When I get back to Paris I will see whether the first range of analysis will be available by next week.⁸

Chairman: Mr Sheridan makes the point that we are to meet the secretariat on Friday of next week.

Q59 Jim Sheridan: A separate survey has been carried out by Denmark and Vietnam. Is there anything you can share with us in that regard?

Ms Killen: The first phase of that evaluation is whether Paris is being implemented, and the second phase after Accra is to consider whether that is having an impact on development. At the moment it is touching on some of the same themes that came out of the survey about ownership. My colleague picked up the political nature of aid effectiveness and the fact that it is a political process, not just a technical one.

Mr Deutscher: I am a little concerned that Accra as a political process has not been taken sufficiently into account. This is not a new technical exercise. I am asking all ministers to show up at Accra and demonstrate that this is an important event. This is a mid-term review, but we are dealing with realities. A very important reality is the upcoming Doha agenda. We cannot uncouple these major events, that is, the development co-operation process called

for by the UN Secretary General on 25 September and Doha. It is my deep conviction that this is a mid-term review but we are on the way to establish that aid works and that we are maintaining the effectiveness of it. This also has to do with convincing the public in donor countries that aid makes sense.

Q60 Sir Robert Smith: You mentioned the high-level forum in Accra and how it should be a bigger process than just a technical one. Quite a lot of the evidence, especially from NGOs and the International Civil Society Steering Group's report on expectations for Accra calls for donors to be held to account for their commitments; in other words, there is general agreement that the Paris Declaration is probably a good thing but effective delivery is now the important thing. Do you want to see more political involvement in Accra? What are your expectations for the agenda?

Mr Deutscher: My expectations are that we are trying to come to conclusions on issues like predictability, untying aid, budgets and conditionality. We have to talk about them. I repeat that in two weeks at the high-level meeting we will pick it up. Maybe there will be different views, but we cannot shy away from these problems; we need actions. We have to create more possibilities to deal with the communication problem with our partner countries. I think we have 30 in the donor community. We have to do much more homework with the number of donors in different countries. Here we have a lot of room for improvement.

Q61 Sir Robert Smith: As a committee what levers do you have to make sure it is focused on implementation and action?

Mr Deutscher: The role of the committee is also to monitor the process. The committee is not immediately involved, and I think that make sense. This is a shared committee where partner countries also have their responsibilities. My role as DAC chairman is to remind the members and inform them of the process but also where the constraints and problems are. We have to keep a consensus about the problems because I am always saying that Accra and Doha are important but there is life after them. My desire is to arrive at a new qualitative basis at the beginning of next year.

Q62 John Battle: I got the impression from Commissioner Peter Mandelson who was on BBC radio this morning that Doha was really stalled until well into the new American presidency, so there will not be much movement until 2009. Do you think that most people have now given up on Doha?

Mr Deutscher: Maybe there is confusion. Doha is not concerned with trade but with financing development. This is the follow-up to Monterrey. As you know, we published the older figures.

Q63 John Battle: I thought you said that they should be kept together.

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Mr Deutscher: Yes.

Q64 Chairman: There is one Doha but two issues.

Ms Killen: There are too many conferences in Doha!

Q65 Richard Burden: In a number of your answers you have placed a lot of emphasis on the importance of the processes that you and donor countries are developing gaining the confidence of the developing countries themselves. To start with a fairly blunt question, whilst developing country ownership is no doubt desirable for all sorts of reasons is it necessary for aid to be effective? If so, why?

Mr Deutscher: I am trying to identify the broader philosophy of your question. Is your question: why should aid be effective?

Q66 Richard Burden: Why should developing country ownership of the process be a necessary prerequisite for aid co-ordination to be effective?

Mr Deutscher: We can ask: what have we done in the past 30 years? The basic thinking is that we are running projects and multiplying a lot of projects in-country and then an appropriate structure will be created and we have effective development processes with economic growth and so on. Obviously, this was a big error. Here we come to reflect on what ownership means. Ownership means that definition of the development directions in a political, social and cultural context is the prerequisite of development and only then can it happen. It would be a big error to think that donor countries can organise development; no, they are supporters. The donors can support and help but they have to listen. I think this is a big error compared with the last decades of development. Donors think that we are pushing some buttons here and there and then development can happen. I believe that the cultural problem is greatly underestimated. We cannot look only at economic efficiency but at the cultural position. This is not a new thought, but we have not applied it sufficiently. Maybe this means a new mix of priorities. I remind you that the then president of the World Bank Mr Wolfensohn said that we also had to include religious aspects in development efforts. I do not know whether or not that is right. There was no follow-up of that thought in the World Bank, but we should not underestimate the cultural aspects.

Q67 Richard Burden: If developing country ownership is important for the reasons you say, in practical terms, in a number of areas, are we talking about country-by-country ownership or regional ownership? For example, a number of the issues in Africa would be regional issues. If you give ownership of a particular programme or strategy to an individual country then you are not giving ownership to the citizens of that area, whose problems are not necessarily defined by their own government; they might be regional issues. Are we talking of developing country ownership being

country-by-country ownership or in some cases regional ownership, and who would decide that and through what mechanism?

Mr Deutscher: I shall give you an example. Three weeks ago in Japan after the G8 development ministers' meeting there was a meeting on the African action plan. There is a relatively long list formulated by NEPAD⁹ and the problem right now is that for the whole donor community there is only one counterpart to respond to what the Africans have formulated. There was an interesting debate. The African counterparts had to say that, no, this was not a Christmas wish list and what was being presented should be taken seriously. It had to do with infrastructure which had to do with creating economic growth, jobs, etc, etc. It means that for this to be taken seriously on a regional level in this example it has been responded to by the donor community. I think that respect for ownership in this case means that it should be taken seriously and should not be denigrated as a Christmas wish list. I quoted Bolivia where there is an owned plan of development which is not in all respects congruent with what donors want to see. We have to show respect for ownership of Bolivia's development plan. I think this also means learning of the processes by agencies and donors.

Q68 Richard Burden: Given the centrality and importance of ownership which you acknowledge and the need for developing countries, or groups of developing countries, rather than donors, to be able to define what that means, how confident can we be that a donor-led organisation like the OECD is the right forum to be the custodian of the principles of the Paris Declaration regarding ownership? If it is the right forum how would you respond to the criticism of the International Civil Society Steering Group which recommended a reappraisal of the concept of ownership? It said it was all very well for the OECD, a donor-led organisation, to talk about ownership and engage with developing countries but all too often what happened was that a donor-led perspective engaged with individual governments or sometimes groups of governments and not the societies most affected by this. How do you respond to that? Is the OECD the right forum and, if it is, how in practical terms do you ensure that the processes you develop for consultation go beyond governments and engage the civil society in developing countries?

Mr Deutscher: To begin with your last remark, I repeat that civil society organisations are very important not only in the donor countries but also in developing countries. There is a new concept of democratic ownership. I do not know whether or not this is created by NGOs, but ownership is not and should not be only the attitude of a government. So far I think that NGOs or civil society organisations are also important in partner countries to create a dynamic discussion in the respective countries. I have frequent meetings with NGOs. Two or three weeks ago I was approached

⁹ The New Partnership for Africa's Development

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in New York and we discussed these concerns for a number of hours. You asked the very abstract question whether the OECD was the right forum or not. When the Paris Declaration is signed by more than 120 countries and organisations and OECD DAC has amended it right now to do it—we are taking this very seriously. This is a process. Let us look at it from different perspectives and see what the process will bring us and then decide. By “us” I mean international donors and partner countries as well and several other stakeholders. We are doing our job and we intend to do a good one.

Q69 John Battle: To extend the question of democratic government a little further, if I was disappointed by anything in the Paris Declaration it was that there was not a reference to parliaments. Maybe in the past we have dealt with governments who have become governing elites in Africa and we have not paid enough attention to quite legitimate democratic oppositions, for example, as well as civil society. We should really turn to the poor to see whether or not they have experienced any action. But parliaments ought to fit in in the same way as our Select Committee. We are not a function of government; we are between government and the people who elect us as a critic of government and so act as a function of Parliament. That is more important than the government of the day and it will last longer. Do you think there is room for parliament as well as civil society having stronger emphasis in future?

Mr Deutscher: You are taking the arguments out of my mouth. One of my deep concerns is that not only in this process but in the past decade parliaments have not been sufficiently engaged. When I visit member countries I always say to the ambassadors that I want to talk to the parliament and parliamentarians and, when possible, not only with the development committees but also the budget committee people. This shows, first, respect for the democratic structures to which I would like to respond; second, that there is a problem of money to finance development; and, third, that under the globalised processes which have already changed a lot we also have to change our political thinking. We have to think in more globalised terms not only about what I call the changed landscape but also the fact that clearly the fight against poverty, climate change, migration etc is a joint effort and cannot be done by only one nation. We need common efforts which mean we have to reflect also on relations with multilateral organisations and how they can be more effective and be controlled politically. This is the job of parliaments. When I call, perhaps a little too enthusiastically, on the parliamentarians, this should be a two-way process; it means that parliamentarians should also respond to the development processes. I was invited by the Council of Europe to speak to parliamentarians. They are very engaged in and concerned about the quality of parliaments in African countries. In

order to have more and deeper horizontal co-operation with parliaments I can only call on them to do so.

Q70 Chairman: You mentioned both the increase in the number of donors and proliferation in the type of donor agencies. The World Bank tells us that, “Non-OECD DAC countries alone are expected in aggregate to double their current ODA levels to over \$2 billion by 2010.”¹⁰ Professor Mick Moore of the University of Sussex says that new aid donors are growing fast and have made the field much more diverse. He goes on to say: “The system is now out of control. The Western donors’ club [OECD DAC] can no longer co-ordinate it.”¹¹

Mr Deutscher: I have read this article written by the professor.

Q71 Chairman: The much more specific question is: what can be done to encourage China and other donors to co-ordinate? When we were in Ghana and talked to that government as well as other donors they said that China did not regard itself as a donor but as a commercial partner. It is invited to join in the co-ordination but it does not do so; it does not participate, nor does India or Brazil. What are the prospects of getting that kind of co-ordination? To put it the other way round, what is the possibility of it leading to a collision of interests that undermines what the DAC is trying to do?

Mr Deutscher: Early this year I started to have first contacts with the governments of China and India. I was in Mexico already. I intend to go to Brazil and South Africa. South Africa maintains its own development system, as you know. We are starting to establish such contacts. In two and a half weeks I shall go to China. This will be the first official contact with the Chinese Government even when representatives of that government have already visited Paris in December and participated in what we call the director-general-level meeting. We shall continue this work. I cannot imagine that countries like China have no interest in aid effectiveness. I was assured by Chinese colleagues that China regards development and aid effectiveness as important. We have statistics and experiences on co-ordination. Let us participate and see which corridor we can define together with the Chinese and also the Indian Government. Obviously, in India this is a recent development. The Indian Government has established not only a development but an economic investment approach. I am aware of the concept that the international development business industry feeds only itself. This is not true. What are the alternatives to offering only money? I think the problem is knowledge. The Chinese Government is trying to create a knowledge economy and it is not really dependent on money.

Ms Killen: I have attended some of the regional preparatory events for the Accra high-level forum. I was in Kigali last week where the African

¹⁰ World Bank, *Aid Architecture: An overview of the main trends in ODA flows, Executive Summary*, February 2007

¹¹ Ev 78

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Development Bank pulled together its African members to look at their priorities for Accra. At that meeting there were very few donors and we were all told not to speak. It was quite an interesting and lively discussion. On the question of new donors, what emerged was that the onus was now on African countries themselves to manage the complexities; they should reach a common position and use the Paris Declaration to deal with new partners and say that they want the aid but set out the basis on which they want it. I hope that that theme will be picked up when we have the Accra action agenda later this year.

Q72 Chairman: That begs the question: do they have ownership of the Paris Declaration?

Ms Killen: Yes—which takes us back to the questions you posed earlier.

Q73 Sir Robert Smith: And perhaps part of China's perception that it is not a development but an economic partnership?

Ms Killen: Yes.

Chairman: The Committee also plans as part of a separate inquiry to visit China next month to discuss exactly these issues. Thank you very much for your evidence; it has helped us quite a bit. In the second half of this morning's session we are taking evidence from the European Commission which I suppose is collectively and individually your partner anyway.

Witnesses: **Mr Maciej Popowski**, Director Operational Support and General Affairs, Directorate-General for Development, and **Ms Clare Denvir**, Policy Officer for Aid Effectiveness and Relations with Member States, Directorate-General for Development, European Commission, gave evidence.

Q74 Chairman: Welcome to the Committee. I know that you have been listening to the first part of the evidence and so you will have a flavour of what we are exploring. Thank you for coming and agreeing to give evidence to us. Perhaps for the record you would introduce yourselves.

Mr Popowski: It is an honour and pleasure to be here. Thank you for the invitation. My name is Maciej Popowski, director of horizontal issues. I am from the Directorate General for Development of the European Commission. That includes aid effectiveness. I am quite a newcomer to the Commission since I joined the service only three months ago. It is a very challenging and demanding field of work and I am looking forward to doing the job. I am accompanied by Clare Denvir who is working on aid effectiveness in my directorate.

Q75 Chairman: The European Union is hugely important in aid and development. The Committee has had a number of meetings both with the cabinet and Louis Michel himself. Obviously, we are very well aware that when you take the entire ODA budget of the Member States of the EU you are talking of 52% of the world's development budget, so it is a very major player. But when we have discussed co-ordination there have been clear issues. When we talk to the Commission there is very much a shared agenda as between this Committee and our own Department for International Development. Mr Petit, to whom we have spoken on a couple of occasions, quite often points out that he is a servant of the Member States and not all of them share the same ambitions and that makes co-ordination difficult. Clearly, effective co-ordination by the EU would hugely improve the reach and effectiveness of EU aid. Do you believe it is possible for the European Commission to co-ordinate effectively enough to be, as the world's largest donor, perhaps, also the most effective provider of aid?

Mr Popowski: I think it is and must be. We are cautiously optimistic, and you have already touched on certain limitations stemming from the character

of the European Commission which is *sui generis*. We are not a classic development agency and we have our 27 political masters around the table watching what we are doing. Therefore, we can go as far as Member States let us. That is not going to change; that is how it is designed by the treaties. But we can do better and it is very much our ambition to do more, and faster. That was the leitmotif of the latest set of proposals adopted by the European Commission in its 9 April package. Basically, that is the major political input into the two high level events in Accra and Doha later this year. First, we want to ensure that collectively we all live up to our commitments to scale up aid. As you rightly point out, the EU collectively is the largest donor. We are on track but we are not there yet in terms of fulfilling the Monterrey commitments. We need to improve our aid effectiveness. We are just in the process of making certain newly-adopted instruments work on the ground. The main instrument I have in mind is the EU's code of conduct on the division of labour adopted in May last year which we are now in the process of implementing. Certain ideas as to how to do it better and more effectively were outlined in the document I mentioned. That would be our input for Accra which, as mentioned by Mr Deutscher, is very much linked to Doha and financing for development. It is a process but we remain ambitious. We believe that the Accra conference cannot simply be a stock-taking exercise on the implementation of the Paris Declaration; we must be ambitious and try to arrive at actionable results and to do better collectively.

Q76 Chairman: The UK through DFID is giving £1 billion to the Commission which sadly is now only €1.25 billion—it might have been a little more a few months ago—but it is still a significant contribution; it is 20% of DFID's budget. Although clearly DFID takes the view that the European Commission delivers a lot of its objectives, otherwise presumably it would not give it such a substantial sum, it goes on to say that it believes there are limitations and that

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Commission “delegations are still prevented from making timely responses by an often bureaucratic system of checks and balances, and the Commission sometimes lacks the numbers of people with skills and experience appropriate for development.”¹² DFID has a similar problem in that it is constrained by staff and skills, although generally speaking the quality of DFID’s people seems to be very highly rated internationally. How are you addressing that both in terms of the people you have and effectiveness in terms of the speed with which you can respond and deliver? Leaving aside the politics of satisfying the Member States, what is the Commission doing to deliver its own operational effectiveness?

Mr Popowski: I think that certain reforms undertaken within the European Commission in 2000 are now bearing fruit, in the sense that we have separated programming from implementation mainly through the creation of the Europe Aid Co-operation Office. We have managed to significantly reduce the delays between programming and disbursement on the ground, although there is always more to do. We have also managed finally to overcome a former obstacle concerning the co-financing of projects. The revised financial regulation of the Commission now allows for co-financing of projects with Member States. In one of its previous reports DFID says that this obstacle must be addressed and I can confirm that we can now go ahead on this front. Our services have been auditing the Member States’ national aid agencies in order to be ready to co-operate on the ground. So far the audit of four agencies has been successfully conducted. Therefore, we can delegate co-operation to Member States and co-finance projects run by others and there are no more limits to that. In terms of manpower, fortunately or unfortunately we are in the hands of our Member States, so there are limits to that. We are a global operator; the Commission is globally present through its delegations. That is a major asset which we intend to use in future, but we have to count on the support of Member States and the European Parliament in terms of staffing.

Q77 Chairman: We looked specifically at co-ordination on the ground in Ghana which we visited a few weeks ago. When we looked at the group of donors actively co-ordinating within that country it was slightly strange to see Canada, the United Kingdom, Sweden and then the European Commission. One had several Member States operating there and the European Commission is effectively regarded as another donor, whereas surely it ought to be different. It raises the question of what more can be done on the ground. Louis Michel has often said to us that the EU flag, if you like, in terms of development is planted in more places than any other bilateral donor. But could and should you be doing more to provide an umbrella for Member States so that when you are operating in-country the European Commission perhaps is

comparable with, say, the World Bank but is treated clearly as an umbrella organisation rather than just another donor?

Mr Popowski: I agree. The specific role of the European Commission has been acknowledged by the OECD DAC in its 2007 peer review. The OECD DAC referred to the European Commission as a federator of Member States. We see our role as a federator of Member States including on the ground. I mentioned our code of conduct on the division of labour and aid effectiveness. That is exactly the tool that we intend to use to create more synergies on the ground and to engage with Member States to avoid redundancies and duplication of both programming and spending. You can ask the question why we cannot provide more tangible results for the time being, but I would say that it is a matter of time; it is a long-term process. The code of conduct was adopted only in May of 2007. We have to prepare the ground by engaging our delegations, and we are now in the process of reflecting on what part of the work on the ground we can delegate to Member States and whether or not we can take over from them, so it should go both ways in order to be more effective. We have the EU umbrella but underneath it there may be fewer players than before because it is not always necessary. We could address situations of donor congestion in different countries. We should build on comparative advantages. We are globally present but in some countries Member States are better represented and rooted and they can build on their comparative advantage. We can then delegate to them and they can run the programmes on behalf of the EU.

Q78 John Battle: Referring to the code of conduct and the role of federator, as you put it, I accept that it was only introduced in 2007, but hints we got from the Overseas Development Institute which looked at Zambia and the implementation of the code there were that the number of donors per sector had barely reduced and, perhaps more significantly, the willingness of donors to withdraw from sectors in which they were engaged was limited. Can you give any examples of donors tackling donor congestion? Have any agreed to move over and let others get on with it because they realise that is the way to co-ordinate aid? Do you have any good examples rather than people just crowding around and agreeing who should go first and no one really moving?

Mr Popowski: So far we have had a few good examples—there are more to come I hope—in Vietnam, Kenya and Burkina Faso. We have engaged with some Member States in joint programming, for example in Sierra Leone, which is also a major breakthrough as a first step in joint implementation. We would like to go further. We have also done joint programming in South Africa. Therefore, it is an ongoing process. We have to discuss with Member States whether or not they or the Commission are ready to withdraw from the sector for a good reason and to what extent they would like to stay engaged, for example in the political dialogue in the country in question. We also have to take into account the position of the country

¹² DFID, *European Commission Development Effectiveness Summary*, 2007

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in question in order to respect the principle of ownership. There are some limitations in the sense that, as you know, a lot of our aid is provided in the form of budget support; it is 44% of our aid programme under the 10th of the European Development Fund. We provide budget support in the health sector for example where donor congestion is quite a problem in countries like Mozambique. There we have to reflect how to do it. Can we really delegate budget support for something? It is a simple, straightforward instrument and there is not much scope for delegating it, but that can be overcome. Right now we are in the process of preparing proposals for Member States to discuss in order to arrive at something that is more tangible, preferably by the time of the high-level meeting at Accra.

Q79 John Battle: Accepting that the code is voluntary, I am looking at what you can do with EU donors. Can you toughen up the code with monitoring mechanisms perhaps? You heard in the earlier conversation reference to methodology. Could monitoring mechanisms be introduced to tackle the problem and push the donors to address this a bit more seriously?

Mr Popowski: I think we can push the donors gently. I do not think we shall change the voluntary nature of the code of conduct. That was what the Member States agreed to do, and I think it is right. We have had some good experience with codes of conduct in the EU context in other areas, even sensitive ones like arms exports. By the way, that was introduced by the UK during its presidency in 1998. That is working fine. Sometimes, if the European Commission proposes something binding, the Member States react badly and say that we are trying to impose something whereas we are not. Monitoring is certainly the right thing. Engaging operators on the ground is the right thing; that is what we are trying to do now with our delegations, pushing them in the direction of more donor co-ordination. We are also preparing a compendium of best practices and ideas on the division of labour that we would like to share with Member States. Some Member States are also working on similar documents, in particular Germany and France.

Q80 John Battle: In addition to individual members of the European Union we are also a community, to use old language. I know that with the code on arms trade, for example, some Member States were very proactive in campaigning for it; others were holding back. On this code which Member States are championing the code and which are really resisting it? Can you give me any names?

Mr Popowski: Name and shame! I do not think there is opposition to the code of conduct. The devil is in the detail, that is, how to implement it in the best possible way. The concept was welcomed by Member States. We have to see how we can do things on the ground, which is the more difficult part, but Member States are not opposed to it per se. So far the feedback has been very positive. Everybody is waiting for results. I believe that Member States also

share our ambition to go to Accra with something to share with others. Our intention is to propose certain solutions and ideas to other donors and partner countries in Accra. I do not know whether we will agree on a global code of conduct, but there is a proposal now being discussed for a code of best practice on the division of labour.

Q81 John Battle: It is not just that every country is doing everything but, as has always happened since the early days with Claude Chaisson's very idealistic programme, individual Member States protect their own country programmes and will not let them go. That is part of the problem, is it not?

Mr Popowski: Yes, but we should push for more cross-country divisions of labour. There is also the linked question of untying aid. The more aid we untie the less Member States will be attached to countries in national programmes. Whilst there are some corporate interests at stake and agencies working on the ground, we do not want to push them out of the country; we just want to create positive synergies and build on our respective comparative advantages.

Q82 Chairman: On the practicalities on the ground, I think we were told that in Tanzania there was an EU building that had brought together a number of both national and Commission programmes or teams under one roof. Do you think there is more scope for that? We were looking at co-operation between the British and Dutch in Ghana and indeed we had as many meetings in the Dutch embassy as we had in the British High Commission or DFID offices. One thinks of the very practicalities of EU members operating in-country in the same building with the European Commission, even if it is simply people having coffee together or whatever it may be. Is that something about which you are proactive? I understand that some of that has occurred in Tanzania, but is it happening anywhere else?

Mr Popowski: Yes, it is progressing. In some countries not all Member States are present. The EU family is pretty small and the people can get together easily. There are other examples such as Mozambique where we are leading the co-ordination process which I am sure will continue in the future. There must be some impetus at the political level in the sense that if we have a good message from the EU development ministers who will discuss these ideas at their meeting at the end of May and there is an ambitious outcome at Accra in due time it could translate into tangible results on the ground. There will also be institutional changes that may alter the landscape a bit. I refer to the new treaty arrangements. The new Lisbon treaty still has not been ratified, but it provides for single EU representation worldwide; in other words, the European Commission's delegations would become EU delegations serving all Community policy as defined in the treaties and the newly-appointed high representative for foreign and security policy. The treaty also creates synergies, which we hope will improve our record on policy coherence.

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Q83 Ann McKechin: You spoke earlier about improvements in joint co-financing between the EU and EU Member States, but in the most recent DFID effectiveness summary of the Commission's work it is stated that, "Co-financing initiatives remain minimal and are further inhibited by Commission rules and timetables, which do not lend themselves readily to joint programming." Can you comment on whether or not there has been any review of or any consideration given to changing those rules to better facilitate joint working?

Mr Popowski: Yes, it has. I mentioned the latest state of play, so the financial regulation of the EU now provides for the possibility of co-financing. The point made in DFID's report relates to the previous obstacles, which have since been overcome. Now the limitations have been removed, we can do that. We saw it as an inhibition but we managed to overcome it. We are now in the process of assessing the Member States' agencies just to see that they are on the same wavelength and we shall be ready to co-finance projects with them.

Q84 Ann McKechin: Another comment raised in the OECD survey was that just 23% of your technical assistance is co-ordinated, against a target of 50%. Can you explain why the Commission has been performing so badly and whether there are any ongoing proposals to rectify that problem?

Mr Popowski: Technical assistance is difficult. I can give you a little of my personal experience coming as I do from a new Member State. A lot of technical assistance was offered to the countries in central and eastern Europe, especially in the beginning, the early to mid-1990s, that led to rather disappointing results. But one has to get over that phase and proceed normally. On the programming side the plan was to proceed from technical assistance to more focused actions on capacity building, investment etc, but we acknowledge that there are problems and shortcomings. In July 2007 we launched a programme to develop a strategy to meet the EU aid effectiveness targets on technical assistance. We were also guided by recommendations on how to improve it by the European Court of Auditors. We aim to finalise the strategy in June 2008. Some elements of it could and would be guidelines on technical assistance, that is, how to make best use of it and support co-ordination between Member States and other donors. We will try to improve the methodology, so I hope that our record will be better next time we discuss it.

Q85 Ann McKechin: You spoke about increasing capacity which would suggest that you would want technical assistance to move from short-term to long-term objectives. To what extent have you consulted recipient nations about their requirements and what they see as the priorities in improving the assistance that is given?

Mr Popowski: First, it is a matter of methodology and what we need is more dialogue with partner countries and governments. I refer again to the ownership principle which is very close to our hearts, but it is also quite important with a view to the

ongoing discussions on Accra and Doha. We need to support country and sector dialogue with the partner-country governments so that we are attentive to the needs that they articulate. I think that is the main assumption and precondition.

Q86 Ann McKechin: Can I take it that by the time you reach Accra the EU will have some guidelines about how it believes technical assistance should be used in future?

Mr Popowski: Yes. The plan is to have the strategy ready in June 2008.

Q87 Jim Sheridan: I want to ask about the uncoordinated donor activity particularly in the health sector. In a recent evidence session the Committee heard from Linda Doull who is Merlin's director for health and policy. She said that, while many donors were interested in funding delivery in health, health systems were often relatively neglected. That view is consistent with this Committee's own report on maternal health.¹³ As a consequence, we find that there is a tremendous burden on developing countries to try to manage relationships between donors. What is the EU doing to try to alleviate some of these problems?

Mr Popowski: The health sector is certainly on our radar screen, as it is quite instrumental in achieving several of the Millennium Development Goals. The needs are huge. That is why donor congestion has to be weighed against the need to scale up assistance. What we will do is apply the letter and spirit of the code of conduct also to the health sector to see how we can improve our collective record and whether we can delegate parts of co-operation in some countries where the concentration of donors is quite high. One obvious example is Mozambique. We are also taking the lead in co-ordinating donors' action on the ground in the health sector. We do that in Zambia. I would like to refer to a point I made before. The preferred instrument of the European Commission is budget support. The fact that we are present in the health sector in providing budget support to line ministries in-country does not really add to donor congestion because we are not operating the projects; we are simply providing budget support that can be used by the partner countries' government according to their own priorities.

Q88 Richard Burden: Commissioner Michel has direct responsibility for the Commission's relations in the African, Caribbean and Pacific countries and some overseas territories. However, he does not manage relations with those in Asia, Latin America, North Africa and the Middle East. Do you see a problem there? If you had a situation whereby the director general for external relations was responsible for relations across the piece and Commissioner Michel was responsible for development policy across the piece, or equally if relations were managed by Commissioner Michel across the piece, there would be coherence, but is

¹³ International Development Committee, Fifth Report of Session 2007–08, *Maternal Health*, HC 66

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there not a problem that, in some parts of the world, development also means management of relations of all the staff and support mechanisms that go with that and in other parts of the world it does not? How does the third relevant directorate general, trade, fit into coherence?

Mr Popowski: You are taking the words out of my mouth. It is definitely sub-optimal. I admit that the split is a bit artificial, but that is the reality we have to face. There are many reasons for that. In one way the split is a bit administrative because we have a number of Commissioners in charge of different portfolios within the whole family of external relations, as we call it. That is in the treaty and it will not change until 2014. Every Member State has the right to nominate one Commissioner and all of them need portfolios. That is a very simplistic explanation but it is true and it will not change because, provided the new treaty enters into force, things will continue unchanged until 2014 and only then will the Commission be reduced on the basis of equal rotation. The principle of equal rotation still has to be defined. You touch on a very valid point of policy coherence which is quite important. We hope that it may change with the new institutional set up and the double-hatted representative for external relations and foreign and security policy. Nevertheless, there is one important difference between the geographical coverage of DG¹⁴ Development and the other external relations DGs: our contractual obligation vis-à-vis African, Caribbean and Pacific countries because of the Cotonou Agreement. That is not a bureaucratic matter but a functional and legal division of labour within the Commission. We are managing relations with these countries and our obligations stem from the Cotonou Agreement and that will not change in the foreseeable future. DG Trade has a different agenda; trade matters are an exclusive competence of the Community, and again that is an important difference compared with development policy where we have shared or parallel competencies as between the European Community and Member States. Another aspect worth mentioning is the status of the European Development Fund which the Europe Aid Office also manages. As you know, it stays outside the general EU budget, so it is a separate entity. In 2009 we shall probably tackle again the question of whether or not the European Development Fund should be made part of the EU budget. The Commission is very much in favour of it. It would make our lives easier: we would have a single set of rules about how to manage money, which is now not the case. Procedures are different; there is no parallel control over the European Development Fund because it is not part of the EU budget. Therefore, we would like to streamline that but that is for the Member States to decide. The next opportunity for that is the mid-term review of the seven-year budget of the European Commission. But what we try to do in order to overcome the split, which is a fact of life—different Commissioners are in charge of different parts of the developing world—is to

implement the concept of policy coherence for development just to make sure that anything we do in any policy area does not undermine development policy and our goals as defined in the treaties. In order to do that we use different instruments like impact assessments or intensive use of inter-service consultations just to make sure we are proceeding on the same lines.

Q89 Sir Robert Smith: You have already touched on this question in terms of the impact of the Lisbon treaty, if it is ratified and implemented. You talked about single representation. How else do you see the treaty helping or hindering the Commission's development strategy?

Mr Popowski: I think it will improve the situation on a number of points. First, the EU will be given a single legal personality which is not the case now. The European Communities have a legal personality whereas the EU is just a political organisation though it is recognised in treaties. Under the Treaty of Lisbon we also give a solid legal base to policy coherence for development. There are some changes. Compared with the present treaties, the main objectives of development, sustainable development and the eradication of poverty, are recognised as the objectives of the EU in the area of external relations in general. In a way, they have been lifted in the hierarchy of norms. Even the wording has changed. Until now, the treaty had referred to “combating poverty”, but this formula has been updated in the light of the MDGs;¹⁵ now we speak about “eradication of poverty”. The famous, or infamous, pillar structure of the EU will not disappear totally but will become less relevant through the merger at the helm of the EU's external relations. There will be a single representative supported by a newly-created European External Action Service. That should also contribute to more coherence in the area of development. The details are being discussed. We are not even supposed to discuss them publicly, although everybody is thinking about it because we are in the ratification period, but changes are bound to occur provided the treaty is ratified as of next year.

Q90 Sir Robert Smith: To have a single representative seems to be beneficial, but will the development agenda be high in the priority of that single voice?

Mr Popowski: This is not an official position because I am not supposed to present one, but we have to see external relations of the European Union as something that is coherent and united. We should no longer refer to these slightly artificial divisions between development as part of Community policy and common foreign security policy as a second pillar because it should be part and parcel of a single European approach to external relations. We should be consistent in using the instruments at our disposal, but when we talk about the nexus between security and development it is particularly important to note that the EU is an emerging

¹⁴ Directorate General

¹⁵ Millennium Development Goals

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military player deploying troops and policemen all over the world but it is always action limited in time and then we need follow-up action, for example in the case of Africa, where there is a very great need to develop policies. Therefore, if you want to be consistent and effective you should try to use all the instruments at your disposal in a coherent manner, going beyond the pillarisation of the European Union.

Q91 Sir Robert Smith: Obviously, development is achieved through other instruments like trade and agriculture. That policy plays a very important part in our development relationship. Do you see any improvements in co-ordination in that respect?

Mr Popowski: Yes. I referred to the concept of policy coherence for development, which was developed and agreed upon two years ago. That is beginning to bear fruit. We are constantly assessing and screening all the legislative initiatives from the Commission in order to see whether they are compatible with our development objectives. For that we use the instrument of impact assessment. I shall give you one example. When the EU embarked upon a very difficult discussion on reforming the sugar regime it was able to demonstrate the possible negative effects on producing countries in the developing world, for example in Africa, pointing to the fact that far-reaching reform of the EU sugar regime as it was called could lead to potential losses of revenue and have social consequences even leading to uncontrolled migration. We have developed a certain methodology that we are consequently applying across the board in the Commission. Last year we presented our first report on policy coherence for development. The next one is due in 2009.

Q92 Chairman: You said in response to Ann McKechin that the EU would have a clear position for Accra. When we were in Ghana, DFID told us that those in the host country were somewhat concerned that the process was not going very far and people were not following up their commitments. Are you in a position to give any kind of positive indication that the EU will be able to deliver real progress, and what would be the priorities to make that a success rather than what I think some of the recipient countries feel will be a wet blanket?

Mr Popowski: I mentioned at the beginning that the European Commissioners had presented a package of communications—a so-called communication in our jargon—accompanied by some technical papers concerning aid effectiveness, Monterrey commitments, policy coherence for development and aid for trade. In a way that is our input for Accra and Doha. We want to be ambitious and attentive to the needs and priorities of partner countries. We definitely want to go beyond a mere stock-taking exercise which just checks collectively where we are on the implementation of different Paris Declaration principles. That is not good enough. We would like to make progress especially on the division of labour and the predictability of aid. I should mention our flagship project in the area of predictability of aid. It is the concept of an MDG contract which would be a new generation of budget support offered to countries that fulfil certain conditions, especially in the area of public finances. We are now in the process of finalising our discussions on that with Member States. We aim to offer the MDG contract to 10 African countries that would span over six years with a mid-term review clause. The United Kingdom has been very supportive of the idea of the MDG contract as a major tool to promote the predictability of aid. One further point in connection with Accra is the EU's ambition to give greater visibility to civil society because so far in a way it has been missing in the whole debate. We would like to give it a prominent role. We are aligned very closely with different civil society organisations in the run-up to Accra and we also want to help them and to be more prominent and visible in playing a role. We are listening to their concerns. We are conducting quite an intensive dialogue on development with civil society organisations.

Q93 Chairman: That is welcome. Do you know which Commissioners will be in Accra?

Mr Popowski: Commissioner Michel will be present in Accra.

Q94 Chairman: Are there any others?

Mr Popowski: As far as I know, it will be Louis Michel.

Chairman: I am sorry we have slightly curtailed this session but you will appreciate that Members want to be in the chamber for Prime Minister's Questions. Clearly, the European Union and the European Commission are hugely significant players and what you do in terms of co-ordination will be extremely important. We are very grateful to you for giving evidence. We hope that our report will be of some interest to you as well as to our own audience.

Monday 2 June 2008

Members present

Malcolm Bruce, in the Chair

John Battle
Hugh Bayley
Richard Burden
Mr Stephen Crabb

Daniel Kawczynski
Ann McKechnin
Mr Marsha Singh
Sir Robert Smith

Witnesses: **Mr Shahid Malik MP**, Parliamentary Under-Secretary of State, **Ms Bella Bird**, Head, DFID Nepal, **Mr Mike Hammond**, Head, DFID Ghana, and **Ms Sarah Cooke**, Head of Aid Effectiveness and Accountability, Department for International Development, gave evidence.

Q95 Chairman: Good afternoon, Minister, and welcome to this session of the International Development Committee. It is the first time you have appeared in front of us as a Minister; I know you have replied to debates in Westminster Hall, answering our questions, but welcome. I wonder if just for the record you could introduce your team.

Mr Malik: Of course. On my right is Bella Bird from Nepal—not originally but at the moment—to her right is Mike Hammond, whom you met in Ghana, and on my left is Sarah Cooke who works on aid effectiveness here. I am Shahid Malik.

Q96 Chairman: As you know, this is the final oral evidence session on this. We did visit Ghana, looking at co-ordination on the ground in a developing country and we also did a tour of Europe—we were in Rome, Berlin and Copenhagen—looking at different approaches, and I would say fairly radically different approaches, to international development and co-ordination. At this stage we obviously want to draw those threads together and check DFID's role in promoting co-ordination, but perhaps we could pick up on the (DAC) Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD) which, while they gave DFID a generally positive report on co-ordination, did say that there was an element of DFID promoting its own model rather than leading and encouraging complementary donor action; in other words we are in favour of co-ordination as long as you agree with us. First of all, do you accept that that is the case, and if it is the case is it because you believe the DFID model is one that we need to sell to other people because it is a positive, proactive strategy, or is it just because you are the biggest kid on the block?

Mr Malik: Chairman, I certainly accept that it is a perception and in some cases it evidently is the case that DFID is seen as the lead body in international development. The Easterly bit of research that was done by New York University just a few months ago put DFID out there as number one, but it is really not that relevant comparing ourselves to other aid agencies; what is most relevant is ensuring that year on year we have improvements. On occasions we may well have been a bit more confident perhaps than we ought to be about some of the models and the mechanisms that we use, but we are a learning

organisation and we are keen, where we believe that aid is being used effectively, in actually trying to influence other donors and the like. I suppose our response would really be that by building the evidence base of what is effective through the DAC and joint working groups we can make a real difference and get a more objective way of thinking about these things. What I would like to do if I may, Mr Bruce, is perhaps just outline the approach that we advocate and then perhaps come more specifically to the peer review question.

Q97 Chairman: I might stop you on that because we have got quite a lot of questions and you will get the opportunity to bring those points out. I do not want to inhibit you, but at this stage if you can bring the points in as you answer the questions that would probably be helpful. I just have one follow-through on the basis of the evidence we had. We met the German agency GTZ and their comment was that they felt DFID was “too ideological” in its approach and the Danish Ministry of Foreign Affairs gave a mixed response, “the big boy in the class, the one we tend to defer to”, but on occasions implying that “we are expected to defer to”. These are two significant and important donors and if DFID, perfectly reasonably, is the largest donor in the whole of Europe it has justification for taking a leadership role but it is equally important that those kinds of donors feel comfortable with that and that implies they do not entirely. Do you accept that that is a point of issue?

Mr Malik: Again, I accept that that is a perception. It tells us that it is something we have got to work on and it is crucial that other donor partners are actually working with us in an environment that is comfortable for them. I would like to think that we try to influence where we think aid is being used effectively but also we are willing to listen and to learn from others. In terms of leadership there are many examples in country where we are happy to defer and allow other people to lead who are better suited to lead. There is no doubt that DFID is seen as top of the class by many; I hope that there is not some arrogance that has crept in with that but we are constantly looking at ourselves to learn as an organisation.

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Q98 Chairman: Finally on that, do you feel that proactively as DFID there are occasions when you do actually want to promote your approach? That is not necessarily unreasonable when you are very well-respected, and there is no doubt about it, you are seen as a leader, you are a big player, so all those things are true. Is there a conscious, proactive case where it is actually an occasion to say we are wanting to sell our approach, promote our approach?

Mr Malik: In all honesty there are occasions when we are confident that our approach is perhaps the best approach and on those occasions it is our job to try to influence others who might have a contrary opinion. I can speak about Nepal, for example.

Chairman: We have a division so do that when we come back.

The Committee suspended from 4.09 pm to 4.19 pm for a division in the House.

Chairman: Mr Malik, you were in full flow but I am going to ask Marsha Singh to carry on with his question. You will be able to bring in your examples of Nepal, I promise you.

Q99 Mr Singh: Minister, the memorandum that DFID sent to us says on this topic that “DFID has performed above average compared to other donors on aid effectiveness, having either met or being on track to meet all the 2010 targets in the Paris Declaration on Aid Effectiveness.” However, the ODI (Overseas Development Institute) said that DFID ranks “comparatively low” or “little better than average” on key alignment and harmonisation indicators. How do you explain that? Secondly, what does average mean in this context, is the average very low or is the average very high and what targets have we met and what targets are we on track to meet?

Mr Malik: I would firstly say that we recognise the Paris Declaration monitoring survey as being the most rigorous and internationally-recognised measure of aid effectiveness, and I am very pleased actually that you have pointed out that we have either met or are on track to meet our commitments by 2010. I have to say in terms of the areas where we perhaps are not performing as well as we would like, we are really looking to some of those countries—they are Nordic countries in the main—looking at working with them to get a better understanding of why they are ahead of us in terms of some of those targets. We will shortly learn from some forthcoming case studies of individual donors as part of the Paris Declaration evaluation and this we think will give us a valuable insight as to why some of the Nordic Plus group in particular seem to be quite advanced in terms of some of the indicators. In terms of specifically which ones we have met and which ones we need to improve upon, I might just defer for a second to Sarah.

Ms Cooke: The three targets where although we are on track to meet we are performing less strongly are aid on budget, predictability and programme-based approaches, so although all the other targets we have already met, those are the three where we are on

track to meet the targets but obviously they are not due to be met until 2010. Those are three areas, therefore, where our performance is strong but we feel we could do more, and we have put in place quite challenging targets in these three areas in our business planning round for the next three years to ensure that we are having an even stronger performance over the next few years on those three particular areas.

Mr Malik: Just to add really, it is quite complex, aid on budget. For example, some of this on occasions is due to the poor capture of data behind partner governments and we are actually looking to work with partner governments to identify some of the bottlenecks to capturing the data which prevents it being included within the budget itself. The Paris Declaration is something that we have mainstreamed throughout the organisation as part of our planning processes now; as well as teams in country having access to training we have a monthly aid effectiveness newsletter that goes out as well, so we are very much committed to the Paris Declaration but we are equally very confident that by 2010 despite, on some of the targets, not being as advanced as we would like to be, we will actually meet all the targets.

Q100 Mr Singh: I hear what you say but the ODI did its 2008 survey of donors and came up with the comments that they came up with based on the evidence that was seen. How do you explain their view in contrast with your view about how well you are doing, where they are saying you are either a little better than average or low by comparison?

Mr Malik: We accept fully that we are above average. There are some targets that we have met, there are some that we have yet to meet, but if you look at the number of surveys and the research that does take place on the issue of ranking relevant donors, what you find is that DFID is always up there in the top ten, in some cases number one. I pointed earlier on today to the Easterly research which is about two months old and which actually put the UK and DFID as the top bilateral donor compared to 39 other donors. There was some more research in 2007 on the Commitment to Development Index which rated the UK as the eighth best out of 21, so it is a bit patchy in terms of the league table rankings, but one thing that is clear is that we are definitely in that quartile, there is no doubt about that whatsoever and I think everybody would accept that. For many people we are seen as the lead and this is one of the challenges, Chairman, that people often do defer to us; it is not that we want to lead all the time, we have signed up to the DAC principles. Those actually guide us and I would be more concerned if countries were saying that we were leading them as rather than donor agencies saying that we are taking a lead position because obviously our approach is country-led.

Q101 Chairman: This research you are talking about, is this published research, is it something you can make available?

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Mr Malik: Yes, I was under the impression we may have made it available to you but it is obviously just a couple of months old. I will make sure that each of the Committee members has access to that bit of research by William Easterley and Tobias Pfitze, *Where Does the Money Go?* Best and Worst Practices in Foreign Aid, Journal of Economic Perspectives, Vol 22 No 2, Spring 2008. The other thing in terms of aid that affected us, that I think is useful in the context of this discussion, is that in 2004–05 it was said that 62% of DFID projects were rated as meeting their objectives, i.e. being successful, so in 2005 it was 62%. In 2007–08 it has actually improved to 80%. That says that we have still got some way to go, but we are certainly moving in the right direction. I do not think we have any laurels to rest upon, there is more work to be done; we are moving in the right direction but we must not become complacent.

Q102 Mr Crabb: As co-ordinated donor action becomes the norm increasingly there is work that is being funded in part by DFID but where the implementation is being carried out through other donors, and we saw a couple of examples of that in Ghana. What challenges do you think this throws up for effective parliamentary oversight of how British taxpayers' money is being used, and specifically by this Committee, and what thinking is going on in the Department about that and how to tackle it?

Mr Malik: Our position is really that we cannot lead everything. We are committed to a logical division of labour—that is one area in the Paris Declaration actually where we have done quite well—and there is an EU code of conduct in that area as well. Our view is that where we have a comparative advantage in country then our role would be to push to lead; the reverse is true where others have a comparative advantage, and Yemen is an example of a country that I visited where on, for example, the health sector we have deferred—if I can use that terminology—to the Dutch and they in turn have deferred to us on justice. Your question is wider than that and a really important one about parliamentary oversight and accountability but what I would say is that we certainly would not be in the business of deferring to any outfit in country unless it was properly vetted, unless our own in country team was involved at all stages, ensuring that it was meeting the objectives that we as DFID would expect and as a taxpayer would expect, with relevant audit requirements and so on and so forth. I suppose at some point what this points to, Mr Crabb, is that we perhaps need to do some kind of desktop review of those countries where actually we have deferred just to ensure that we ourselves are confident—which I believe we are—but also to give confidence to parliamentarians that the resources that are used are used effectively with all the kind of checks that you would expect for British taxpayers.

Q103 Mr Crabb: Can you envisage a scenario whereby someone from the Dutch government is sitting where you are perhaps, Minister, answering

questions from us about the real nitty-gritty of how British money is being spent on a project where they are the lead partner?

Mr Malik: That is a really interesting scenario. That really would be our role, it is our responsibility to British taxpayers via this Committee to give you confidence that money is being used in the way that it ought to be used. That is not to say that we ought not to look at different ways of working, and who knows what the future holds, but certainly for now I would say that it is our responsibility as the government of the day to be held accountable for every penny that is spent that is UK taxpayers' pennies, irrespective of how it is spent, so it is our job to satisfy you and if we cannot ultimately then we have failed in the role that we hold very dear, which is being accountable to Parliament and to the IDC.

Q104 Mr Crabb: The point that I am driving at, which you recognise very well, is that in some people's eyes at least there is a perception, perhaps a misconception, that greater aid co-ordination, deferring to another donor country, inevitably entails a diminution of direct national parliamentary oversight of resources.

Mr Malik: That would be true not just in the case of individual donors, but in a world where increasingly we are working through multilaterals it is true of the World Bank, the UN, the European Commission who we use a lot more and will increasingly do so in the future.

Q105 Chairman: The European Commission has to give evidence to this Committee formally; the World Bank does not, so there is a difference in accountability between those two organisations.

Mr Malik: Sure, and the important thing from our perspective is that we have to reassure ourselves that it is the same standards of reporting and accountability that are being used by anybody, be it a bilateral donor or a multilateral donor, or indeed be it any other entity that is leading on a particular sectoral area of support to a country. It is our job to make sure that the reporting and accounting systems and the audit systems are there, and if we are satisfied only then will we move forward, and I suppose we have to satisfy you that the checks and balances are in place and that we are doing the job that we ought to do to give you confidence.

Q106 Chairman: The reverse of that is that if we are taking the lead and taking other countries' money—Denmark's or the Netherlands'—what is the response to that; indeed, do you come under any scrutiny from the parliamentarians in those countries? Do you have any evidence of that, of them asking questions?

Mr Malik: I am not aware of any evidence where other parliaments have requested greater scrutiny over Danish money that has been deferred to country X or Y but it is an interesting area and in this world of increasing co-operation and aid co-ordination it will be an interesting thing as we move forward. I would like to think that for now the Dutch, the Danish government, whoever it might be,

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would be satisfied that their department or agency has satisfied itself that if it is DFID that is leading it is doing so in a way which meets the safeguards that it would expect for its taxpayers' money.

Q107 Sir Robert Smith: One of the things that there is a growing consensus on, certainly according to Christian Aid's evidence and the Department's evidence too, is that ownership is extremely important when it comes to development policy. DFID says "Partner country ownership is important because, while aid can contribute to poverty reduction, it will never alone be the solution to global poverty" and ownership is one of the five key principles of the Paris Declaration. There is concern about exactly how that is defined and delivered on the ground and the International Civil Society Steering Group recommends a reappraisal of the concept. How does DFID define and measure "ownership"?

Mr Malik: Again, that is a very good question. We are committed 100% to the principle of ownership and the importance of ownership in achieving sustainable development for the long term. Ultimately, our objective and mission has got to be, I suppose, to make ourselves redundant and we can only do that if countries are taking ownership and leading. In terms of precise definition I do not think there is a precise definition that would give anybody satisfaction; in terms of ownership the fact is that we will be aware of what the government policy is in certain sectors and our job is to work with the governments in those sectors to support the vision and the plans that they have for their country, obviously in areas where there is some concurrence on that. Certainly in countries where we give budget support, for example, by definition almost it is central to ownership, both financial ownership and country leadership, and those are perhaps the best examples I would say of ownership where we are actually able to give budget support to a country because we believe that it is committed to good principles of public financial management, it is committed to human rights, it is committed to poverty reduction and to growth. Those are the countries, I suppose, where ownership best manifests itself, but in terms of an exact definition that will give confidence to everybody I am not aware that there is one single definition.

Q108 Sir Robert Smith: One of the concerns that we have had expressed to us by UK Aid Network and others is whether you see initiative as coming from the government of a country or coming from the people. Is it just the ministry of finance that you are working with or does it encompass parliaments and civil society more broadly?

Mr Malik: You are absolutely right. In some ways it is more about governance than government so we would take a view that civil society organisations are absolutely key, parliamentarians are key, including opposition parliamentarians, and other NGOs are key in ensuring that there is ownership. If you look at some of our civil society programmes, if you take the Governance and Transparency Fund where we have

committed £130 million over five years, the whole principle of that is to support southern CSOs and NGOs on having the ability to hold their governments to account, so in many ways we are supporting the development of all sectors of society to ensure that it is not just one way and nobody is able to ride roughshod over any particular sector. So all stakeholders, we believe, have got a role to play in ownership and it is not just about governments. If I gave that impression initially it was not a correct one.

Q109 Sir Robert Smith: Earlier we were talking about targets and measurements and one of the concerns put to us about delivering on this key principle of ownership was the fact that things that are being measured on the Paris Declaration do not actually measure this particular commitment. If it is not being measured is there not a risk that most people will not see it as a priority in trying to deliver on their Paris Declaration Commitments?

Mr Malik: Undoubtedly where you do not have tools to measure there is always a possibility that something is not going to be met or there are arguments about whether it is met. The Paris Declaration I said earlier on was the most rigorous and most internationally respected mechanism; it is not perfect and there is a need actually to ensure that it is improved and enhanced and I know that DFID is working with others to do some of that. I know that through the European Commission we have added four targets that will enhance the Paris Declaration and all EU members are going to sign up to that. What I would say is that Paris is not perfect; it was probably the best that was available at the time and in the same way that we constantly look at DFID to improve it, Paris must constantly be improved. Ultimately, you are absolutely right, that if you cannot measure a target then there are going to be question marks about what it actually means in real terms, both for the donor and the partner country.

Q110 Ann McKechnin: Minister, if we turn to issues about technical assistance, DFID is meeting the OECD guideline target of 50% of technical assistance being co-ordinated, but I would be grateful if you could perhaps explain to the Committee what DFID is doing to ensure it sustains that level and does it have any new target or any target to reach 100%, and if so when?

Mr Malik: You are right to point out that against the Declaration this is one target that we have met and we are obviously very pleased we have met it—you have talked about 50%. I would like to think that at 2010 we can take a review of where we are respectively against some of these targets. As I have indicated earlier, our view would be that Paris is not a static declaration, it is actually something that progresses and improves and I would think that if we were not able to go back at 2010 and review the targets, and either bring in new targets or make the targets more stretching, then perhaps we have failed in our desire to constantly improve what we do. There is a need for a global effort on this; the UK itself cannot do it—no matter what target we set ourselves—unless there is a global signing-up to Paris and a recognition that

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there are a number of non-DAC members who are new and emerging donors who have not signed up to the Paris Declaration as donors but have as recipients—India and China are an example—and 2010 might be an opportunity if not before to get some of those on board as well.

Q111 Ann McKechin: Given the fact that that is two years hence what steps should be in place currently to ensure that your level of technical assistance will continue to meet the 50% target and what reviews are you currently undertaking to ensure that the cost of DFID's technical assistance is kept within proper and adequate control? To what extent are you making sure that your technical assistance is fully demand-driven? What is the contact with donee nations, how are they actually involved in the planning processes and what kind of strategic view is being taken currently of where the technical assistance is going to be delivered at a time, Minister, when the DFID budget is increasing substantially and will increase substantially by 2010? This Committee would be concerned to know how we are using technical assistance now to make sure that we are actually getting the maximum value for money from it.

Mr Malik: It is quite clear that DFID in many ways has been one of the lead bodies with respect to technical assistance and co-operation. We untied our technical assistance back in 2001 and as a result it is estimated that it has lowered the cost of aid by 25%. We are in, some might argue, a privileged position and there are other countries who, because of the mechanics of those countries and the way their parliaments work—America and Japan for example—find that some of these issues are much more tricky, but all programmes are checked at approval stage on whether they are in line with the national priorities. If they are not, then questions are asked as to why.

Q112 Ann McKechin: Can I just clarify that you are really saying that since 2001 the cost of technical assistance has actually decreased in real terms for donee nations, or has it stayed the same or has it increased?

Mr Malik: The World Bank estimated that if everybody untied aid then it could lead to a lowering by 25% of the cost of aid.

Q113 Ann McKechin: Is that what has happened with DFID then or is that actually borne out in DFID's figures since 2001?

Mr Malik: I can give examples of some of the technical co-operation, advice and support that we have given and some of the outcomes that have come from that. For example, technical experts created a new VAT service in Ghana which has led to improvements in revenue collection year on year and in Rwanda the revenue authority has managed to increase its income by over 40% over two years, money which is now being spent on things like health and education.

Q114 Ann McKechin: Can I just have a quick answer, Minister, are there any statistics which DFID currently holds to show whether or not the transaction costs have lowered between 2001 and 2008 in line with World Bank estimates? The Committee would be interested to know whether we have that kind of statistical information.

Mr Malik: In all honesty I am not aware of any statistic and as I look around I suspect I am not on my own. It is a really interesting question; I am not sure if we could carry out some kind of research that might get to the bottom of that but it would be interesting. It is something that we will certainly take away with us and given that I quoted the World Bank estimate it is useful to see—I can give examples as I have of where our approach has had benefits, but if you are asking me globally what has the impact been then I am not sure that we have an aggregate response to that. Certainly our long term vision is for a more market-based fully pooled approach to technical co-operation which partner countries lead. That is the important thing from a country perspective, that partner countries do lead on technical co-operation and assistance. There have been lots of accusations, and I hear them as well, that our aid has all been spent on UK consultants, for example; it might well be the case in other countries, I do not know, but it is certainly not the case in this country. That is something that we are relatively proud of but there is a long way to go and we need the evidential base to give you more confidence that we are having an impact and we are lowering transaction costs in the way that you described.

Q115 Richard Burden: Could I press you a little bit further on the issue of ownership that Robert Smith was asking you about before because there is a view that some have expressed to us that whilst country ownership of aid may be desirable actually the central objective should be the quality of the aid, and there will be some situations where actually ownership has to take second place to that. How do you see that, what do you see the relationship is between ownership on one hand and quality on the other?

Mr Malik: In an ideal world we would like to think that all countries that are recipients would be central in terms of ownership but quite evidently there are cases in fragile states where that is not possible. Where it is possible there are great examples of how ownership and our involvement has actually paid dividends—Nepal on my right is a great example where on 10 April we managed to get a constituent assembly election that nobody thought was possible. It was fairly transparent and fairly fair; that was because we actually played that leadership role in a fragile state; we took that role very seriously and we worked with all the political parties—the eight parties at the time that were in existence, seven now—it led to us supporting 20,000 Maoists to remain in cantons, it allowed us to get rid of mines and explosives, help with elections and make historic change. I hopefully will be going to Nepal in a couple of weeks time and will witness the emergence of the first democratically-elected government in Nepal

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that is inclusive in the sense that there are no rebel fighters there any more. There are other examples where countries are unwilling to meet some of the criteria that we would expect of them; I spoke earlier on in terms of public financial management in terms of human rights and so on and so forth—Burma is a classic example which I know the Committee has spent a lot of time on. In those countries obviously ownership means something very different and we have to work through parallel networks, where we can try to co-ordinate with the government but not actually working with the government to make sure that we maximise the impact that we have, the Three Diseases Fund being an example. Of course, there are states where they are simply unable to take the ownership role. We have set up trust funds, and you will be familiar with one in the Palestinian Territories.

Q116 Richard Burden: John Battle may want to ask you a bit more on the conflict situation and the fragile states situation, but I suppose what I would just like to get your perspective on at this stage though is really who decides. There will be cases of good practice where we have felt we have had to take the lead, go in, poverty has come before ownership, but who ultimately decides that. There are a number of situations in Africa and actually the issue of ownership should not necessarily be an issue of country by country ownership, it might be an issue of regional ownership. Again, how does that work through and how does that fit in with Paris? Is there a mechanism for deciding (a) the priority that should be given to local ownership, (b) what it means and (c) whether you are looking at the national perspective or the regional perspective?

Mr Malik: That is a really interesting question. The answer to that really is that it is kind of horses for courses; there is not, arguably, as much consistency as there needs to be, politics does play a role and ideally we look to organisations like the United Nations to give leadership and even then there will be a number of countries that will not be content with the leadership that is given in terms of the regional side of things. Some Committee members might be aware that I was out in Thailand speaking to the Thai Prime Minister and the ASEAN (Association of South-East Asian Countries) nations to give support and act as a humanitarian bridge into Burma. There ASEAN was invariably going to be the only show that was going to be able to make any difference in Burma because if the UK decided that we wanted to lead, or the UN lead or anybody else it just would not happen because of the regime that exists there. We were actually out there pushing ASEAN to take a leadership role—pushing is perhaps too strong a word, certainly encouraging them to take that role. They recognised that they had that leadership role to play and now we are starting to broker, painfully slowly I accept, a mechanism where ASEAN, supported by the UN and then everybody else is able to give support to the Burmese people who are suffering because of Cyclone Nargis. In the case of the occupied Palestinian Territories you will be aware that the UN decided that the TIM

(Temporary International Mechanism) mechanism was the best one in town; now we have a trust there which starts to bolster the financial mechanisms and systems of the Palestinian Authorities which will ensure that the sustainable nature of some of the inputs now will last for a long, long time. What I would say is that the UN ultimately one would hope is the body that gives the leadership and direction; it is not always the case, there is not consistency out there, but I would love to live in a world where there was consistency. We do not, however, and we are ultimately led by need and the International Development Act has helped us in a way that other countries perhaps are not helped. Politics is important but it is secondary to poverty, and you might well cite examples where you might consider that not to be the case, but we are driven by poverty and we are very clear about that. Poverty is at the centre of all our programmes and the International Development Act helps us in that regard. In fragile states the UN we believe is the organisation that ought to give leadership and where you are speaking about regional entities then it could be the European Commission, it could be ASEAN, it could be a whole number of organisations. The organisation the Islamic Conference, for example, could play a lead role in some fragile states.

Q117 Richard Burden: I am tempted to say was it the UN that decided what local ownership meant in the Palestinian territories or did somebody else decide that, but we will park that.

Mr Malik: It is an interesting question.

Chairman: We will return to that one.

Q118 John Battle: My question is really around that last cluster of answers where I thought I got a very clear statement that you look to the UN to give the lead in the absence of the country, is that right?

Mr Malik: What we are saying is that in fragile states our position would be that we ought to look to the UN to give a lead—that is not always a humanitarian lead, but quite often it is—and to support them. That is notwithstanding the fact that the UN itself is in need of great reform; some reforms are taking place and we all are familiar with the cliché now of 23 UN water agencies competing with one another across various parts of the world.

Q119 John Battle: If I give you two examples, one that I know better than the other—on a couple of occasions I have been to Democratic Republic of the Congo and the Committee has been as well. There, for many reasons, there is not much of a push on health because of capacity constraints, shortage of technical skills and the government is not up to it, so if you were having a health press on the Millennium Development Goals then it would be hard-pressed to work through the government, so are you saying in a case like that it is the UN that would help out and organise?

Mr Malik: The UN is one body that would help. There are a number of other multilateral donors that would already be working in that country and hopefully there would be some kind of anti-poverty

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strategy that was in place. I suppose the whole idea of Paris is that we do not trip over one another and we are all able to pool resources to meet common objectives, whether it is around health, education or wherever it might be, and in the example of the DRC there is a common assistance framework through which all donors actually, we hope, try to operate, and in that sense there is not that duplication.

Q120 John Battle: That co-ordination is good but it is a question that backs up my colleague's question in a way and it is about the limitations of ownership, because one of the bodies that gave evidence to us was Muslim Aid and they looked at Somalia, a disastrous failed state where there is an absence of a single stable governing body, but they used an interesting phrase: they said in order for ownership to work you need to co-ordinate with those who have authority on the ground. In other words, rather than going upstairs to the UN, go downstairs to work with NGOs on the ground to make sure that the aid reaches the people that really need it. Is there a tension between sometimes looking to the UN and hoping they sort it out or getting stuck in there and saying no, we are going to go through NGOs on the ground and have direct contact with civil society because the place is in such a mess that if we do not do that the people will not get the help they need? What is DFID's view?

Mr Malik: Our view, as in Burma for example, is that where NGOs are working on the ground and doing good, credible work which is making a difference, then our role is to support those NGOs and civil society organisations and whether they are southern or northern or working in partnership is completely irrelevant. In answer to your question we would certainly seek to be investing where already organisations are making a difference, but with the UN I was really speaking about the kind of post-conflict environment where the UN plays more of a macro level lead role. We must not ignore, and I apologise if I have misled to an extent, the role that civil society organisations play in those countries and our desire to support them increasingly. I suppose the Governance and Transparency Fund that I spoke of, £5 million up to five years, is an example of that, £130 million in total; the Civil Society Challenge Fund, £½ million up to five years is another example of that. There are many other examples, so we are absolutely committed to civil society organisations. We do not believe that you can eradicate poverty without engaging and utilising NGOs and civil society organisations, it has got to be a partnership approach.

Q121 Hugh Bayley We could sit here for five days, grappling with this and trying to make it change, but in relation to the Accra conference you look at what has changed since before Paris up to Accra and I would have said actually not very much has changed and it is how little has happened rather than how much has happened that ought to be worrying us. It was put to us on some of our visits that one should be much, much more radical and decide that as a donor A should lead within country B and others

could work around that lead, and then other donors could lead in country C. Should we not be much, much more ambitious in terms of what we are trying to do and what are the prospects of Accra delivering a really radical change to the aid architecture?

Mr Malik: The first thing I would say is to go back to the principle that I hope I have been trying to hit home while we have been in this session, which is really country-led, and on division of labour as well it must be country-led, so it is for the country to say who has the comparative advantage to an extent as well as us to look at the evidential base for some of that. You have hit on a word which we are very keen on, which is ambitious; we would all agree that Accra really needs to have a very ambitious agenda in September. We are pushing for it to be ambitious and we think that our priorities for an international agreement are really identified by five different strands: improving the predictability of aid, strengthening accountability at country and international level, improving the division of labour, strengthening incentives for donors for aid co-ordination and faster progress on the untying of aid. The last two there are sometimes quite difficult because it is important to be honest and to recognise that each country is motivated by more than just a desire to do good. I am sure that is the only thing that motivates people in this room, but the truth is that there are countries that, for political reasons, will want to go down one route or another and in those circumstances it is important that we look at incentives that push people towards better co-ordination. The untying of aid again is a very complex area for some countries. I gave the example of consultants quite often, perhaps, emanating from the country that happens to be the donor and quite often large sums of money being subsumed by those consultants, and we need to ensure that we start to untie aid—I have talked about some of the benefits of that. We need Accra to be much more ambitious than some people might feel is possible, both in terms of delivering a better rate and in terms of the MDG call to action which you will be familiar with. The Prime Minister has really said that we are so off-track—and I know that everybody in this Committee will agree—in meeting some of the MDGs it is an emergency situation that requires emergency action and on 25 September there will be a high-level meeting in New York where we will be pushing for that, where the Prime Minister along with Ban Ki-Moon will be pushing that agenda. We need better results and for financing for development to focus on more aid, so it needs to be more ambitious, that is certainly where we are and that is what we are pushing for, but time will tell.

Q122 Hugh Bayley In Ghana we saw the UK working through a Dutch health adviser or using a Dutch health adviser to advise on our programmes, we saw a Danish engineer managing a water purification project which was co-funded by DFID, but we have not yet got to the position where we simply delegate a project to another donor. We are clearly using experts from other countries, on the staff of other donor agencies, to manage our work

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rather than delegating budgets. We are a very strong advocate of the principle of budget support, that is to say, delegating to developing countries a budget and saying it is up to you to manage it and report back to us within certain parameters. Why is there not a similar willingness to delegate budgets to other aid agencies, to the Danes, to the Dutch?

Mr Malik: Mr Bayley, if I could just say two or three things on that. The first thing to say is that we do actually delegate and it was interesting that the individuals that the Chairman talked about initially were critical—perhaps that is too strong a word—of DFID in terms of our leadership role, but they are quite often the very organisations that tend not to delegate or defer. I have given examples in Yemen where we do, and there are examples in other African countries where we do delegate budgets in the way that you describe. With respect to Accra, to go back to your first point and to Sir Robert Smith's point earlier on about Paris, we need to ensure that the targets that we set there and the things that we agree there are ambitious, yes, but they are specific and measurable; that is critically important. I would also just add that I do believe that the International Development Committee and parliamentarians have a key role to play as you go around meeting other parliamentarians to really push them to be more ambitious for Accra, push them on the areas where you believe that DFID principally is right or even, dare I say it, ideologically right. You have a very important role to play and I do not underestimate how difficult some of that pushing might be, but it is crucial. It is very difficult for DFID, obviously, to do that with governments and parliamentarians, but you with the specialist skills and the respect you have got will be very effective in that role with respect to other parliaments across the world where it is needed most.

Hugh Bayley: Can I just say that if we have got it wrong and there are cases where DFID is delegating to another bilateral agency a budget, could you let us know?

Q123 Chairman: What you have said about Yemen, could you give us a note on that?

Mr Malik: Yes, of course. There is £3.5 million there that we delegate on health.

Hugh Bayley: That is how we have understood the situation, but if it is more widespread than just in Yemen, if there are examples in other regions, that would be useful.

Q124 Chairman: Mr Hammond might just remind us of the arrangements in Ghana. My understanding was that we have a shared adviser and also effectively the money was fed through locally. Perhaps you could just clarify that.

Mr Hammond: There are two models. The first model is shared advice where we share the advisory resources of the Dutch adviser. We still have a programmatic budget, General Budget Support, which is linked around the Ministry's programme of work. Whether we release that budget or not is a decision left with us, so we are getting advice from an adviser mainly. In the case of the water project we

actually simply give the money to DANIDA and GTZ to co-finance their programmes. We are not directly funding, it is not a DFID programme per se.

Q125 Hugh Bayley: I appreciate that, but the distinction I was trying to make is this: in that particular case we examined a project, we decided it was a good project and decided to put money behind it. The distinction is we were not saying we are going to spend £5 million a year on the water sector in Ghana and we will pass the budget to DANIDA, shall we say?

Mr Hammond: No, that is what we have done, we are spending £8 million and we are giving the money to DANIDA to spend on its programme for water. It is a DANIDA-designed project.

Q126 Hugh Bayley: It is not our project.

Mr Hammond: We are giving DANIDA £8 million to spend on a DANIDA-designed programme of work in the same way as we give £3 million a year to Ghana AIDS Commission on a World Bank-designed programme in support of the Ghana AIDS Commission. So we do do it and it is a mechanism that we consider, particularly in the sectors that we consider are important in a country.

Mr Malik: Just to spell out the arrangements in Yemen, the Netherlands represents DFID and manages £3.5 million to fund increased midwifery, obstetric and family planning services for poor and marginalised women. I would say one thing: the alignment of aid through country systems is far more important than donor to donor co-ordination, and that is a really important point. Strengthening the country systems is far more important ultimately than who we defer to in country, and that is obviously where you have that sustainable development which hopefully will ultimately make us redundant.

Q127 Ann McKechin: I want to come to the EU Code of Conduct on the Division of Labour. The Code is voluntary but evidence that the Committee received from the ODI cites difficulties for example in Zambia where "the number of donors per sector barely reduced . . . and the willingness of donors to withdraw from sectors in which they are engaged is limited". Is the Code of Conduct having any real impact anywhere and can you provide any examples to us?

Mr Malik: It is true to say that the Code of Conduct is of a voluntary nature but we still see it as a significant milestone in moving forward. There are some barriers to the implementation of division of labour and sometimes that is suspicion and mistrust by partner countries when division of labour is donor-led, and I go back to that point. They sometimes feel powerless when faced by a co-ordinated group of donors. I suppose at one level there is an argument made by partner countries that there are too many donors and then when donors come together they feel a bit powerless in the face of those donors, but there is also a fear that some sectors will not be sufficiently supported once donors withdraw. There are, therefore, a number of

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challenges to the implementation but some of the examples that have already been given actually show that there are benefits: for example, in Zambia the division of labour is led by the government and has reduced transaction costs by an estimated 60%, which is quite significant. That is one example of how the division of labour has been fruitful.

Q128 Ann McKechin: Does DFID have any other strategies for making the division of labour a reality? You have mentioned the understandable suspicion of partner nations that if donors disappear the money disappears with them; is there any discussion or debate, multilaterally or in the EU for example, about how that fear and suspicion can be overcome?
Mr Malik: Obviously I have raised that because it is a genuine concern for partner countries and I think the best way to overcome it is to ensure that there is a strategy in place that is country-owned and country-led; in that sense there is an element of predictability built into the system for the partner country because it will know that donors that are pledging to work in that country are doing so according to the priorities and needs that have been identified.

Q129 Ann McKechin: That would seem to suggest that as well as the EU Code of Conduct on Division of Labour we need an EU code of conduct about sustainable funding to match that code; do you believe that that would go some way to try and address this problem?

Mr Malik: For our part in the UK we think that in an ideal world it would obviously be helpful. What we have tried to do is develop different kinds of mechanisms which we are testing out in different countries. We have a number of development partnership arrangements with countries over ten years; those obviously help in terms of building of confidence in that country, building stability and allowing other people to invest, whether it be donors or private sector investors if they can see that commitment is there. In terms of whether there ought to be a code, I actually do not think it would be unhelpful, it would be helpful in the context of the discussion we are currently having.

Q130 Sir Robert Smith: When we were in Denmark Professor Finn Tarp of the University of Copenhagen told us of concern that the staff incentives within DANIDA (the Danish development agency) were “screwed-up” as he put it—

Mr Malik: A technical term.

Q131 Sir Robert Smith: Yes, in that incentives and performance measures did not encourage staff to focus on aid effectiveness, and others in Denmark also backed that up. We wondered how is DFID ensuring that its own commitments under the Paris Declaration are reflected in the priorities of members of staff?

Mr Malik: What I said earlier was that we had built this into our planning process and I will just very quickly go through how we have done that, just to give you an understanding and a feel for how

important we think the Paris Declaration is. Departmental strategic objectives now entrench aid effectiveness as a corporate priority at global and country levels. All country assistance plans are expected to include an assessment of aid effectiveness. A new Results Action Plan was published in January of this year, setting out how we will embed results into our own and our partners’ culture and systems and progress against the Paris Declaration targets is included in our institutional strategy papers for key multilateral organisations. We are also running training courses, as I mentioned earlier on, on aid effectiveness for staff, both in the UK and in country, which teach staff about best practice in implementing the Paris Declaration, tackling corruption and strengthening public financial management. I also mentioned earlier on, Chairman, the monthly aid effectiveness newsletter that shares information and best practice across the organisation. We have therefore been quite methodical in our approach in terms of mainstreaming some of this and it shows just how important we believe it to be.

Q132 Sir Robert Smith: At a practical level do heads of DFID offices have performance targets which prioritise harmonisation and aid effectiveness?

Mr Malik: I have one on my right who might be able to help us.

Mr Hammond: Yes.

Ms Bird: Yes, we do. In our country performance frameworks we all have to set out clearly what our objectives and our targets are for aid effectiveness.

Mr Malik: That is unanimous then, two yeses.

Q133 Chairman: For DFID to be effective in co-ordination we need obviously to work out and evaluate the impact. We were concerned at ActionAid’s suggestion to us that the current system for evaluating the Paris Declaration is not credible because they said that in the 2006 DAC survey of the implementation of the Paris Declaration donors insisted on negotiating the figures and the figures in the final document were in many cases significantly different from earlier drafts, so they concluded that that evaluation was fatally undermined. First of all, do you accept that that is true—that is a clear assertion by ActionAid—and if that is the case how can that kind of evaluation be deemed credible?

Mr Malik: What is clear from the DAC peer review in the context of the UK is that over the last five years we have improved quite a lot in terms of looking at issues of impact evaluation. I want to give you some confidence about our approach and then Sarah will add to that confidence. I would say that we recognise this is one area where there is a lot of scope for improvement. I understand the points that you make and that some of these points might lead to people not having as much confidence as we would like them to have in impact evaluation and evaluation more generally, but within DFID we have fairly recently established an Independent Advisory Committee on Development Impact which the Committee will be aware of. I also talked about the Results Action Plan which was launched

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in January 2008, and that is quite methodical in some ways, there is a new country planning process which focuses on identifying expected impacts, more careful and robust performance and results frameworks for voluntary programmes and development of a small number of standardised indicators that can be aggregated across country programmes. These will allow a more systematic measurement of the aggregate output of our programmes and investment in statistics in partner countries. We recognise that there is much more to be done and there was great confusion in the 2006 review over the definitions used—I know that we discussed definitions earlier on. These were resolved in the case of the present survey that was undertaken and the 2010 survey should be more realistic.

Q134 Chairman: That implies that you thought there was confusion and ActionAid thought that was a negotiation of the terms.

Mr Malik: Now I am getting confused. Mike.

Mr Hammond: At the time of the 2006 survey a number of donors filled in questionnaires using their interpretation of definitions that had been drafted at that time. When it came out it was fairly obvious that people's definition of what was programmatic assistance, what was technical assistance differed and I think that is what ActionAid is referring to in terms of negotiations, when people were trying to come to a common understanding in definitions. That led to some changing of figures in country reports. That debate took place this time before the survey was sent out so hopefully the 2010 survey will be more consistent.

Q135 Chairman: Another suggestion that was put to us by the International Initiative for Impact Evaluation (3IE) which has a clear appeal is that the evaluation of OECD DAC is carried out by OECD DAC. What about having a review conducted by developing countries? In other words why do we not ask their opinion of how well we are co-ordinating aid and how effective that co-ordination is?

Mr Malik: I will ask Sarah to come in in a minute, but what I would say to you is that as a general principle we think there are few things more powerful than a partner country actually giving direct input into the evaluations, and that is certainly something that we are looking at improving and increasing. Sarah, do you want to comment?

Ms Cooke: I do not have anything to add to that actually. It is very important to get partner country views and we certainly listen to partner country views around our programmes and our projects as we design them. It is very important.

Q136 Chairman: The Committee would entirely accept that DFID does that, I do not think that would be a point of issue with us. The more interesting suggestion is that donors should subject their programmes and their co-ordination to evaluation by developing countries as a collective response to a collective initiative. I am not disputing the observer on the ground, of course DFID does that, but this is a slightly different approach.

Mr Malik: It seems to me, given what I have said earlier, that the principle is a sound one and there is much added value that would emanate from it and it would give a more holistic and inclusive position on just how effective aid is in those countries. In isolation, just looking at the partner country, I do not think that would be entirely healthy and I accept that the other side is not entirely healthy either. A combination might be something that gives a more balanced picture of impact in country.

Q137 Chairman: Is that something that you think you as a minister could recommend.

Mr Malik: It is something that I as a minister will certainly have discussions internally on.

Ms Cooke: If I could make one additional comment, there is a current evaluation of the Paris Declaration going on in terms of implementation and how we are doing and this is looking at studies of ten donors but also looking at ten studies in country as well, so that will very much get in the views of partner countries as to how the implementation of Paris is going forward. Just one additional piece of information is that DFID is chairing the Network of Networks on Impact Evaluation (NONIE) and what it does is bring together representatives from donors and developing countries as well to share information and to develop standards and guidance on impact evaluation. That is very much an attempt to bring us together with developing country partners to understand how we can improve impact evaluation.

Q138 Chairman: We will look forward to seeing how that develops because that is all very helpful but it still looks very often as if it is DAC evaluating DAC so it would be good to start seeing the partner countries becoming involved in that. The final point is that Professor Finn Tarp again made the point that he thinks there is a lack of detailed and sound methodology for evaluation, and he has of course a British colleague Sam Jones who we also met. What is DFID doing to try and ensure that the evaluation does use good, up to date and objective methodologies, whether they come from the University of Copenhagen or anywhere else?

Mr Malik: We have to recognise that this area is quite complex and that people are looking at various approaches, that we need to invest more globally in research to find sophisticated tools that would allow accurate measurements to take place of impact. Some of the entities that we have already mentioned, whether it is NONIE or the (3IE) or whoever else it might be, are looking at some of these issues and our own independent advisory committee for DFID is certainly looking at some research. I would ask my colleagues whether they know of anything more tangible that means they could give a more accurate response to the Chairman's question. I do think it is an evolving area and there is a recognition that enough has not been done and much more needs to be done, and in that sense there is a need to invest more in research to get the right kind of methodologies.

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Q139 Chairman: The depressing comment that people make is that the poorest countries in Africa have been in receipt of the most aid and actually perform worse, which makes all the causal connections sound completely wrong. The point that Professor Tarp is making is that if we had better methodologies this causal link between aid and development and poverty reduction, or whatever the other outcomes are that they measure would be clearer, and then you would have more of a chance of putting more of your money country by country and donor by donor in places where you actually think the measures will help. That is something the Committee feels very strongly about and what we need to see. DFID has the biggest and sharpest rising budget of any of our initiatives and that is good, we support it, but we all know that if we cannot maintain proof that that aid can make a difference in objective ways then public confidence is called into question.

Mr Malik: I remember recently that Oxfam did some research that showed that for every pound in aid that was going out, £1.20 was being lost because of strife that was going on in parts of Africa. I do think there is a need to develop better methodology and I would also say—I know you would concur with this—that issues like internal strife and climate change can obviously undermine the impact that aid can have and the effectiveness of aid, but it is still important to ensure that we continue finding ways of making aid effective in those areas and certainly not withdrawing it. That is why I spoke about the UN in a post-conflict environment and the role that they can play. Our role is to try to ensure that through these difficult times—and Nepal was a great example—we were able to continue our aid flowing into Nepal and we have the situation now where we have the first ever constituent assembly elections there. I would finish by saying that the thrust of what you are saying is absolutely right and we need to really improve and enhance the methodology that is out there. DFID can contribute to that, is contributing to that and will increasingly do so.

Q140 John Battle: A few moments ago Sarah mentioned sharing information and I am sure she is aware that the OECD is conducting an evaluation of the Paris Declaration, chaired by Denmark and Sri Lanka, but when the Committee was in Denmark and met the secretariat of the evaluation team they sadly reported that most participants had contributed to the first phase of the evaluation except the UK and the Philippines. Have you sent them anything yet?

Mr Malik: I did not quite catch that; what is it that we are supposed to have sent but not sent?

Q141 John Battle: The UK has not sent any contribution back to the evaluation of the Paris Declaration; only the UK and Philippines have not sent anything according to the secretariat which the Committee met on 14 May. You may have done it by now but could you let us know whether you have and could we just use that as a reminder that we might join in and share information.

Ms Cooke: We have done it.

Q142 John Battle: We have; a little message has been passed through.

Ms Cooke: We have sent them a progress report on how we are doing in implementing Paris. We have also been a case study, as I mentioned before, on the implementation of the Paris evaluation, and that is currently being completed at the moment, so all that information is being worked on.

John Battle: I mentioned it because you have great ideas and you should be contributing and leading but they said we were not doing it.

Q143 Chairman: Why was it later than everybody else's?

Mr Malik: To be honest we anticipated this question was coming and we sent it yesterday, is that right? It has gone, but it is probably not received yet. To be honest with you I get the sense that we cannot honestly answer that question but I am more than happy to give you an explanation in writing.

John Battle: We do not need an inquest, it is a nudge really that if we are going to join in the conversation can we be up front?

Chairman: They were not angry and they were sure it was coming, but it was quite a surprise.

Q144 John Battle: The next is really more of a general question really because DFID in its submission says a couple of times—and the Secretary of State in the Annual Report says this very encouraging phrase—“DFID helps to lift three million people permanently out of poverty every year.”

Mr Malik: Yes.

Q145 John Battle: I had a rather wonderful teacher in primary school who used to say in arithmetic, “Do not have a stab at the answer, can you spell out your working so we know how you get there.” Can you give us a bit of the working of how you reach that figure please?

Mr Malik: It is actually based on estimates, on the Collier and Dollar poverty models which have been influential, I am told, in allocation decisions of other bilateral and multilateral organisations, so it is actually based on a standard formula which is one that I think is respected across the globe for those that engage in international development; that is where it comes from.

Q146 John Battle: I am not in a sense asking you to spell it out now but that background working would be really helpful actually because just as in the UK there are arguments about what the poverty figures are and how we arrive at them, if we are putting a very bold statement down and we are going to use that publicly, DFID can lift three million out of poverty permanently every year, that is a great story but I can imagine a lot of people would say prove it. We need the background working basically.

Mr Malik: I am very pleased that you have just proved that I am still in touch with my parliamentary colleagues 100% because when I was

given this figure I said “Where does that come from, it does not mean anything unless I can show where it comes from.” This was when I first got into DFID and the answer is that model, but we will put some flesh on the bone and we will give you something so that you can actually use it with some authority when you go to either other parts of this country or other parts of the world.¹

John Battle: We would prefer it, just as it were to boast about it in a way, we do not just want to reference the genie of coefficients again, which is what we get from the DWP whenever we ask about poverty. Can we have it in language so that we can understand it and explain it to others; that would be very helpful.

Q147 Richard Burden: You talked before about your hopes for the UN as being a co-ordinator of donor assistance and aid in particular situations. Could I ask you something about how you see the EU; on the one hand it accounts for 52% of aid and about 20% of that is directly managed through the Commission, but what kind of role do you think the EU can or should be able to play in terms of co-ordination, particularly given that there has been a number of times—I put this politely—that bureaucracy sometimes gets in the way of actually achieving very much. Without mentioning any specific situations it is fair to say that on a number of visits we have done the Commission have been present, but quite what value they add as a co-ordinating mechanism is sometimes a little bit questionable.

Mr Malik: The EU is critical: 57% of global aid is what the EU represents, that is about £37 billion and £7 billion approximately of that is through the European Commission. The EU obviously has a very important role to play in terms of the co-ordination amongst EU states but it has limitations also because it is not just EU states that will ultimately define the effectiveness of aid globally, but it is a very, very important player. The example of the Code of Conduct on Division of Labour says something about the usefulness of the EU co-ordinating role, but again it is important that there is a country-led approach and it is not an EU or EC-led approach. The EC has got an important role to play in country but it cannot be a substitute for country leadership. It is also important again to stress that it does not represent all donors, although it is significant, and this is becoming increasingly important as there is a proliferation of non-DAC donors—I talked about China and I talked about India as well. In that sense it is important but what is more important is the role that the DAC has, which is right across the globe, and although the DAC itself does not directly co-ordinate it can certainly empower countries to take on board sound principles for co-ordination in country. It is important, therefore, but it has its limitations and the European Commission is the element that you were perhaps referring to in that 20% of EU aid actually goes through the European Commission.

Q148 Richard Burden: As you say, that is a sizeable amount and I suppose what I am just trying to get at really is you talked earlier about the Code of Practice on division of labour which has had in some sense a chequered performance; how much effort really should we be putting into trying to develop a central co-ordination mechanism, given that it excludes by its nature a large number of donors and really is a co-ordinating mechanism? Am I trying to flog a dead horse?

Mr Malik: Again, I would say that our position is that the European Commission obviously has limitations in terms of co-ordinating global aid, but we still think it is quite useful. You have like-minded countries by and large—I use that relatively loosely—whose geographical proximity is by definition quite close, it is a geographical area that is well-defined and so there has got to be added value that will stem from that. It is important just to reinforce your point that it has its limitations and sometimes in terms of the administration there are some challenges there. If aid were better co-ordinated, however, then that would be less of an issue.

Chairman: We have, unexpectedly, another division, but I hope we will be able to come back for five or ten minutes at the end.

The Committee suspended from 5.39 pm to 5.49 pm for a division in the House.

Chairman: Welcome back, Minister; Stephen Crabb has a couple more questions.

Q149 Mr Crabb: Just before we broke for the division you mentioned the importance of engaging with the non-DAC donors like India and China. I would like to press you on that a bit more and ask you exactly what you are doing to encourage non-DAC donors to sign up to and abide by aid criteria and sign up to the guidance that DAC donors are complying with.

Mr Malik: The non-DAC donors increasingly are becoming much more important and we are trying to engage with them—the Chinese for example in Africa where we have been able to get some movement in terms of the Paris Declaration et cetera. One would certainly hope that if you signed up as a beneficiary, as India and China have, then you might wish to sign up as a donor as well.

Q150 Mr Crabb: Have they?

Mr Malik: Not yet, but we are working to build these relationships and it does take some time. Of course, there are a number of other organisations that are springing up who are not necessarily country organisations but are new players on the scene: a number of the oil-wealthy nations are starting to develop their own philanthropic bodies such as the Al Maktoum Foundation which has got a \$10 billion endowment. We are trying to engage with those as well and that is why at the end of this week on Thursday and Friday we are playing a role in the World Congress of Muslim Philanthropists. The idea really is to ensure as best as possible that as we move forward we can convince these organisations that the way we work and our

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thinking coincides with some of theirs in terms of the common objectives that we have got, again we can pool resources and maximise the impact. Compared to the Chinas of this world obviously it is relatively small but certainly not insignificant. Development was an important topic at the UK-China summit in January where the Chinese signed up to the Call to Action which I talked about earlier on, that Prime Minister Gordon Brown has been pushing for on 25 September. That is a welcome move forward and the truth is that engagement will yield results, that is certainly my belief. DFID and FCO ministers met with China's special representative for Africa in February of this year and the Foreign Secretary visited China in that month, during which he hosted a roundtable on China and Africa. We want this dialogue to move into something more practical such as joint co-operation on education and health in Africa, on infrastructure in countries like Sudan and the DRC. For example, in the DRC DFID is working with the government of DRC and the Chinese government to help mitigate the environmental and social impacts of new, Chinese-built roads. The OECD DAC is also engaging with non-traditional donors such as China on the Paris Declaration as part of the preparations for the third high-level forum on aid effectiveness. Again, in Ghana China attends the annual consultative group meetings. I suppose what I am trying to say in a nutshell—if that were possible for me—is really that there is no quick-fix solution, there is no magic wand, it is quite time-consuming but we believe it is an investment. We think that by engaging with the Chinese and the Indians and by convincing them that the arguments for co-ordination, better alignment and pooling resources are a win-win, we can actually get to a situation where these countries are signing up to the Paris Declaration and are playing their rightful role in eradicating poverty, not just from their own countries but for people around the world.

Q151 Mr Crabb: Simply on DAC itself one of the bits of evidence we were given from Professor Moore of the University of Sussex was about the proliferation of new donors and in his words “the system is now out of control” and that as a system for encouraging co-ordination DAC will not do any more. Is that a view that you would agree with and do you see alternatives to DAC emerging that might be able to provide some kind of overarching, co-ordinating forum for new and traditional donors?

Mr Malik: Most people who are looking at these things independently and objectively—and again you could ask what is objective, what is independent—would say that DAC is playing a really important role and, in the future, has got an even more important role to play. We would subscribe to that. The DAC has got a role to play, not only in terms of the work that it currently does but in terms of helping hold governments to account for the commitments that they have made to the poor of the world. I actually believe that DAC ought to be sufficient as a mechanism, that any country ought to be able to subscribe to DAC and basically

play its role within the kind of DAC family, if you will, so I do not think there is a need for a new body to be formed; that could be quite counterproductive. Investing and expanding the existing DAC in terms of its influence is probably the best way forward for the poor of the world.

Q152 Chairman: Do you envisage including private foundations in that?

Mr Malik: Looking forward, again if you look at the Gates Foundation for HIV AIDS, malaria and TB, it has given two tranches of \$750 million and is a very significant player. These are not areas that we should shut off, I do not think we should have a closed mind to this, we have to look at the membership, the rules and whether this has added value, whether it be private foundations, trusts, whoever it might be. My view would be at the moment that because these organisations have an important role to play in reducing poverty around the world we ought to have an open mind as to their role in the various bodies and mechanisms that currently exist.

Q153 Mr Singh: I hope you do not mind if I veer off my question, Chairman, I have a far more interesting one. We are doing this inquiry into donor co-ordination and we have made the assumption that donor co-ordination will lead to greater aid effectiveness. Does DFID have any evidence at all or any research-based evidence that that is actually true, or is that just an assumption we are making?

Mr Malik: We kind of touched on this earlier on. Everybody would accept that donor co-ordination does have a positive impact. It reduces duplication, it creates opportunities, it frees up resources, and if we just look at the UN I can give you a couple of examples of how some UN reform has actually been quite positive in this regard. In Mozambique on travel there was some rationalisation that went on within the UN bodies which led to a saving of about \$50,000 per year which was enough to fund the electricity for a millennium village, so there are lots of examples of how better co-ordination, better alignment leads to more effective aid on the ground.

Q154 Hugh Bayley I recall a meeting that members of the Committee and Mike Hammond attended in Ghana with the Minister of Health, and one of the questions I asked him was “Now that you have to deal only with one adviser in relation to the UK health funded support programme and the Dutch programme, does that release some time and resources amongst your officials for them to do other things?” His answer was “No.”

Mr Malik: Perhaps it is an internal management issue. Some of that defies logic, to be blunt.

Q155 Hugh Bayley It might be a case of scale but at one level at least some official is spending an hour or two hours once a month rather than twice a month. What evidence do you have that developing countries are seeing a real saving in terms of costs as a result of better co-ordination?

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Mr Malik: Zambia is a case in point where it is estimated that there has been a 50% reduction in transaction costs because of better co-ordination; that is quite substantial. Obviously, logic alone is not sufficient and there will be a number of examples, but certainly that is one of the examples that springs to mind.

Q156 Hugh Bayley We were discussing earlier what benefits we as donors get from co-ordination, but are we seeing lower donor transaction costs as a result of co-ordination or will we in the long run need more DFID officials to co-ordinate properly if we do not have direct control of lines of expenditure in country?

Mr Hammond: If could speak about the first one, the issue with the Minister of Health was that we were very like-minded with the Dutch before we actually merged so he probably did not notice a vast difference because although there were two people in the room there was only one conversation. Discussions I have had with the Zambian Ministry of Health indicate that they have seen a difference and they have seen a lowering in transaction costs on the ministry itself, the director of planning talking about 20% for him alone. There is anecdotal evidence out there that it is happening. When it comes to do I need more staff to do donor co-ordination, doing donor co-ordination properly in a sector is time-consuming, there is no doubt about it, but one hopes it is swings and roundabouts and in the areas where we have a comparative advantage we are applying more of our resources, but the converse is that we are applying less in other areas where others are doing it for us.

Q157 Hugh Bayley Looking at the Zambian example, if 20% of the time of top officials in the Ministry of Health is freed up from conversations with donors what is that time used for; is it for doing more administrative work in the Ministry of Health or are those people sent out to run health services around the country?

Mr Hammond: Doing his day job.

Mr Malik: Let me give you one example if I may, which is slightly tangential but it is the same principle. I was in Yemen in one of the most inhospitable, rugged, mountainous parts of Yemen, where traditionally it is the girls that gather the water. To do so they have to go down a dangerous ravine, they usually carry it on their heads and then come back up—very time-consuming and obviously dangerous, though perhaps it looks more dangerous to us than to them, but still nonetheless it is dangerous. We had invested there in some solar panels on the top of the mountain as it were, which were able to channel water up the side of the mountain and into a well which cut out that whole journey. I was allowed to speak to the girls and the women separately and I asked them firstly what was the most important thing for them in their daily lives and they all said the water-gathering and it has meant the biggest difference to their lives. I asked them, “Now that you have that extra time, what do you do?” I thought they might say they focus a bit

on education, but the answer was “We can focus on our herds now”. You can free up time, therefore, but what people do with that time and how they invest that time is really a matter for them. The one thing that I do want to come back to, which we have not really talked about, and in the context of co-ordination it is really important, is the whole area of donors’ forward aid plans, which is an area that really people have not looked at from a co-ordination perspective. If that is done correctly it will ensure that the number of aid orphans is dramatically reduced. It is an area of aid co-ordination that has not seen much international attention physically but actually could be extremely useful moving forward. That relies of course on countries having some kind of forward aid plan, and we know that that is quite sketchy and patchy; I apologise for lumping that in with your question even though it is not directly relevant but I thought it was an interesting addition to the discussion that we have had which has been a very good discussion.

Ms Bird: If I could just add one very specific example which will answer your question on what people do with their time, I worked in Uganda in the health sector between 1999 and 2003 and in 1999 donors all had their own separate projects. We went into the ministry of health planning department and nobody was there, they were all out managing the separate donor projects. As a result the money was not getting out of the door into the health centres, the health system was not working, we were all in despair. What happened when you brought those donors together around a pooled fund, a health sector wide approach, by 2003 you go into the planning department and all those officials were there doing their jobs. They were planning on how to use expenditure, they were getting the money out of the door to the health centres, the health officials were being paid on time, drugs were moving and we started to see the data show improvement in utilisation and health outcomes. There are those very concrete examples around but perhaps we have not collected them as systematically as we should have done.

Q158 Chairman: Thank you for that; I am sorry about the interruptions but that is the nature of having a session on a Monday afternoon when the House is sitting. I said that this was our last evidence session, but that is not entirely true because we are going to have a video link with Sweden to complete our European contributions and I hope we shall then produce our report. You will appreciate that effective co-ordination, however that is defined, and also monitoring the way that aid can be more effective is pretty crucial to what development is all about. The simple question this Committee was asked is what works, and the trouble is we do not always know what works. We must obviously get out of the habit of saying how much money we are putting in, it is what are the outcomes in real terms from the budget and are those outcomes measurable. It is patently obvious that governments with a relatively small number of officials cannot deal with an infinite number of agencies and NGOs,

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there are not enough people to do it, so some simplification perhaps is essential. I just hope that our report will make a useful contribution from DFID's point of view as to how we can help to achieve that. Thank you very much indeed, Minister.

Mr Malik: Not at all, Chairman. Just on that last point, which was not a question, there are examples of where we are directly funding a lot of this rationalisation with the One UN pilots—Vietnam is an example where we have put £4 million in. These

are pilots but the challenge there is really to ensure that there is sufficient power with the UN resident co-ordinator to be able to do what he or she needs to do to bring people together. The UN is a reform challenge that will remain for some time. On behalf of DFID thank you for being as courteous and friendly as you have been and, as somebody who sat on the Home Affairs Select Committee, I used to think that was the best committee but obviously I take it all back now. Thank you.

Chairman: Thank you, Minister.

Written evidence

Memorandum submitted by the Department for International Development on behalf of the UK Government

CO-ORDINATION FOR AID EFFECTIVENESS INQUIRY

EXECUTIVE SUMMARY

Aid effectiveness is about achieving the most poverty reduction possible for each pound or dollar of aid spent. The UK Government aims to maximise the impact of UK aid on the world's poor. DFID helps lift at least three million people permanently out of poverty every year.¹ The International Development Act puts poverty reduction at the heart of the UK's aid programme. DFID has performed above average compared to other donors on aid effectiveness, having either met or being on track to meet all the 2010 targets in the Paris Declaration on Aid Effectiveness.

However, as the UK provides only 12% of global aid, improving our own aid effectiveness will not, on its own, be enough to ensure sustained poverty reduction and economic growth and deliver long-term results for poor people. We are therefore using our funds and influence to encourage reform of the broader international aid system.

Aid can play a vital role in helping countries to reduce poverty and increase economic growth. For example, in Tanzania aid helped get nearly four million more children into school and in Nigeria DFID has helped the government expand childhood vaccination from 38% to 72% since 2005. The UK government believes that for aid to have the maximum impact on poverty, it must do four things. First, aid should be allocated efficiently and effectively, with resources channelled to the countries and regions where it can have the greatest impact. Second, aid must be spent in ways that will save lives and reduce poverty. Third, donors and partners need to measure results achieved and be held accountable for using resources effectively. Finally, aid should be used to help build a future where poor countries don't have to rely on money from donors, but are increasingly self-reliant and able to manage their own affairs. This means aid must help to support the development of effective, accountable states that can produce sustained improvements in people's lives. In 2000, the international community made major progress in these areas by agreeing the results we seek to achieve—the Millennium Development Goals (MDGs).

Better co-ordination of donors could make aid much more effective in meeting the MDGs. There has been a huge proliferation of donors and projects. Over the past 50 years, donor bodies have been continuously created, yet no single agency has been abolished.² As a result, the average partner country must now deal with more than 30 donors, up from only 12 in the 1960s. This proliferation makes aid less effective than it could be. It also makes it harder to tackle the new global challenges, such as climate change and water scarcity, that require coordinated global action. Co-ordination is difficult because some donors have competing objectives for their aid programmes and face pressures domestically to achieve fast, visible results. The UK is leading efforts to improve aid coordination, for example, the UK pioneered the International Health Partnership to improve the effectiveness of international aid in achieving the health MDGs.

The Paris Declaration on Aid Effectiveness, signed in 2005, is a major step forwards in addressing these problems. The Declaration outlines a set of five inter-related principles: ownership; alignment; harmonisation; results; and accountability; and commits donors and partners to making changes in each area. A set of quantified targets, monitored bi-annually, is used to assess progress and hold signatories accountable for achieving results. These commitments are already helping to improve donor co-ordination and to make aid more effective. DFID played a key role in agreeing the Paris Declaration and we continue to push for faster and deeper progress in implementation. In our own aid programme, we have already met or are on track to meet the Paris Declaration targets at corporate level.

Implementing the Paris Declaration, while vital, will not be enough. Further reforms at both national and international levels are needed. The first of these is a more coherent global allocation of aid, to ensure that aid is channelled to the countries and sectors which need it most. The UK uses our shareholding and influence to drive reforms within multilateral institutions, and bringing non-traditional donors into the dialogue on aid effectiveness. We are promoting an enhanced focus on results, and pushing for new mechanisms to hold donors and partners accountable for achieving results.

¹ Internal DFID calculations.

² *Donor behaviour and co-ordination: Making Aid Work (Better)*2, Overseas Development Institute (ODI), briefing note for the IDC.

1. AID WORKS—IT IS VITAL FOR SUSTAINED GROWTH AND POVERTY REDUCTION

1. Aid helps reduce poverty by increasing economic growth, improving governance and increasing access to public services. Economic studies show a strong positive correlation between aid and growth.³ Aid raises health and education indicators. In Tanzania, aid has helped the government build 3,000 new primary schools, employ 50,000 more teachers, and put almost four million more children into school.⁴ Poor countries receiving higher levels of aid on average have higher expenditure on health, education and sanitation; lower infant mortality and better human development outcomes for their people. For example, DFID has helped the Nigerian government expand childhood vaccination from 38% to 72% since 2005.

2. Aid effectiveness is about achieving the most poverty reduction possible for each pound or dollar of aid spent. The UK government aims to maximise the impact of UK aid on development outcomes to achieve the Millennium Development Goals (MDGs). DFID helps lift at least three million people permanently out of poverty every year.⁵ However, DFID's aid represents only 12% of global aid, so improving our own aid effectiveness will not, on its own, be enough to meet the MDGs. In addition, we need to drive reform of the whole international aid system so that all aid achieves as much poverty reduction as possible.

3. The UK Government believes that maximising the impact of aid on poverty requires four things:

- (a) Aid needs to be allocated efficiently and effectively, with resources channelled to the countries and regions where it has the most impact on the poor.
- (b) Aid should be spent on the things that will save lives and reduce poverty. This means spending it on the sectors and interventions that will have most impact on poverty, and spending it in the ways that achieve the best outcomes for the poor.
- (c) Donors and partner countries need to measure results achieved and hold each other accountable for using aid effectively. They must monitor whether aid is delivering poverty reduction, and learn about what changes are needed to make aid more effective.
- (d) Aid should be used to promote long term changes that enable poor countries to reduce their reliance on money from donors, so they are increasingly self-reliant and able to manage their own affairs. It needs to enable partner countries to become more effective at reducing poverty with their own resources, policies and actions. Aid alone can never be the solution to global poverty—the lives of citizens are affected more by the actions of their state than by external aid.

4. The international community has made major progress towards these goals in recent years. In 2000, leaders from every country agreed on a vision for the future—the Millennium Development Goals (MDGs). This was a huge step forward because, for the first time, donors and partner countries agreed the international development results they want to achieve—a world with less poverty, hunger and disease, greater survival prospects for mothers and their infants, better educated children, equal opportunities for women, a healthier environment, and a world in which developed and developing countries work in partnership for the betterment of all. The Millennium Development Goals provide agreed objectives for donors and partner countries to work towards, together with time-bound measurable targets to measure progress.

5. In 2005, donors and partner countries agreed a new approach to delivering aid in order to achieve the MDGs—the Paris Declaration on Aid Effectiveness. For the first time, more than 100 donors and partner countries signed up to 56 commitments and 12 quantified targets to improve aid effectiveness. These targets are measured every two years to assess progress. The Paris Declaration commitments and targets reflect the lessons donors and partner countries have learnt from experience about how to make aid more effective in reducing poverty. Section 2 below sets out this evidence and learning. It demonstrates why the Paris Declaration principles are so crucial for achieving the MDGs.

6. DFID has been at the forefront of leading these international changes. The Development Assistance Committee of the OECD commended DFID for its strong leadership in driving forward international efforts to improve the effectiveness of aid, saying “DFID has inspired and endorsed . . . the Paris Declaration”.⁶ The UK Aid Network, a network of the major UK development NGOs including Oxfam, Action Aid and Christian Aid said “The UK provided unprecedented leadership in 2005 on international development and has shown significant commitment to increasing the volume and quality of its aid”.⁷ The strong political leadership by the UK Government coupled with the groundswell of support from UK organisations and citizens for international development, was critical in achieving international agreements in 2005 to increase the amount of aid and deliver it more effectively.

³ *Counting Chickens When They Hatch: The Short Term Effects of Aid on Growth*. Clemens, M., Radelet, S. and Bhavani, R.: Centre for Global Development Working Paper No 44 2004.

⁴ *Basic Education Statistics in Tanzania 2003–2007*, Ministry of Education and Vocational Training, United Republic of Tanzania, June 2007.

⁵ Internal DFID calculations.

⁶ *United Kingdom DAC Peer Review: Main Findings and Recommendations*, OECD DAC, 2006.

⁷ *More and Better Aid: Are the G8 Promises being delivered?* UK Aid Network (UKAN) briefing note, June 2006.

2. DFID IS COMMITTED TO IMPLEMENTING THE PARIS DECLARATION ON AID EFFECTIVENESS AND TO IMPROVING DELIVERY OF GLOBAL AID

7. Despite the progress made in recent years, aid could be even more effective if donors organised themselves better. Two factors make some aid less effective in reducing poverty than it could be. Firstly, some donors have multiple objectives in providing aid, not all of which are directly related to poverty reduction. This means that donors sometimes allocate and spend aid according to objectives other than just poverty reduction. It also leads to donor proliferation, an upward trend. Secondly, the nature of the poverty reduction challenge has changed. New global challenges, including climate change, water scarcity, conflict and health pandemics, require a coordinated international response. The current aid system, with a multiplicity of donors, funding channels and projects, is poorly designed to address these challenges.

8. In an important attempt to address these problems, the Paris Declaration aims to help ensure that donors and partner countries spend aid on the right things, measure results and achieve long-term poverty reduction that developing countries sustain for themselves.

9. The Paris Declaration identifies five, inter-related tenets that are essential for effective aid: ownership, alignment, harmonisation, results, and accountability. All five are important if aid is to make the most impact. The over-arching principle behind Paris is the recognition that partner governments have much more influence over their country's development than donors. Partner countries commit to lead and take responsibility for their countries' development, with support from donors. They are responsible for achieving results and using their own plans and systems. The Declaration reflects a move away from traditional aid supported projects, which often had high administration costs but did not give sustainable solutions to long-term development needs. A project may have built roads and bridges but if the partner government did not have sufficient resources to maintain the infrastructure then the benefits were lost.

Partner country ownership

10. In the Paris Declaration, partner countries commit to lead their development policies and strategies and to co-ordinate development assistance. Without such ownership, aid will not achieve lasting poverty reduction. Paris recognises the political reality that donors cannot "buy" reform from unwilling governments.

Why is this important?

11. Partner country ownership is important because, while aid can contribute to poverty reduction, it will never alone be the solution to global poverty. However good individual aid programmes may be, the prosperity of citizens will be affected more by the actions of their own governments and the effectiveness of the state in which they live. Some things that are critical for poverty reduction can only be done by governments, including creating an environment that encourages the economy to grow, ensuring peace and security for citizens, and providing basic services for all. Growth accounts for approximately 80% of the poverty reduction that has, over the last 15 years, lifted 500 million people around the world above the poverty line.

What is DFID doing?

12. DFID is helping strengthen partner country ownership through a variety of means. For example, to help partner governments plan future spending, we continue to establish ten-year Development Partnership Arrangements with partner countries. In the last two years, DFID has agreed five new long-term partnership arrangements with Yemen, Zambia, Uganda, Pakistan and Vietnam, plus ten-year arrangements to deliver support to the education sectors in Ghana and Mozambique. In Yemen, the UK is significantly scaling up development assistance to support the Government of Yemen (GoY) deliver its poverty and reform ambitions. We plan to increase funding from £10 million in 2006–07 to £50 million per year by 2010–11, a four-fold increase. The monitoring benchmarks of the DPA between the two governments focus on the commitments that the Yemeni Government has already made, to give greater momentum to their existing priorities and avoid increasing the reporting burden on GoY. These priorities include reducing rural poverty, improving basic and girls' education, strengthen human rights, and improving financial management. In turn the UK has committed to improving the alignment of our aid with GoY priorities and making our aid more predictable.

Alignment with partner countries' strategies and systems

13. The second tenet of the Paris Declaration is alignment. Donors must base their overall support on partner countries' national development strategies, institutions and procedures.

Why is this important?

14. This recognises that aid will be more effective both in immediately reducing poverty and in building up effective and accountable states if it works with government policies and systems rather than bypassing them. An effective state is needed to sustain improvements in poverty reduction. For example, in Rwanda, the majority of donor aid to the health sector is spent via NGOs, local government or separate donor projects, rather than through Central Government. As a result, some of the most prevalent diseases receive only a small share of aid. The government has a strategy to scale up health services, based on evidence of what would work for the poor, but does not have enough “on budget” financing to implement its strategy.⁸

15. Many donors bypass government policy and financial systems, rather than working with the government, often due to concerns about corruption or weak systems. Some aid is channelled through parallel, donor run “project implementation units” or through NGOs. In 2005, an OECD survey of 34 low income countries found an average of 62 such units in each country, with some having as many as 131.⁹ These units are often staffed by the most talented government staff, who leave government because donors pay higher wages.

16. In the long run, this can create a vicious cycle of weak institutions and weak aid effectiveness. As scarce government capacity is drawn increasingly to managing separate donor projects rather than running the government’s own services, the state’s legitimacy in the eyes of citizens is eroded. State planning and budget processes become increasingly irrelevant as line ministries turn to donors rather than the government budget for resources. Different donors, NGOs and project units design interventions independently with little coherence or consideration of sustainability. Donors and citizens lose even more faith in state systems, and make even greater use of parallel systems, creating a vicious circle.¹⁰

17. Research has shown that the role of institutions is the most important factor in creating policy conditions under which aid can trigger growth and positive development outcomes. The better national institutions are, the better policies will be and the greater the probability that policies will be implemented effectively, improving the impact of both nationally raised resources and aid. Aid should be helping to support effective institutions.¹¹

What is DFID doing?

18. DFID’s experience is that in the right circumstances, the best way to strengthen government systems is by using them. DFID uses three “partnership commitments” to determine whether to use our aid to support partner government policies and strategies: commitment to poverty reduction; respect for human rights; and commitment to strengthening public financial management, good governance and fighting corruption. In countries where the partner government meets these commitments, DFID aligns with government priorities and uses country systems to manage our money, for example by providing budget support or other programme based approaches.

19. DFID is aligning behind country priorities by:

- (a) Providing **poverty reduction budget support**, both general and sector, in countries where we assess that the partner government is committed to poverty reduction, upholding human rights and international obligations, improving public financial management, promoting good governance and transparency and fighting corruption; and where we assess that provision of budget support will produce significant benefits relative to other forms of aid delivery. In 2006–07, DFID provided budget support to 14 countries. This was 18% of DFID’s total bilateral programme. The recent evaluation of budget support¹² found it to have:
 - (i) Strengthened public financial management systems
 - (ii) Improved the efficiency of public expenditure
 - (iii) Increased pro-poor expenditure by partner governments
 - (iv) Increased the services provided by partner governments, particularly in health and education
 - (v) Improved some aspects of accountability
 - (vi) Improved the coherence of policies for poverty reduction.

⁸ *Scaling up to achieve the health MDGs in Rwanda*, Rwanda Ministry of Finance and Economic Planning and Rwanda Ministry of Health in conjunction with World Bank, 2006, Case study for High-Level Forum on the Health Millennium Development Goals (MDGs).

⁹ *2006 Survey on Monitoring the Paris Declaration: Overview of the Results*. OECD DAC, 2006.

¹⁰ *Donor behaviour and co-ordination: Making Aid Work (Better.)* ODI Briefing for IDC.

¹¹ Burnside and Dollar, 2004: “Aid, Policies and Growth: Revisiting the Evidence” Policy research Working Paper 3251, World Bank, Washington DC and Rodrik, Dani (ed.), 2003 “In Search of Prosperity: Analytical Narratives on Economic Growth”, Princeton University Press, New Jersey. Both cited in *Donor Behaviour and Coordination: Making Aid Work (Better)*, ODI Briefing for the IDC.

¹² *Joint Evaluation of General Budget Support 1994–2004*, University of Birmingham, May 2006

In Mozambique, delivering aid through budget support meant the national budget grew by over a third between 2000 and 2004, giving the government greater say over how external resources are used, and a bigger budget to implement their poverty reduction plans. Poverty reduced from 69% in 1997 to 54% in 2003, meaning three million fewer Mozambicans living in absolute poverty. The Mozambique Government plans to reduce it to 44% by 2009, just 1 percentage point short of the 2015 MDG target. The number of children in school increased from three million in 2002 to four million in 2006.¹³ In Sierra Leone, where budget support is one third of DFID's country programme, primary school enrolment doubled between 2001–02 and 2004–05. In Zambia budget support (around two-thirds of DFID's programme) helped remove health user fees in April 2006. Use of health services increased by over 30%.

- (b) **Sector wide approaches.** Sector wide approaches (SWaPs) align donor support behind government led strategies in particular sectors. In Malawi, for example, the government worked out how much it would cost to deliver an Essential Health Package to tackle the major causes of illness and death that affect the poor. DFID, the World Bank and Norway/ SIDA are pooling their funds with those of the Ministry of Health to deliver this essential health package through a costed six-year programme of work. This enables the government to prioritise the use of its own and donor funds so they make the most impact in reducing illness and premature deaths among the poor. The number of women giving birth in some hospitals increased by 200% in 2006.¹⁴

20. The Paris Declaration acknowledges that it is not possible to align behind country strategies in all countries. Targets for using country systems are set only for those countries assessed to have sufficiently strong systems to be able to ensure some accountability in the use of resources. In fragile states, where the government cannot or will not deliver core functions which help poor people, a different approach may be needed. Other work is on-going in the OECD's Development Assistance Committee (DAC) to address aid effectiveness in these countries.

Harmonisation

21. Paris aims to reduce transaction costs for partner governments and provide greater transparency about resources being invested and results achieved by committing donors to harmonise their actions and adopt simple and transparent common procedures. In particular, donors commit to improve their use of "programme based approaches,"¹⁵ and to share their country visits and analysis.

Why is this important?

22. Uncoordinated aid can divert government staff and Ministers away from essential functions and divert them into managing individual donor projects and agendas. Donors sent 10,453 "missions" to 34 countries in 2005, or an average of more than one per country each working day. Vietnam alone received 791 missions that year, more than three per working day. Even on the most conservative assumptions about the government staff time involved in each mission, this represents a serious diversion of staff resources.

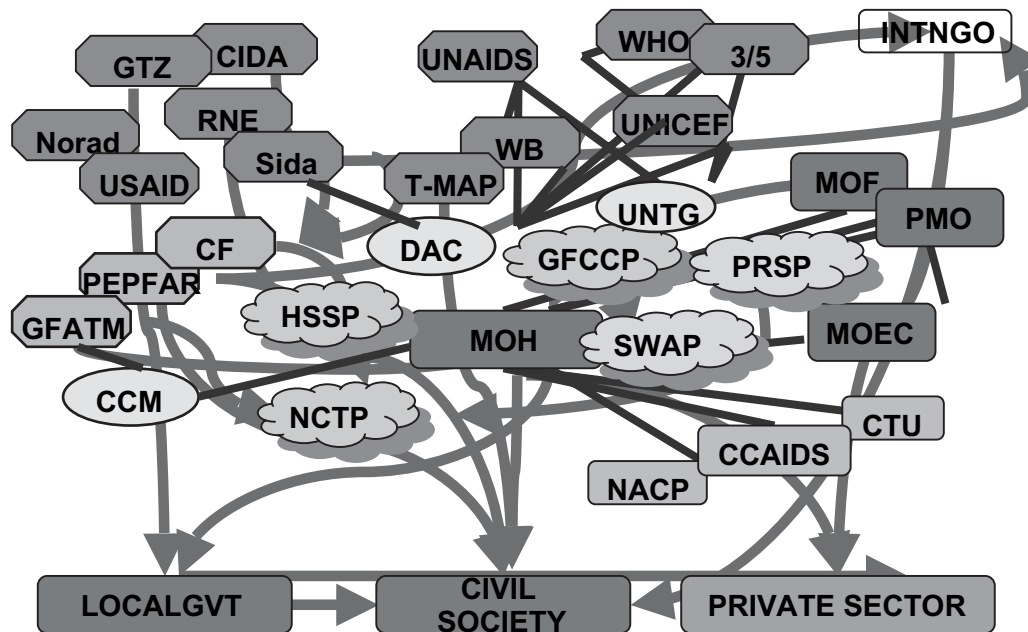
23. The average number of donors per country has grown from about 12 in the 1960s to more than 30 in 2001–05. Over the past 50 years, donor bodies have been continuously created, yet no single agency has been abolished.¹⁶ Proliferation has accelerated in recent years with the emergence of new donors, such as China, India and Saudi Arabia, private foundations, and global funds. In 2006, China committed \$12.7 billion for investment in infrastructure in Africa, more than all OECD countries combined. The following illustration of the health sector in one African country clearly demonstrates the challenges of fragmentation at country level.

¹³ República De Moçambique, Ministério Da Educação E Cultura: Plano Estratégico De Educação E Cultura; Comité Paritário de Acompanhamento—Relatório Final do COPA de 2006, (15 de Dezembro de 2006).

¹⁴ *DFID Departmental Report 2007*.

¹⁵ Programme based approaches involve leadership by the partner country or organisation, one single comprehensive programme and budget framework, a formalised process for donor coordination, and efforts to increase the use of country systems.

¹⁶ *Donor behaviour and co-ordination: Making Aid Work (Better.)* Overseas Development Institute (ODI) briefing note for the IDC.



What is DFID doing?

24. DFID is working with other donors to harmonise aid in a number of ways, including:

- (a) **Delegated co-operation, or “silent partnership” agreements**, which enable donors to channel their aid through other donors, thus reducing the burden on recipient administrations. DFID already has delegated cooperation agreements in place in a number of countries and sectors, including education in Malawi, and health in Uganda. In Yemen, DFID agreed in January 2008 to contribute £3.5 million to the Netherlands Government over five years for a health programme. This will fund increased midwifery, obstetric and family planning services for poor and marginalised women. The Netherlands Embassy has assumed the full responsibility for implementation, monitoring and reporting of DFID funds.
- (b) **Joint Assistance Strategies**, developed by partner countries together with donors, enable partner countries to articulate how they wish donors to provide development assistance, so donors provide assistance in a coherent way. In Ghana, DFID’s country strategy draws on a Joint Assistance Strategy agreed by 16 of Ghana’s development partners. In Tanzania, a Joint Assistance Strategy commits donors to identify lead and delegating donors in each sector. This process has helped to increase the share of aid using national budget systems, and the recording of aid on budget. The use of budget support has also increased: 14 donors provided budget support in 2007–08, accounting for 42% of Tanzania’s aid. This has enabled spending on priority areas to grow to more than half the budget by 2006–07. The result has been increased investment in education, with 3000 new primary schools, 50,000 more teachers—a 45% increase since 2000—and almost four million more children in school.
- (c) **Implementing the European Union (EU) Code of Conduct on Division of Labour, and extending the principles to non EU donors**. All EU donors have signed the code of conduct which is a voluntary code that seeks to guide member states in reducing the number of donors working in each sector.
- (d) **Multi Donor Trust Funds**. In countries where country systems are weak, donors can co-ordinate through the establishment of multi-donor trust funds. These funds pool donor funding into one basket, which can then be used to fund recurrent expenditure and/or priority programmes. DFID is taking this approach alongside other donors in fragile states such as Afghanistan and Sudan. In Afghanistan, the World Bank manages a pooled trust fund—the Afghanistan Reconstruction Trust Fund (ARTF)—which provides coordinated funding for recurrent expenditure, as well as for the Government’s national priority programmes. Since its inception in March 2002, the ARTF has mobilised \$1.7 billion to assist delivery of essential services to ordinary Afghans. DFID is currently putting £55 million (\$110 million) through the ARTF recurrent window and plans to put £60 million (\$120 million) in 2008–09. 18 donors have participated, including Saudi Arabia.

- (e) **Joint donor offices.** In Southern Sudan six donors, including the UK, have established a Joint Donor Office (JDO). Since May 2006 the JDO has implemented an agreed work plan on behalf of the six donors in support of the Comprehensive Peace Agreement. Establishing a pioneering joint donor operation in a fragile state has been particularly challenging and the JDO model has required some adjustment in light of lessons learned. A joint-review of the JDO's impact will be conducted in 2008. In Cambodia, the UK, Denmark and now New Zealand have a joint office for rural livelihoods.
- (f) **Strengthening international aid to the health sector.** The UK government has pioneered the International Health Partnership (IHP) to improve the effectiveness of aid in achieving the health MDGs. Aid for health has doubled since 2000 because many countries remain off-track on the health MDGs. There have been some impressive results, for example on immunisation and AIDS treatment. But progress in other areas has been slower, especially in reducing child and maternal mortality. Poor underlying health systems are the constraining factor. Building the basic health system is difficult if aid is fragmented, does not support national priorities and does not appear in the national budget. The 26 donors, foundations and partner countries who have signed up to the IHP recognise that, to accelerate progress on the health MDGs, we need to build basic health systems in developing countries. Donors in the IHP commit to support partner country plans to strengthen the health system, coordinate better and, where possible, provide long-term predictable aid so that partner countries can rely on it to pay health workers, maintain health facilities and buy equipment.

Managing for development results

25. Fourth, donors and partner countries commit to focus on development results. This principle recognises that we all need to continue to learn more about what aid is achieving on the ground. This can help partners and donors to design better aid programmes. It also makes it easier to hold those involved accountable. In order to minimise the considerable burden on partner countries of having separate donor reporting systems, this must be done by investing in countries' own statistical and monitoring and evaluation systems.

Why is this important?

26. Better data on the impact of aid and partner country spending on poor people will enable partners and donors to make more informed, evidence based decisions about how and where to provide aid. With a plethora of donors and projects, partner country governments, Parliaments and civil society organisations sometimes cannot find out the total amount of money, whether aid or government spending, being invested in a sector or country and the results from that investment.

27. For example, in Malawi, the World Bank found, in 2003, that training health workers accounted for \$4.5 million or 10 per cent of donor spending on health care a year. The World Bank calculated that if the sponsoring agencies had put this money in a pot to supplement salaries through the budget, it would have given every health care worker in Malawi an average 50% salary increase.¹⁷ This would have helped recruit and retain more health workers in a country which has one of the most severe shortages of health care workers in the world.

What is DFID doing?

28. DFID puts considerable effort into ensuring that aid is used to produce the intended outputs and meet the MDGs. To further improve our results focus, DFID has published a Results Action Plan. This outlines priority actions to ensure that we and our partners use evidence effectively to improve development outcomes.

29. DFID has established the Independent Advisory Committee on Development Impact (IACDI) to help evaluate the impact of UK aid. DFID is also working with other donors to build up the evidence of what works and what doesn't by developing joint approaches to impact evaluation through the OECD-DAC's Evaluation Network, the network of networks on impact evaluation (NONIE), and the development of the new International Initiative on Impact Evaluation (3IE).

30. DFID is working with other donors to enhance our understanding of the effectiveness of the various multilateral donors, and has compiled Multilateral Development Effectiveness Summaries for our key multilateral partners, published in December 2007. These summaries distil information about how well individual multilateral organisations manage their resources, contribute to results on the ground, are building for the future and working with others.

¹⁷ *World Development Report 2004, Making Services work for Poor People*, World Bank 2003.

31. DFID also works with other donors through the Multilateral Organisations Performance Assessment Network (MOPAN) Group to build a common understanding and evidence base of the effectiveness of the various multilateral donors, and to carry out monitoring of multilateral effectiveness. The evidence will be used to feed into ongoing reform processes and to inform resourcing decisions. MOPAN has also encouraged multilaterals to look at ways to improve their own self reporting.

Mutual accountability

32. The fifth and final principle of the Paris Declaration is that donors and partner countries are accountable for development results. Donors and partners commit themselves to hold mutual assessments of progress in implementing agreed commitments in aid effectiveness.

Why is this important?

33. In development aid, donors and recipients have an asymmetric partnership. Whereas recipients are required to explain their performance to donors in return for funds, there are few systems requiring donors to explain their own performance to developing countries. Yet studies have shown that that aid is more effective when recipients play a leading role in coordinating donor interventions and monitoring donor performance.¹⁸ Effective mechanisms for donors and partner countries to hold each other accountable for their behaviour and its impact on development results can create incentives for change in donor and partner behaviour. They can also increase the opportunities for Parliaments and civil society to put pressure on donors and governments to deliver results.

What is DFID doing?

34. The Paris Declaration target only commits donors and partners to developing country level mutual accountability mechanisms. The UK believes that better mechanisms for donors and partners to hold each other accountable are also needed at the international level. We are supporting work through the DAC to assess current mechanisms at both country and international levels, to explore gaps and consider how these can be addressed. We would like to see progress in addressing these issues at the Accra High Level Forum in September 2008.

3. SUMMARY OF DFID, PARTNER COUNTRY AND OVERALL DONOR PERFORMANCE IN IMPLEMENTING THE PARIS DECLARATION

DFID performance

35. The baseline Paris Declaration monitoring survey, carried out in 2006, shows DFID has either met or is on track to meet all the 2010 Paris Declaration targets. DFID performs above average compared to other donors. Going forward, DFID is committed to making faster progress in three areas: reporting aid on budget; aid predictability; and the use of programme based approaches. DFID is taking steps to ensure that the Paris Declaration principles are fully incorporated into our policies, procedures and strategies:

- (a) Departmental Strategic Objectives (DSOs) now entrench aid effectiveness as a corporate priority at global, corporate and country levels.
- (b) All Country Assistance Plans (CAPs) are expected to include an assessment of aid effectiveness.
- (c) 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.
- (d) Progress against Paris Declaration targets is included in our Institutional Strategy Papers for key multilateral organisations.

Overall donor and partner country performance

36. The baseline Paris Declaration monitoring survey found that the Declaration had stimulated an important dialogue at country level on how to improve aid, and that there has been at least some implementation activity in over 60 countries. However, the survey showed that both donors and partner countries need to accelerate progress if the Paris Declaration targets are to be met by 2010. Priorities for donors include better alignment with country priorities, reducing transactions costs, better use of performance assessment frameworks to promote managing for results, and mutual accountability.¹⁹

37. The baseline survey showed that partners need to do better in developing national development strategies. According to the World Bank assessment used for the survey, no participating partner country has a strategy which "substantially achieves" good practice as defined by the Comprehensive Development Framework (CDF), and only 17% of countries had largely achieved good practice.

¹⁸ *Does a Country-Led Approach Deliver Results?* Cox, M., Thornton, N., Cameron, C. Agulhas, April 2006.

¹⁹ *2006 Survey on Monitoring the Paris Declaration: Overview of the Results.* OECD DAC.

38. Some partner countries are showing greater leadership over the aid co-ordination process, however. In Cambodia, the government has produced its own Aid Effectiveness Report—a high quality analysis of the state of development assistance in Cambodia. Fully Cambodian-owned, the report provides compelling evidence-based analysis of development assistance, and highlights particular problems around Technical Cooperation, Project Implementation Units, and use of government systems.²⁰

Alignment

39. The 2006 monitoring survey showed that across all donors, there is considerable variation in the degree of donor alignment behind country priorities and systems, much more so than can be explained by the quality of partner country strategies and systems. Overall, the survey suggested that donors need to make better use of partner's national budgets to align behind country priorities.

Harmonising donor systems and procedures

40. The survey provides clear evidence that the cost of managing aid is high for partner countries. Donors need to work aggressively to reduce the transaction cost of delivering and managing aid.

Managing for Results

41. Donors and partners commit to develop transparent and monitorable performance assessment frameworks to assess progress against national development strategies and sector programmes. The 2006 Paris monitoring survey found that major investments have been made in recent years to improve poverty monitoring, but that there are still major deficits in the monitoring of national development plans. Only two countries were found to have established good practice in this area.

Mutual accountability

42. Donors and partners in all countries commit to undertake mutual assessments of progress on aid effectiveness commitments by 2010. However, to date less than half of countries have undertaken such assessments.

43. The survey results show that although progress is being made, aid could be even more effective if donors coordinated better. Some donors find it difficult to align and harmonise because they have their own agendas, set by domestic politics in their own country. Donors are influenced by the level of domestic political support for development, the priorities and ideological views of their government and legislative bodies, and the type of external scrutiny they face. Scrutiny can be both formal, for example through national audit offices or Parliamentary committees, and informal, through NGOs. Donors often feel they must justify aid spending by generating immediate, visible results which can be clearly attributed to them, in order to maintain domestic political support for development. These domestic pressures can create incentives for donors to behave competitively, leading to aid proliferation.

44. The impact of greater alignment and coordination on donor countries is that they will need to focus on poverty reduction as the over-riding objective of their aid, rather than other political objectives. The UK Parliament has passed the International Development Act, which puts poverty reduction at the heart of the UK's aid programme. The International Development (Transparency and Reporting) Act (2006) requires DFID to report to Parliament each year on the UK government's combined efforts to achieve policy coherence for development. Few other countries have such legislation. In the absence of similar constraints, some donor agencies face pressures to allocate and spend aid in ways which meet commercial or political objectives, not poverty reduction. To achieve maximum poverty reduction from their aid, donors need to be prepared to support partner country priorities, rather than promoting their own interests and visibility. The UK has already set an example in this area by being one of the few donor countries to have fully untied aid.

4. FURTHER PROGRESS IN IMPROVING AID EFFECTIVENESS, BEYOND PARIS, IS NEEDED

Implementation and strengthening of the Paris Declaration

45. The Third High Level Forum on Aid Effectiveness (HLF3) will take place in September 2008 in Accra, Ghana. The HLF3 will review progress towards the 2010 Paris Declaration targets and will identify areas for faster and deeper reforms.

²⁰ *Cambodia Aid Effectiveness Report*. Royal Government of Cambodia, 2007.

46. Partner country priorities for Accra include reducing conditionality; ensuring greater in-year and medium term predictability; further reductions in the use of tied aid; a better division of labour between donors; strengthened incentives for aid effectiveness in donor agencies; and improving capacity development. In line with these stated priorities, DFID is particularly seeking to secure agreement to further progress on incentives, division of labour, predictability and greater accountability between donor and partner countries.

47. The Paris Declaration is an important agreement which will do much to improve the effectiveness of aid. But the Declaration alone will not address all the problems in the current aid system. Progress is needed in other areas:

A more effective and coherent global aid allocation

48. Globally, aid would be most effective if it was allocated to the countries and sectors in which the needs are greatest and the resources could be most effectively used. Improved aid allocation has had an impact on poverty reduction in recent years. DFID's internal calculations on our own aid programme estimate that an additional 500,000 people will be pulled out of poverty over the next three years due to better aid allocations. Yet more needs to be done. According to OECD estimates, less than half of all aid goes to low income countries.²¹ Some countries get too little aid, and others too much. There has been a small increase in the share of aid going to Low Income Countries in recent years, from 45% in 2004 to 49% in 2006—though with a dip in 2005 to 41%.

49. DFID's own aid allocations are guided by a Resource Allocation Model (RAM). Country allocations under the RAM are based on population, poverty levels, and the likely effectiveness of aid in reducing poverty. We use several lenses to identify cases in which we may need to diverge from the model. For example, in countries at high risk of conflict, we may provide increased aid over time in ways appropriate to country circumstances.

50. Aid would also be more effective if donors allocated their aid according to their comparative advantage. This would require each donor to assess how much aid they need to reduce poverty in each sector, relative to the other sectors in which they work. This will be influenced by their size, specialism, whether they are bilateral or multilateral, and so on. Donors would all compile such information. For a given level of aid, the most effective allocation will be where donors focus on the sectors in which they are relatively most effective, compared to other donors.

51. Determining comparative advantage relies on being able to measure and compare the relative impact of all development channels and institutions. Lack of data means that it is currently very difficult to make such assessments.

52. Preliminary internal analytical work to inform DFID's allocation decisions has identified that donors tend to have the following attributes:

- (a) **Multilateral organisations:** greater economies of scale; outreach to parts of the world that DFID cannot reach; more stable and predictable funding, in some cases; ability to leverage resources from other bilateral and other multilateral sources; and broader and deeper capacity for research, advice and development innovation. Multilaterals are also particularly equipped to tackle emerging global challenges, such as climate change, water scarcity and health pandemics, which require trans-boundary solutions.
- (b) **Global Funds** share the main attributes of multilaterals to varying degrees. They also offer several distinct advantages: their strong outcome focus, high political visibility and simplicity; ability to apply lighter conditionality; and transparency and new governance formulas. However, Global Funds do represent additional players at the table, potentially leading to an overall increase in transactions costs. And where funding is project based or off budget it can distort country priorities and lead to volatility in country-level spending.
- (c) **Bilateral programmes** have a number of generic attributes, including knowledge of and engagement with politics of change in country; closer links between aid and major non-aid policies; flexibility, speed of reaction and alliance building; and better engagement with domestic civil society organisations which can help bring private and non-profit know-how and finance to bear, in a way not available to multilateral organisations.

53. DFID believes that there is need for a balance in allocations between bilateral and multilateral donors, based on the attributes of each. Bilaterals can draw on their long relationship with states, and their potential to be more flexible in some circumstances. Multilaterals tend to be better equipped to deal with large projects and to address problems that are global in nature. We also believe that some healthy competition between donors can create energy and innovation about ways to make aid more effective. But this must take place within a well co-ordinated framework for aid, which focuses on results and accountability.

²¹ DAC Database on Aid from DAC Members, available online at http://www.oecd.org/document/33/0,2340,en_2649_34447_36661793_1_1_1_1,00.html

54. Globally there appears to be little political interest in coordinating aid allocation. However, through the DAC, DFID and other donors have agreed to make progress by publishing planned aid allocations, drawing on information from the DAC's annual scaling up survey.

More effective multilateral organisations

55. DFID believes that multilateral donors can have some advantages over bilaterals, including their ability to reduce transactions costs for partner governments by combining aid into one single pot. However, multilaterals also need to be made to work more effectively. DFID is using its role as a shareholder of key multilaterals to push for reforms. DFID's priorities for reforming multilateral institutions are:

- (a) **UN agencies** need to focus more strictly on their mandate and comparative advantage, particularly doing more to prevent conflict, broker peace and help conflict-affected countries recover after crises. DFID is developing a new results framework for UK investments in UN bodies, and will use our core financing decisions from 2008 onwards to reward those UN agencies which are performing better. DFID supports the One UN initiative, where UN country teams plan and deliver as one UN behind countries' own national plans. Where a unified "One UN" programme is in place at country level, we are increasingly providing consolidated funds to support it.
- (b) In the **African Development Bank**, momentum on the reform agenda must continue to improve development effectiveness, including increased decentralisation, ending tied aid, and improved portfolio management and supervision. The Bank will also be able to demonstrate its key role as a regional institution by improving the effectiveness of its regional programmes and by increasing its engagement in fragile states.
- (c) At **EU level**, DFID will continue to support the European Development Fund and aims to ensure that the successor to EDF10 further strengthens its poverty focus. We will work with EU donors to reduce transaction costs for our partners, for example through implementation of the EU Code of Conduct on division of Labour. We will support improvements in the predictability of European Commission aid by supporting more predictable budget support instruments, such as the MDG contract approach.
- (d) In the **World Bank**, the UK is now the largest donor to IDA 15 and we will continue to use our influence to drive reform. During the IDA 15 negotiations we secured significant commitments from the Bank including on decentralisation of staff, improving implementation of the Paris agenda and working better with partners in country. We will continue to press the Bank for wider reform. Priorities include decentralisation of staff, to ensure that the Bank better responds to country needs, and giving developing countries a greater say in how the Bank operates. There is also need to ensure the Bank's overall financing and its organisational and institutional structures are appropriate for effective engagement in all types of fragile states.

Involvement of non-traditional donors

56. DFID is also working to ensure that non traditional donors, including emerging official donors and new private sector donors and foundations, better co-ordinate their aid in line with the Paris Declaration principles. Emerging donors such as China and India account for an increasingly large share of global aid flows. UK activities towards this end include:

- (a) The establishment of a regular high level development dialogue with the Government of China, including ensuring development cooperation was a major theme of the recent UK-China summit.
- (b) The recent signature of a new Partnership to Achieve the MDGs globally with the Indian government.
- (c) Increasing the UK's senior level interaction with a number of key foundations, engaging them in discussion about aid effectiveness and alignment with partner country plans.

Co-ordinating other donor policies that impact on development

57. The non-aid policies of developed countries, such as trade and climate change, can often have a far greater economic and social impact on poor countries than aid. For example, recent estimates suggest that developing countries lose about \$24 billion a year in agricultural income from protectionism and subsidies in developed countries, even without including dynamic and spill-over effects.²² It is important that both the UK government and other developed country governments consider the impact of all policy decisions on developing countries. DFID is required to report to parliament each year on the UK government's combined efforts to achieve international development.

²² *Human Development Report 2005*, United Nations Development Programme (UNDP), New York.

58. The UK is ranked 9th overall out of 21 leading industrialised countries in the 2007 Commitment to Development Index (CDI)²³ with a score of 5.5, an improvement of three places from its 2006 ranking.²⁴ This ranks OECD countries according to how well their non-aid policies support development. The UK ranked top for investment and scores well for environmental policy. It scores less well on migration and technology. The UK is showing a committed response on climate change and has re-organised so that the UK's aid and trade policies are even more coherent, putting developing countries' concerns squarely at the forefront of our trade policies. The UK's priorities for further progress are trade and climate change. Increased efforts are, however being made across a range of different sectors and the UK also works to influence international approaches through the OECD and the EU.

59. European Union policies have a major impact on development, especially in those policy areas, such as trade, agriculture and fisheries, for which the EU has a primary responsibility. In 2007 the Commission published the first biennial report on the application of policy coherence for development. The preparation of the report in itself played an important role in raising awareness, both at the national and EU levels of the effects of EU policies on developing countries. The Council agreed to take forward work that addresses the impact on development of security, fragile states, climate change and migration agendas. Economic Partnership Agreements (EPAs) are also being negotiated with the objective that they can be good for development by making it easier for countries to trade their way out of poverty.

5. DFID IS PLAYING A KEY ROLE IN PROMOTING DONOR CO-ORDINATION

60. DFID's priorities for facilitating greater co-ordination and improving aid effectiveness are:

- (a) **Ensuring that DFID acts a model of good practice** and that the Paris Declaration targets are met both corporately and at country level. As noted above, we are taking steps to ensure that the Paris Declaration is mainstreamed across all our corporate strategies, policies and procedures.
- (b) Promoting **stronger partner country leadership** in the Accra High Level Forum on Aid Effectiveness in September 2008.
- (c) **Making multilateral donors more effective**, by using our funding and our role as a shareholder to push for these donors to have a greater impact on poverty reduction.
- (d) Working with partners to **promote greater accountability between donors and partner countries at country and international levels**, to create better incentives for both donors and partner countries to reform.
- (e) Talking with **non traditional donors**, including the BRICS (Brazil, Russia, India, China and South Africa) and the private sector, to encourage them to sign up to the Paris principles.
- (f) Promoting an **enhanced focus on results**. We are investing in partner country statistics and monitoring and evaluation systems so that we all know what results we are achieving.
- (g) Promoting **coherence between development and wider policies**. This is a priority both within the UK government, for example working on trade with the Department for Business, Enterprise and Regulatory reform and on conflict with the Foreign and Commonwealth Office, and internationally, notably in the EU and through the DAC.

February 2008

Supplementary memorandum submitted by the Department for International Development, Letter from Shahid Malik MP, Parliamentary Under-Secretary of State

I promised to follow up some points from the evidence session on 2 June as part of the IDC's inquiry into coordination for aid effectiveness.

PROFESSOR EASTERLY RANKING OF DONORS

I attach a copy of the Permanent Secretary's letter to you of 12 May 2008 about the recent published research by Professor William Easterly and Tobias Pfitze. This ranked DFID as the top bilateral donor. A copy of the article can be found at:

www.nyu.edu/fas/institute/dri/Easterly/File/Where_Does_Money_Go.pdf

²³ *Commitment to Development Index 2007*, Centre for Global Development.

²⁴ 2006 ranking based on the 2006 methodology.

How do we calculate we lift three million out of poverty every year?

The committee asked how DFID calculates that we lift 3 million people out of poverty every year. Economic evidence about the effect of aid on growth and of growth on poverty means we can estimate the number of people in each country that DFID pulls out of poverty, based on the amount of aid we give, both to bilateral and to multilaterals. These estimates are based on the Collier and Dollar poverty models which have been influential in allocation decisions of other bilateral and multilateral organisations.

The Collier and Dollar poverty model combines two relationships. The first is a relationship between aid and growth whereby aid works better where there are good policies. The model shows that the value of aid can increase the average rate of economic growth in countries with good policies by more than in countries with poorer policies. The second basic relationship is between poverty and growth; this looks at how sensitive growth is to the levels of poverty in a given country. Combining these two relationships allows us to estimate for each country the number of poor people that are pulled out of poverty for a given aid allocation. Summed over DFID's entire bilateral and multilateral contributions yields DFID's annual 3 million people pulled out of poverty figure.

Has untying DFID's aid reduced the cost of Technical Cooperation?

Ann McKechnin asked this, given the World Bank estimate that untying global aid would reduce the cost of aid by 25%.

Untying tends to increase value for money and reduce costs because it increases competition in procurement of goods and services. However, DFID's experience has been that untying alone does not remove business barriers facing developing country suppliers. Most bids for our business continue to come from suppliers based within the UK. We are analysing why this is the case and reviewing our contract terms to make it easier for developing country suppliers to bid for contracts. We hope this will introduce more competition for our business and reduce costs in line with World Bank estimates.

DFID mainly purchases consultancy services, on which we spent £246m in 2007/8. Consultancy is a generic term describing our contracts with for profit and not-for-profit companies, universities and institutes, and self-employed personnel. Over the last five years, we have been letting fewer but larger contracts, and consultancy now represents only 10% of our aid programme.

Since 2001 when aid was untied, about 80% of our consultancy business has been awarded to developed country suppliers, mainly from within the UK. Developing country suppliers rarely bid directly for our business, although they pick up work as members of consortia headed by international or developed country organisations.

We want more developing country suppliers to participate directly in our business. We have analysed the constraints to direct bidding by developing country firms, including by consulting firms based in Africa and Asia. We are now reviewing our contract terms, to introduce greater flexibility in our use of certain clauses which appear most challenging for developing country suppliers to meet for reasons beyond their control.

DFID'S CONTRIBUTION TO THE PARIS DECLARATION EVALUATION

John Battle mentioned a query during the IDC's visit to Denmark about DFID's contribution to the Paris Declaration evaluation.

The independent consultants' evaluation report was submitted within the deadline set to enable preparation of the international synthesis report. The full published version which includes DFID's management response will be available by 20 June.

I hope this is useful. I look forward to hearing the Committee's conclusions on this important enquiry.

23 June 2008

Memorandum submitted by ActionAid

INTRODUCTION

1. ActionAid International is an international NGO working in over 40 countries worldwide, including the UK. While this submission has been put together by ActionAid UK staff, our positions and recommendations reflect the experiences of our staff and partners in Africa, Asia, and Latin America.

2. ActionAid welcomes the decision of the IDC to conduct an enquiry into co-ordination for aid effectiveness and the implementation of the Paris Agenda. We have set out a clear agenda for achieving the necessary reforms at the Accra High Level Forum on aid effectiveness in September this year in our report:

“*Making aid accountable and effective. An ActionAid Ten Point Plan for real aid reform*”.²⁵ The report argues that great progress is needed if aid is to play an effective role in reducing poverty. Donors must meet existing commitments but also go much further; particularly by making aid accountable to the people it is meant to help.

3. Poor co-ordination—or a lack of “harmonisation”—is a constraint to improving aid effectiveness. However, poor co-ordination among donors and with recipient countries is really the symptom of underlying issues. ActionAid and other civil society organisations have emphasised that harmonisation must mean aligning all forms of aid around country-led strategies and ensuring democratic ownership and accountability through the participation of other stakeholders such as civil society and parliaments. Donor harmonisation should not be reduced to a technocratic agenda—such as counting joint donor missions—since this has tended to lead to “harmonisation” of donors around their common interests or around World Bank or IMF frameworks and conditions, rather than with country priorities.²⁶

4. Improving co-ordination will therefore require fundamental change in the way aid is managed and accounted for. Our submission stresses three key problems:

- Lack of democratic ownership
- Lack of real accountability and transparency in the aid system
- Lack of progress through the Paris Process

LACK OF DEMOCRATIC OWNERSHIP

5. Ownership is widely accepted as the cornerstone of development. Although it is one of the main “partnership commitments” of the Paris Declaration, the only indicator focuses on southern governments developing national strategies; ignoring the need for greatly improved donor behaviour to support national ownership. ActionAid believes this reflects a fundamental problem of aid effectiveness, and we have pushed for stronger targets for ownership for donors.

6. Ownership means more than simply government or executive ownership. ActionAid stresses the need for a wider participation of citizens through engaging parliaments, civil society organisation particularly women’s organisations and women’s rights groups, in the development process. Women make up 70% of the poor, yet are systematically excluded or marginalised from political processes in developing countries—this is why promoting the participation of women’s organisations and women’s rights groups is fundamental to promoting democratic ownership. Real country ownership can only be assured if national strategies and policies are developed with the participation of citizens. Donors need to assist in strengthening the capacities of governments and citizens to engage in this process.

7. Democratic ownership has been seriously undermined by donor practises such as the use of tied aid and economic policy conditions. Even DFID which has untied its aid in 2001 awards 80% of consulting contracts to UK firms.²⁷ Tied aid has been shown to not only increase costs by around 25%²⁸ but also severely limits ownership and increases donor incentives to push their own projects. Donors also use conditions to promote their own policies rather than aligning and harmonising with government policies. Conditions mean that large amounts of aid and the donors’ seal of approval are linked to particular policies, and governments and citizens in developing countries are effectively denied the right to freely choose the policies best suited to their economic, political and social situation.

8. Recent ActionAid reports—“*What Progress. A Shadow review of World Bank conditionality*”²⁹ and “*Confronting the Contradictions*” on IMF policies³⁰—show that inappropriate economic policy conditions can also have negative developmental impacts undermining the ability of countries to hire the number of teachers and health workers needed to ensure high quality education and health for all. The role and impact of IMF and World Bank policies, conditions and economic frameworks on hindering aid effectiveness and damaging ownership, harmonisation and co-ordination efforts has been largely ignored by the Paris Declaration, thereby weakening its effectiveness.

²⁵ See ActionAid, “*Making aid accountable and effective. An ActionAid Ten Point Plan for real aid reform*”, 2007 available at: http://www.eurodad.org/uploadedFiles/Whats_New/News/ActionAid%2010%20point%20Plan%20for%20Real%20Aid%20Reform.pdf

²⁶ As contained in lending instruments such as the IMF’s Poverty Reduction Growth Facility (PRGF) and the World Bank’s Poverty Reduction Support Credit (PRSC). On World Bank frameworks see the 2006 ActionAid report “*What progress? A shadow review of World Bank conditionality*”. Available at: www.actionaid.org.uk/doc_lib/what_progress.pdf. For IMF frameworks see the 2007 ActionAid report “*Confronting the Contradictions*”, available at: www.actionaid.org/assets/pdf%5CAACConf_Contradictions_Final2.pdf

²⁷ See ActionAid, “*Reform of DFID’s Technical Assistance Programme: Five Point Agenda for Action*”, July 2007, see Annex 2.

²⁸ See ActionAid “*Real Aid, An Agenda for Making aid work*”, p. 26, available at: http://www.actionaid.org.uk/_content/documents/real_aid_192005_153541.pdf

²⁹ Available at:

http://www.actionaid.org.uk/doc_lib/what_progress.pdf

³⁰ Available at:

http://www.actionaid.org/assets/pdf%5CAACConf_Contradictions_Final2.pdf

9. There are no international targets on reducing policy conditions. DFID committed to end its use of economic conditionality in 2005, but there are question marks around its implementation of this policy, particularly given its tendency to harmonise around World Bank and IMF programmes. During the last IDA 15th Replenishment round in December 2007 DFID became the single largest donor to the World Bank but missed the opportunity to leverage an agreement by the World Bank to end the use of economic policy conditions. ActionAid calls on all donors to end economic policy conditionality and set clear targets for reducing the burden of other conditionalities. Instead, a dialogue with the partner country which respects democratic ownership, and focuses on outcomes and results is essential to ensure that aid is disbursed effectively and aligned to the partner's needs and national priorities.

Specific Questions:

- How is DFID monitoring and strengthening its 2005 commitment to end its use of economic policy conditionalities and challenging other donors to divorce the approval of aid packages from the IMF's policies?
- What is DFID doing to persuade other actors, particularly the World Bank and IMF to end their economic policy conditions and allow countries the space to develop their own policies which better align development and macroeconomic goals?
- How is DFID planning to push on the World Bank and the IMF to end their harmful conditionality policies?

LACK OF REAL ACCOUNTABILITY AND TRANSPARENCY IN THE AID SYSTEM

10. Improving the accountability of aid is fundamental to improving its effectiveness. As we have argued in our *Real Aid*³¹ reports, the deep-seated problems in the aid system stem from an imbalance of accountability, with “upwards” accountability to donors prioritised over “downwards” accountability to the poor countries and people aid is supposed to help. Many of the problems classified as “co-ordination” issues are in fact symptoms of this imbalance in accountability. For example, the huge transaction costs imposed on recipient governments through multiple donor missions and reporting requirements are caused by donors feeling they have a right to place their demands for accountability from recipients above all other considerations. Conversely the huge volatility and unpredictability of aid flows—which play havoc with country planning systems and can contribute to economic instability—are caused by there being no mechanism for recipients to demand accountability from donors in terms of delivering the aid they have promised on time.

11. To overcome these issues, ActionAid has called for the introduction of agreed, transparent and binding contracts to govern aid relationships. DFID has begun a practise of signing Memoranda of Understanding with southern governments such as Rwanda. However, these do not include measurable target or binding commitments by DFID to release money on schedule unless agreed conditions are broken. To improve ownership and predictability of aid, DFID and its partners need to agree on transparent and binding contracts. These agreements should be reached after widespread consultation with parliaments and civil society, including women's rights organisations, and should include clear donor commitments on aid volume and quality, with sanctions against donors who fail to live up to promises. The agreements should be agreed on a multi-year basis and be transparently and independently monitored including by parliaments.

12. Critical to improving accountability is improving transparency—donors must adhere to the highest standards of transparency and openness. These should include: timely dissemination of information, particularly during aid negotiations, and about disbursements; and the adoption of a policy of automatic disclosure of all documents, with a strictly limited regime of exceptions. The Paris Declaration ignores this issue and does not include any concrete or monitorable targets. Aid negotiations usually take place behind closed doors, donors usually provide little information on disbursement timetables and amounts of aid provided which does not allow southern government to properly plan national budgets nor parliaments, civil society organisation or other independent institutions to monitor aid money.

13. Parliaments, civil society actors and other stakeholders in developing countries must play a critical role in holding governments (of north and south) to account if aid is to be used effectively. Yet mechanisms to allow this to happen are largely absent in most southern countries. First steps have been made in countries such as Ghana, Cambodia and Kenya where civil society organisations, including ActionAid, have set up forums to discuss aid issues and hold donors and government to account. DFID has been supportive of this agenda in countries such as Tanzania and Rwanda but could do much more. ActionAid and others have been calling for the establishment of such regular multi-stakeholder accountability forums. One effective way of making progress on this critical issue would be to broaden the definition of Paris Declaration indicator 12—mutual accountability— so that “country-level mechanisms” for assessing progress become multi-stakeholder—including parliaments and civil society.

³¹ A available at:
http://www.actionaid.org.uk/_content/documents/real_aid_192005_153541.pdf

14. There is also a need for monitoring and evaluation within the aid system—which is currently largely done by donors about themselves or each other—to become more independent and southern-led, for example via a jointly-funded international evaluation body or recipient-led in-country bodies. For instance, the 2006 OECD DAC survey of implementation of the Paris Declaration was fatally undermined by donors insisting on “negotiating” on the figures, so that the figures in the final document were in many cases significantly different from earlier drafts.

15. At the international level, ActionAid has called for the aid system to be overseen by a UN aid commissioner and ombudsman. This would allow, for example, a formal complaints procedure so that recipient governments, civil society, and affected citizens could submit complaints about donor behaviour—anonously if necessary. It would also allow the aid reform process to be moved to a more representative institution than the OECD. One promising step has been the establishment of the UN’s Development Cooperation Forum (DCF) which aims at providing an international and transparent platform for all UN member states to promote coherence and effectiveness of international development cooperation and ensure the implementation of international development targets. However, DFID has not so far become actively engaged in this relevant Forum.

Specific Questions:

- What are DFID’s plans in progressing its current policy of using Memoranda of Understanding towards agreeing transparent and binding contracts with southern partners?
- What are DFID’s plans in promoting multi-stakeholder accountability mechanisms at the country level?
- How does DFID report to developing country parliaments for the aid it spends in their countries?
- What measures have been taken to include civil society and other stakeholders in monitoring and evaluation processes?
- How does DFID plan to ensure that the Development Cooperation Forum in July 2008 will be a success?
- How will DFID ensure the independence and transparency of the work of the newly established DFID Independent Advisory Committee on Development Impact and how will southern stakeholders be involved in this process?

LACK OF PROGRESS THROUGH THE PARIS PROCESS

16. ActionAid believes that the Paris Declaration represents a useful but limited attempt to deal with persistent problems of aid delivery. However, many commitments have not been met by donor countries, and many critical issues are left out of the Paris Declaration, as we have detailed above and in our *Ten Point Plan*.

17. The Paris process has suffered from being based in a donor institution and being donor driven. The Paris Declaration has a strong focus on governments widely ignoring the role parliaments and civil society should play in any discussion on aid. Real and substantive, not token, consultation processes need to be organised in the run up to the Accra High Level Forum. Southern governments, parliaments and civil society organisations including women’s rights groups need to be included in the consultation process towards Accra.

18. In many cases, the Paris Declaration identifies important issues, but the commitments or targets are weak. One critical area where poor coordination and alignment undermines aid quality is technical assistance (TA). Numerous studies—cited in our report “*Real Aid 2. Making technical assistance work*”³²—show that the effectiveness of this type of aid has been very low, yet, according to the OECD DAC it accounts for 25–50% of all aid.³³ Developing country governments have consistently raised this issue throughout the Paris process. We argue that the Paris indicator on coordinating TA should be strengthened, with only partner countries deciding the extent to which it is met, and the target increased from 50% to 100%. ActionAid has laid out a *Five Point Agenda for Action* emphasising that a reform of DFID’s technical assistance programme is essential.³⁴ DFID has promised to review its TA programme this year but the process appears to be stalled. We are also concerned at the lack of independent engagement or clear objectives for a planned procurement review examining why the vast majority of consultancy contracts still go to UK firms.

³² http://www.actionaid.org.uk/doc_lib/real_aid2.pdf

³³ OECD DAC, 2005: Development Cooperation Report 2005 (Paris) p113, footnote 3.

³⁴ ActionAid, “*Reform of DFID’s Technical Assistance Programme: Five Point Agenda for Action*”, July 2007.

Specific Questions:

- How does DFID ensure that the implementation of its technical assistance programme follows the principles laid out in the 2006 White Paper, ensuring that it is in line with country priorities?
- What is the timeframe for DFID's review of its technical assistance programme?
- What is DFID doing to increase competition in procurement and tackle the underlying issues which cause 80% of contracts to go to UK firms?

SUMMARY OF RECOMMENDATIONS

19. We stressed in this submission that poor co-ordination—or the lack “harmonisation”—is really the symptom of underlying issues, principally a lack of accountability and democratic ownership. The forthcoming High Level Forum on Aid Effectiveness in Accra must therefore focus on critical underlying problems. Throughout this submission, ActionAid has highlighted some of the key changes that will be necessary if aid is to become more accountable and effective at contributing to poverty reduction:

- (a) Take democratic ownership seriously by developing indicators to monitor donor performance, including measurements to assess the impact of aid on development and gender equality goals by engaging all stakeholders in the aid process, ending the tying of aid and economic policy conditionality, and making aid more predictable.
- (b) Improve accountability and transparency by setting up joint monitoring mechanisms engaging donors, southern governments, parliaments, and civil society actors including women's right groups; meeting high standards of openness and transparency and supporting independent monitoring.
- (c) Expand the impact of the Paris Process by moving it to a more representative institution as well as engaging more stakeholders such as civil society organisations in the consultations for Accra.
- (d) Reform technical assistance by aligning it to country needs and priorities and by really untying aid from UK contractors.

February 2008

Memorandum submitted by the Bretton Woods Project

INTRODUCTION

1. The Bretton Woods Project is an independent NGO established by a network of UK-based NGOs in 1995 to take forward their work of monitoring and advocating for change at the World Bank and IMF. See www.brettonwoodsproject.org/about for more details.

2. This year's many events on aid effectiveness, from Accra to Doha have many agenda items, and the UK, as one of the biggest donors, will play a key role. However there is an aspect of the aid agenda which often gets overlooked: the role the International Monetary Fund (IMF) plays in aid utilisation. While most attention is focused on the World Bank and bilateral donors in relation to aid, the IMF's policy and advice has significant effects on the way aid is received, saved and spent.

3. We hope that this hearing will provide an excellent opportunity to air some critical questions on the IMF's approach to aid. As this submission will elaborate, we believe that the IMF impinges on the successful utilisation of aid according to country priorities and that HMG policy towards the IMF is not robustly addressing these problems at the global level.³⁵

THE ROLE OF THE IMF IN AID EFFECTIVENESS

4. The IMF is a signatory to the Paris Declaration. However the OECD Development Assistance Committee (DAC), which is the main official monitoring mechanism for donor compliance with Paris Declaration principles, does not monitor the IMF.³⁶ The IMF releases no information on its own compliance with the Paris principles.

5. The IMF formally breaks down its role in all member countries into three categories: lending, technical assistance and surveillance. In practice however, IMF involvement with member countries often blurs these neat categories.

³⁵ For a fuller discussion of the issues raised in this submission please see a UK NGO joint policy briefing on this topic: *Reforming the role of the IMF in low-income countries*, Joint Policy briefing paper, Christian Aid, Save the Children and Bretton Woods Project, October 2007, http://www.brettonwoodsproject.org/doc/wbimfroles/IMF_LICs_oct07.pdf.

³⁶ See the OECD DAC website on monitoring aid effectiveness at <http://www.oecd.org/dac/effectiveness/monitoring>.

6. IMF loans to low-income countries, delivered under the Poverty Reduction and Growth Facility (PRGF), also set out low-income country governments' economic policies. These economic policies should be informed by a Poverty Reduction Strategy Paper (PRSP). However the PRSP usually does not set out the macroeconomic framework that the country operates under. The short- and medium-term macroeconomic frameworks are usually determined jointly by the IMF and country authorities. These frameworks developed by the IMF and implemented through conditions in the PRGF agreements set the level of spending by the government in both the short- and medium-term. This is a violation of the Paris principle on ownership (Indicator 1), and alignment (Indicator 3).

7. As aid is a significant portion of budgets of low-income countries, the estimate of aid levels used in preparing the budget is a key factor in determining the use of aid. However the IMF does not specialise in aid issues, and until recently has simply used signed donor commitments as their estimates of aid, disregarding planned or promised aid that was not fully agreed upon. The IMF has plans to change this approach³⁷, but these have yet to be implemented. This aid pessimism has been blamed for low delivery of aid because donors do not get signals that countries can use more aid.

8. IMF programmes also contribute to undermining ownership by reducing the ability of recipient countries to manage aid inflows. With the IMF and country authorities setting the budget in advance, the IMF has been inflexible in accommodating increases in aid. The IMF's Independent Evaluation Office (IEO) found that when recipient governments received aid increases, the IMF did not allow them to be spent.³⁸ The study finds only 28% of aid increases for low-income countries actually went to spending, with the rest being saved as reserves or used to pay down debt.³⁹ The figure is even lower for so-called weak performers with inflation above 5% or "low" reserves. The IEO's findings show the IMF's lack of concern for the principles of ownership and alignment (Indicator 3) with donors, who certainly planned for their aid increases to be spent on poverty-reducing programmes.

9. Finally the IMF in some ways acts as a donor, by giving loans and through technical assistance. The OECD definition of Official Development Assistance (ODA) requires loans to have a grant element of least 25%. PRGF loans can be considered concessional if the calculation of the grant element conforms to certain assumptions.⁴⁰

10. The problems faced by low-income countries are long-term and/or structural in nature and not based on temporary balance of payments needs. However, the traditional business of the IMF is to address the temporary disequilibria in balance of payments of its member countries. PRGF loans are typically disbursed only over three years and have a repayment schedule of five years. This has created a mismatch between country needs and policy recommendations that can be overly restrictive and curtail policy space for developing countries as well as impinging on ownership.

11. IMF lending assistance also sometimes does not conform to Paris principles on predictability (Indicator 7). IMF disbursements are subject to IMF board review before each disbursement. Bureaucratic delays in scheduling board discussion of programme reviews can delay disbursements. Additionally PRGF loan disbursements are not predictable because IMF staff may declare that the country has failed to meet IMF-set conditionality in any of a wide-range of areas, putting them "off-track" in their PRGF and suspending disbursements.⁴¹ This is equally a problem in IMF-administered debt relief.⁴² IMF disbursement volatility compounds volatility of donor disbursements as discussed in the next section.

12. Technical assistance (TA) is also a type of aid, and should be treated the same as other kinds of aid for the purposes of aid effectiveness and the Paris Declaration. However IMF technical assistance does not conform well to the relevant indicators. The IMF's TA agenda for each country is set by the Fund after economic monitoring missions (Article IV missions), loan reviews, or other surveillance operations. It is not set through national priorities determined in a national development strategy and it generally does not flow through coordinated programmes with other donors⁴³ (Indicator 4).

³⁷ See "IMF board discusses operational implications of aid inflows for IMF advice and program design", IMF, Public Information Notice (PIN) No. 07/83, <http://www.imf.org/external/np/sec/pn/2007/pn0783.htm>. For analysis and discussion of this decision see "Fund loosens the aid noose . . . but just a little", Bretton Woods Project, *Bretton Woods Update* 57, August 2007, <http://www.brettonwoodsproject.org/art-555455>.

³⁸ For further discussion of the IEO report on IMF and aid to Sub-Saharan Africa see "Evaluation finds that IMF misleads the public about its role in Africa", Bretton Woods Project, *Bretton Woods Update* 55, April 2007, <http://www.brettonwoodsproject.org/art-552131>.

³⁹ *The IMF and Aid to Sub-Saharan Africa*, Independent Evaluation Office, 2007.

⁴⁰ For example a PRGF on a 10-year repayment cycle and five-and-a-half-year grace period with a particularly specified discount rate yields a grant element of 27 per cent. See Debt Relief International, "The effectiveness of aid to Africa since the HIPC initiative: issues, evidence and possible areas for action", August 2004, http://www.hipccbp.org/files/en/open/Advocacy/DRIDocs/DFI_Aid_Effectiveness.pdf.

⁴¹ See "Volatility of Development Aid: From frying pan into the fire?", Ales Bulir and A. Javier Hamann, IMF Working Paper WP/06/65, June 2006, <http://www.imf.org/external/pubs/ft/wp/2006/wp0665.pdf>.

⁴² See "Debt relief and poverty reduction: Do we need an HIPC III?", Matthew Martin, in *Africa Report: Assessing the New Partnership*, Roy Culpepper ed, North-South Institute, 2003, http://www.nsi-ins.ca/english/pdf/africa_report/ch4_martin_e.pdf.

⁴³ The primary exception is technical assistance to the financial sector, which is often done in conjunction with the World Bank and donors as part of the Financial Sector Reform and Strengthening (FIRST) Initiative. See the FIRST website at <http://www.firstinitiative.org>.

13. IMF TA certainly does not flow through country procurement systems, as required under Indicator 5 of the Paris Declaration. IMF TA has been provided free of charge until now, which can be considered part of the reason for not flowing through procurement systems. TA that is aligned to national priorities and driven by country demand should be directed through country procurement systems. The IMF is considering charging for technical assistance as part of the reforms to its income model recommended by an expert committee last year.⁴⁴ A recent leaked document from the IMF managing director's office confirms that the IMF wants to implement varying charges for TA and to manage trust funds of donor resources (aid money) to reimburse the IMF for TA for low-income countries.⁴⁵ This is an express violation of Indicator 5 of the Paris Declaration.

DONOR RELIANCE ON THE IMF

14. Another problematic area of intersection between the IMF and aid effectiveness is in the IMF's signalling role. Donors use the existence and status of an IMF programme as a tool to judge whether they should continue aid disbursements. This puts aid-dependent low-income countries in the position of needing the IMF's stamp of approval on their macroeconomic policies. This stamp of approval is provided by a country having a loan from the IMF or having approval through the IMF's Policy Support Instrument. Macroeconomic assessments are provided by the original IMF mission when such a loan or programme is proposed and updated every six months in the programme reviews.

15. Without this stamp of approval, the low-income country faces the prospect of being cut off from aid from donors, particularly aid from the European Commission (EC). This aid architecture prevents full ownership of economic programmes and poverty reduction strategies, as the government must, by definition, negotiate their economic policies (incl. budgets, borrowing levels, and structural policies) with the IMF.

16. In a recent IEO report on conditionality, the lack of progress in reducing conditionality at the IMF was blamed on this signalling role.⁴⁶ The IEO finds that donors using IMF programmes as signals pressure the IMF to place conditions on recipients according to donor wishes in order to monitor compliance for other purposes, including the EU accession process.

17. Examples of problems with donor reliance on IMF programmes and assessments can be found in many countries. Uganda delayed accepting funds from the Global Fund for AIDS, Tuberculosis and Malaria (GFATM) out of fear of violating IMF conditionality and thus being branded off track, delaying a scale-up of HIV/AIDS treatment in the country.⁴⁷ Reports from Ghana and Malawi indicate suspension of AIDS treatment financing because donor resources were used for meeting IMF conditions on the level of international reserves.⁴⁸ In Nicaragua in 2005 the IMF declaration of the country programme going off-track led to the suspension of aid and grants from the IDB, the World Bank, the European Commission, the United States and Sweden. A similar situation was documented in Honduras over IMF conditions holding up debt relief.⁴⁹ More recently the problem was faced by Sierra Leone, where donors did not deliver \$25 million in promised budget support because the country did not meet IMF conditionality in 2006.⁵⁰

18. Donors should not consider non-compliance with IMF macroeconomic conditionality to automatically mean instability. For example, Mozambique is increasingly vulnerable to exceeding fiscal and monetary targets set by the IMF because of the impacts of floods. A graduated response that considers budgetary purposes of aid as well as the macroeconomic implications of interruptions must be undertaken. Suspending aid flows in accordance with IMF off-track signals only contributes to unpredictability and volatility of aid, leaving recipient countries vulnerable and poor populations at risk.⁵¹

⁴⁴ This was a recommendation of the expert committee, the so-called Crockett Committee, which was commissioned to study the IMF's finances. See "Putting the cart before the horse: Rightsizing the IMF's budget", Bretton Woods Project, February 2007, <http://www.brettonwoodsproject.org/art-550974>.

⁴⁵ See the memos from the IMF managing director to the IMF board and to IMF staff at <http://www.ifwatchnet.org/sites/ifwatchnet.org/files/IMFbudgetcuts.pdf>. For discussion of these developments see "Staff in black: IMF faces structural adjustment", Bretton Woods Project, *Bretton Woods Update 59*, <http://www.brettonwoodsproject.org/art-559960>.

⁴⁶ An IEO Evaluation of Structural Conditionality in IMF-Supported Programs, Independent Evaluation Office, 2007.

⁴⁷ See *Blocking Progress: how the fight against HIV/AIDS is being undermined by the World Bank and International Monetary Fund*, ActionAid International, 2004, <http://www.actionaidusa.org/pdf/blockingprogress.pdf>.

⁴⁸ See "The Macroeconomic Framework & the Fight Against HIV/AIDS in Africa", African Forum and Network on Debt and Development, Policy Brief No. 3/2007, <http://www.afrodad.org/downloads/HIV%20Policy%20Brief%202007.pdf>. The full case studies are available at <http://www.afrodad.org/downloads/publications/FINAL%20HIV%20Malawi.pdf> and <http://www.afrodad.org/downloads/publications/FINAL%20HIV%20Ghana.pdf>.

⁴⁹ See "From 'Donorship' to Ownership? Moving towards PRSP Round Two", Oxfam Briefing Paper 51, January 2004, www.oxfam.org.uk/resources/policy/debt_aid/downloads/bp51_prsp.pdf.

⁵⁰ See "Old habits die hard: Aid and accountability in Sierra Leone", Eurodad and Campaign for Good Governance, January 2008, http://www.eurodad.org/uploadedFiles/Whats_New/Reports/Old%20habits%20die%20hard.%20Aid%20and%20accountability%20in%20Sierra%20Leone.pdf.

⁵¹ Evaluation of General Budget Support: Synthesis Report, A Joint Evaluation of General Budget Support, 1994–2004," By IDD and Associates (UK), May 2006, <http://www.oecd.org/dataoecd/42/38/36685401.pdf>.

19. The DfID is the only donor agency that explicitly states that its aid decisions are not linked to the existence of an IMF programme.⁵² The Norwegian aid agency NORAD has a similar though unwritten policy. In contrast the EC explicitly links its aid disbursement to the existence of an IMF programme. There is clearly a lack of coherence between HMG policy in this area and the policy of the EU.

20. Furthermore, there is worry that there are gaps in the implementation of this policy on the part of DfID. The department has few economists with macroeconomic experience on its staff. The decision on whether the macroeconomic environment is conducive to efficient aid usage is made by country economists, who are rarely experienced macroeconomists. Thus while the policy written in London is clear, *de facto* country economists may simply defer to the IMF's judgement in most cases without a thorough independent assessment.

21. There is concern that IMF signals and assessments are not being made on the correct basis. To determine if aid should be provided, the overriding goals should be those of the Paris Declaration preamble: "reducing poverty and inequality, increasing growth, building capacity and accelerating achievement of the MDGs." However the IMF's assessments are based solely on their own definition of macroeconomic stability, which has sometimes seemed to be at odds with the empirical evidence on what macroeconomic conditions are necessary for growth and poverty reduction.

22. IMF staff, generally with backgrounds in macroeconomics, do not have expertise in addressing the many obstacles to development faced by low-income countries and subsequently most IMF programmes do not assess or monitor their impact on poverty reduction or sustainable development. Additionally the IMF does not have the expertise to make assessments of whether countries are able to effectively use more aid, though their signals invariably impact whether more aid is delivered.

23. The UK government has until now pursued a bilateral approach that seeks to minimise conditionality on aid, promoting ownership and alignment behind recipient country priorities and strategies. However in the multilateral arena, the government has done less to ensure adherence to the Paris principles. At the IMF there has been insufficient effort by the Treasury and its representatives to force the IMF to abide by Paris principles, and no move to reconsider fundamentally the IMF's role in aid effectiveness to eliminate it as an impediment to the realisation of recipient country development objectives.

SOME IDEAS FOR IMPROVED AID EFFECTIVENESS IN RELATION TO THE IMF

24. The IMF is not suited to being a donor agency, as it does not have the expertise, the monitoring systems, or lending practices to allow compliance with the Paris principles. The concessional finance arm of the IMF, the PRGF, could be closed to new applications and the resources in the PRGF Trust transferred to another more suitable agency that can use those resources to support recipient-country strategies in compliance with the Paris Declaration.

25. The IMF should not be the signalling agency that determines when more aid would be effective, as it does not have expertise in this area. Macroeconomic assessments on aid absorptive capacity that can be used by donors to determine the effectiveness of the delivery of more aid need to be made by an agency suited to this task, such as the UNDP, UNDESA or UNCTAD.

26. Donors should de-link their aid from the existence of IMF programmes. Donors that have already done so, such as the UK, should work to convince other donors and multilateral agencies to adopt the same practice. Donors are rightfully interested to ensure that their aid is well-spent and effective for maximum development impact. To strengthen recipient government ownership of the aid process, the recipient governments need greater ownership of the signalling and macroeconomic assessment process, which is currently controlled by the IMF and donors.

27. One potential mechanism to achieve this is to create a market for aid-related macroeconomic assessment. The recipient country, using a pool of donor resources would bear responsibility for contracting out the assessment process and providing access to information and data to the assessing agency, much as corporate auditing is done. The assessment would focus on macroeconomic stability and aid absorptive capacity.

28. Instead of the monopoly on such assessments currently held by the IMF, recipients would be free to choose an assessor, which could come from the private sector, an international financial institution, or another multilateral agency such as the UNDP. Donors and recipients would agree to respect the results of the independent assessment. This would enhance ownership and should help to reduce volatility.

29. All technical assistance, including IMF TA, should conform to the same principles and practices as aid as outlined in the Paris Declaration. Funding to pay for TA should be routed through country procurement systems. Recipient countries should be free to choose which TA projects it wants and who will undertake the project.

⁵² *Partnerships for poverty reduction: rethinking conditionality*, UK policy paper, March 2005, para 5.35.

SPECIFIC QUESTIONS FOR THE COMMITTEE

- How will the UK government address the contradiction within the leading donor governments who pursue a scaling up of aid agenda on the one hand while supporting IMF macroeconomic conditionality which forces spending restraint on the other hand?
- How will the UK work to ensure coherence between its policy on linking aid to IMF programmes and the policy of multilateral institutions such as the European Commission and the World Bank?
- Will the government instigate a process to review how donors can de-link aid flows from the IMF's signals?
- Will the UK work to make the Paris process include indicators to measure the impact of IMF economic conditionalities on aid effectiveness and absorption or ensure measurement of IMF compliance with Paris Declaration principles?
- Since "conditionality" is a cross-cutting agenda item to be addressed by all Roundtable discussions in Accra, will the government work to have the Paris process invite the IMF to present justification for the restrictive economic conditionalities, and propose a range of more flexible options to enable the scaling up of aid and increasing public spending to meet national development priorities?
- Will the UK commit to ensuring that all technical assistance delivered by multilateral agencies of which it is a member including the IMF abides by the Paris Declaration principles?

February 2007

Joint memorandum submitted by Bretton Woods Project, Greenpeace, Christian Aid, Practical Action, Platform and People & Planet

CO-ORDINATION FOR AID EFFECTIVENESS INQUIRY

INTRODUCTION

1. This inquiry provides a crucial opportunity for DFID to seriously assess whether or not UK aid for oil and gas projects in developing countries through multilateral organisations is effective aid. Given the UK's strong position on the World Bank's board, DFID has a responsibility to call for greater accountability from the World Bank and ensure that multilateral development assistance provided by the UK adheres to its commitments on poverty alleviation, human rights and the environment as well as aid effectiveness.

2. Rather than endorse the use of aid money to subsidise harmful fossil fuel projects, the UK should use its leverage to ensure that such aid supports low carbon, sustainable energy solutions that are effective and genuinely benefit the poor. By supporting the use of aid that is earmarked for sustainable development for oil extraction, the UK government is not only undermining its own efforts to reduce greenhouse gas emissions but also perpetuating problems of conflict and human rights violations associated with such extraction⁵³.

3. UK aid policy should align with the existing commitments that the UK government has already made on climate change and energy development. These include:

- (a) The UK International Development Act of 2002 states that:
 - “development assistance” means assistance provided for the purpose of:
 - (a) furthering sustainable development in one or more countries outside the United Kingdom, or
 - (b) improving the welfare of the population of one or more such countries”⁵⁴
- (b) The UK has also committed to:
 - keep the global average temperature increase below 2 degrees;
 - reduce green house gas emissions by 30% from 1990 levels (agreed in the context of the EU multilateral agreements);
 - global green house gas emissions must peak by 2015 and be reduced by at least 50% (and probably more like 80%) globally by 2050;
 - achieve the agreed EU wide target of 20% of all energy from renewable sources by 2020;
 - the realisation of this target will require renewable electricity to total around 40% to 45%.

⁵³ *Consultation on human rights and the extractive industry*, ESCR-net Corporate Accountability Working Group, December 2005, <http://www.globalpolicy.org/reform/business/2005/1110extractive.pdf>

⁵⁴ *UK International Development Act, 2002*, Part I <http://www.dfid.gov.uk/aboutdfid/ida.asp>

- (c) DFID's white paper *Eliminating world poverty: making governance work for the poor* asserted that that "the UK is working for international agreement on urgent action to prevent dangerous climate change"⁵⁵.

WORLD BANK FOSSIL FUEL FUNDING ON THE INCREASE

4. Despite launching an extensive body of work on climate change and energy, most recently under the rubric of its *Investment framework for clean energy and development*, the World Bank is facing serious questions about its continued role in scaling up its provision of development assistance for the oil industry. Since 1992 it has invested over \$25 billion in fossil fuel projects, while devoting only a small fraction of its energy budget to clean and renewable energy sources. Despite laudable rhetoric on energy poverty and the impacts of climate change on the poor, it continues to invest substantially in large oil and gas projects and conventional energy sources. In 2006 it increased the size of its energy sector commitments from \$2.8 billion to \$4.4 billion. Oil, gas and power sector commitments account for 77% of the total energy sector programme while "new renewables"⁵⁶ account for only 5%⁵⁷.

5. In 2004 at the Bonn International conference on renewable energies, the Bank announced that it would increase its lending for "new renewables and energy efficiency" projects by 20% per year over five years. Though it claims that this target has been met and exceeded each year⁵⁸, a closer examination finds that its "new renewable energy & energy efficiency" portfolio consists largely of environmentally damaging large hydropower projects such as the Nam Theun 2 dam in Lao PDR and the Bujagali dam in Uganda, carbon finance and projects funded by the Global Environment Facility⁵⁹.

6. The Extractive Industries Review was commissioned by the World Bank in 2001 in response to criticism of World Bank involvement in extractive industries. The final report in 2004⁶⁰ called for the World Bank to phase out investments in oil projects by 2008 and to increase investments in renewable energies by about 20% annually. However the majority of the recommendations were undermined by the World Bank in its management response⁶¹.

7. In the oil sector, over 80% of the World Bank's approved finance goes to projects that export to northern countries⁶². These projects are not about improving energy access for the poor or safeguarding the energy sovereignty of the country in question. Instead oil companies are benefiting from this "oil aid" at the same time that they register record profits. Such companies are hindering development in poor countries, by fuelling conflict and sinking oil-producing countries deeper into poverty and economic inequality⁶³. Meanwhile 1.6 billion people, including 500 million in sub-Saharan Africa, still lack access to electricity. Continued oil dependence also has a disproportionate impact on the world's poorest countries at a time of high oil prices, thereby undermining the benefits of debt cancellation.

8. Although the amount of money that institutions such as the World Bank provide to oil and gas projects may be only a fraction of the total project cost, the additional financing that this support leverages—including from private banks, public financial institutions and oil companies—is immense. The World Bank plays a crucial role in reducing risk and providing political support for projects that may not otherwise be realised⁶⁴. For instance, the total project costs of the Chad-Cameroon oil pipeline are estimated at \$4.1 billion. Of this the World Bank provided a total of 7%—\$85 million from IBRD and IDA and \$200 million from IFC. It is widely accepted that the project would not have gone ahead without World Bank support.

⁵⁵ See DFID's White Paper on International Development, *Eliminating world poverty: making governance work for the poor*, July 2006, para 7.8, page 93.

⁵⁶ "New renewables" is a term used to cover renewable energy such as wind, solar, and mini-hydro. It does not include large hydropower (> 10 MW) or traditional biomass.

⁵⁷ *Energy to reduce poverty: the urgency for G8 action on climate justice*, page 7, Practical Action, 2007 http://practicalaction.org/docs/advocacy/energy-to-reduce-poverty_g8.pdf

⁵⁸ *Improving Lives: World Bank Group Progress on Renewable Energy and Energy Efficiency Fiscal Year 2006*, World Bank Group, December 2006.

⁵⁹ *Climate contradictions: World Bank sets up shop in Bali*, Bretton Woods Project, November 2007 <http://www.brettonwoodsproject.org/art-558738>

⁶⁰ EIR final report *Striking a better balance*, Emil Salim, 2004 <http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTOGMC/0,,contentMDK%3A20306686~menuPK%3A336936~pagePK%3A148956~piPK%3A216618~theSitePK%3A336930,00.html>

⁶¹ World Bank management response to the EIR, 2004 <http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTOGMC/0,,contentMDK:20605112~menuPK:336936~pagePK:148956~piPK:216618~theSitePK:336930,00.html>

⁶² See *The energy tug of war: the winners and losers of World Bank fossil fuel finance*, Sustainable energy and economy network, 2004, page 2, http://www.seen.org/PDFs/Tug_of_war.pdf

⁶³ See resources on *End Oil Aid* <http://www.priceofoil.org/endoilaid>

⁶⁴ See *The risks we run: Mining, communities and political risk insurance*; Moody, Roger; International Books 2005

GROWING POLITICAL CONSENSUS IN THE UK

9. The Conservative's Quality of Life group's *Blueprint for a green economy, submission to the shadow cabinet* released in September 2007 urges DFID "to produce an energy and climate strategy, covering both bilateral and multilateral energy funding, which will work towards the phasing out of support for all fossil-fuel extraction projects and an increase in access to energy in the developing world through the promotion of decentralised and low carbon forms of energy and energy efficiency projects".⁶⁵

10. Similarly the Liberal Democrat policy paper *Zero carbon Britain—taking a global lead*, states that "climate change is not given a high enough priority in development programmes and that all too often projects are supported which involve, to cite only two areas of concern, non-renewable energy or forest reduction"⁶⁶. The paper states that "coordinated action" is needed through the World Bank, the EU and the OECD to ensure that climate change is mainstreamed into development programmes and initiatives and that "development objectives fully support climate mitigation".

11. An Environmental Audit Committee report of 2006 concluded that "DFID's climate change policy lacks coherence". On the one hand "it highlights the seriously detrimental impacts of climate change on the most poor" and has a mandate to increase access to low carbon energy, alleviate poverty and help mitigate the effects of climate change.⁶⁷

12. In March an Early Day Motion (EDM) on *DFID's strategy on climate change and energy* was tabled by UK MP Michael Meacher⁶⁸. The EDM notes that DFID's "financial and political support for oil companies in developing countries through multilateral organisations", is "inconsistent with its mandate to alleviate poverty and help mitigate the effects of climate change in those countries". It was signed by 58 MPs.

13. DFID should put pressure on the Bank to act on the demands outlined by former Secretary of State for International Development Hilary Benn, speaking at the School of Oriental and African Studies in London in April 2007. Benn urged the World Bank to set "bold" new targets for renewable energy investments such as wind and solar, energy efficiency and low-carbon growth to help tackle climate change⁶⁹.

EUROPEAN COORDINATION

14. In November the European Parliament adopted a resolution to end taxpayer support for fossil fuel projects signed by a majority of 540 members. The resolution calls for: "the discontinuation of public support, via export credit agencies and public investment banks, for fossil fuel projects", and for the redoubling of efforts to increase the transfer to renewable energy and energy efficient technologies⁷⁰. This follows the commitment in February 2007 by the European Union to cut greenhouse gas emissions by 20% by 2020 unilaterally and to push for an agreement with the US and other industrialised countries to cut them by 30% by the same date.

NGO SCRUTINY: "DITCH DIRTY DEVELOPMENT"

15. UK and international civil society have carefully scrutinised this issue and provided significant contributions to the urgency of the debate. A statement launched at the World Bank annual meetings in October 2007 signed by more than 200 organisations from 56 countries called on the Bank and other IFIs to end subsidies to the oil industry. The groups referred to "oil aid" as one of the most glaring barriers to fighting climate change and addressing energy access in developing countries⁷¹.

16. In November 2007, NGO Oil Change International released a report, entitled *Aiding oil, harming the climate* which describes the role that the World Bank and other international financial institutions have played in reshaping oil sectors in developing countries: convincing them to develop regulatory frameworks to attract western oil companies and providing development assistance to finance their operations. Oil Change International has also launched a database which compiles information on assistance for oil and

⁶⁵ The Conservatives' *Blueprint for a Green Economy*, the report of the Quality of Life Policy Group, chaired by John Gummer MP, was published on Thursday 13 September 2007. Chapter 9: The Imperative of Climate Change, focuses on perverse subsidies in section 9.3.3.2: Investment priorities. The report makes recommendations to the Conservative Party, and the proposals will be debated by the party before becoming official policy.
<http://www.qualityoflifechallenge.com/documents/fullreport-1.pdf>,

⁶⁶ *Zero carbon Britain- taking a global lead*, section 7.4.2, page 36/7. This policy paper was agreed at conference on 12 September 2007.
http://www.libdems.org.uk/media/documents/policies/PP82%20Zero%20Carbon_FINAL.pdf

⁶⁷ *Trade, Development and Environment: The Role of DFID*, July 2006, paragraphs 92 and 93
<http://www.publications.parliament.uk/pa/cm200506/cmselect/cmenvaud/1014/1014.pdf>

⁶⁸ EDM 1200: *Department for International Development's strategy on climate change and energy*
<http://edmi.parliament.uk/EDMi/EDMDetails.aspx?EDMID=32957&SESSION=885>

⁶⁹ *Speech by Secretary of State, Hilary Benn, Speech on the Future of the World Bank, Royal Africa Society/School of Oriental and African Studies, London*, 12 April 2007
<http://www.dfid.gov.uk/News/files/Speeches/world-bank-april07.asp>

⁷⁰ European parliament passes resolution to end tax payer support for fossil fuels projects, CEE Bankwatch, November 2007
<http://bankwatch.org/newsroom/releases.shtml?x=2060393>

⁷¹ *Global call to end oil aid*, October 2007 <http://www.endoilaid.org/globalcall>

gas projects from multilateral development banks, bilateral agencies, and export credit agencies. At a conservative estimate it finds that \$61.3 billion has been given in “oil aid” since 2000⁷², a small fraction of the total amount leveraged by this financing.

17. A campaign by NGO People & Planet which began in 2006 is calling for an end to the contradiction between government climate change targets and the continued use of development aid to support fossil fuel extraction projects. It points out that development aid, earmarked for poverty alleviation, is being put towards some of the most polluting industries in the world in order to ensure energy security for the wealthy industrial world with limited or no benefits to the poor in developing countries⁷³.

18. In April 2007 a report by NGO Practical Action, *Energy to reduce poverty: the urgency for G8 action on climate justice* criticised the World Bank’s “leadership” role to tackle climate change and solve energy poverty, given its promotion of a development path that will lock developing countries into fossil-fuel dependency. It called on the World Bank to: end the use of aid money to support new large-scale fossil fuel projects, significantly “scale-up” investment into renewable technologies, deliver large-scale rural electrification programmes based on decentralised systems, and deliver programmes which give the poor access to efficient stoves and sustainably-sourced biomass fuels.⁷⁴

19. A Greenpeace report, *Energy [R]evolution*, presents an alternative to the International Energy Agency’s world energy outlook upon which the World Bank’s *Investment framework for clean energy and development* is based, and serves as a practical blueprint for how to cut energy related CO₂ emissions by 2050⁷⁵. A follow up report, *Futu[r]e Investment* demonstrates how renewable energy forms a tiny part of the World Bank’s energy portfolio, pointing out that in 2002–2003 the Bank’s energy financing for big fossil fuel projects beat renewable and energy efficiency projects by a 17 to 1 ratio⁷⁶. Greenpeace urges all IFIs to rapidly phase out subsidies for conventional polluting energy projects.

THE HUMAN AND ENVIRONMENTAL COSTS OF DEVELOPMENT AID FOR OIL AND GAS

20. *Camisea II: indigenous rights not respected*: In February 2008 the IFC approved \$300 million for Camisea II or the Peru liquefied natural gas project. The project will export gas to the US, Mexican and other markets via a 400 km pipeline from the Amazon to the Pacific. The project is an expansion of the controversial Camisea gas project which was repeatedly criticised for negative impacts on indigenous communities and the Amazon rainforest, and multiple violations of national and international standards. These criticisms have been upheld by the Peruvian human rights ombudsman. Peru’s energy regulatory agency has also fined the Camisea consortia millions of dollars for oil spills. NGO Amazon Watch has also found serious shortcomings regarding the environmental impact assessment for the upstream gas fields connected with the project and raised concerns over the intimidation of civil society leaders, contravention of the rights of indigenous peoples including prior consent and the legality of demarcation and the sale of concession rights⁷⁷.

21. *Chad-Cameroon pipeline: failed commitments*. At the inauguration of the Bank-supported Chad-Cameroon oil pipeline project in 2003, the Bank claimed that its involvement would help ensure that Chad’s oil revenues would be used for the well-being of all Chadians, and that the project would be implemented in an environmentally and socially sound manner. Research by Cameroon’s Centre for Environment and Development, the Chadian Association for the Promotion and Defense of Human Rights, and US-based Environmental Defense finds that the Bank has failed on both counts. The project appears to have fuelled violence, impoverished people in the oil fields and along the pipeline route, exacerbated the pressures on indigenous peoples and created new environmental problems. Meanwhile ExxonMobil, the leader of the oil consortium and the world’s largest oil company, is registering record profits⁷⁸.

22. *Failing to end gas flaring in West Africa*. The World Bank supported West African Gas Pipeline project which aims to deliver gas from Nigeria to Ghana, Benin and Togo via a 680 kilometre pipeline is currently the subject of a claim to the World Bank Inspection Panel by affected communities in Nigeria⁷⁹. They cite the inadequacy of the project’s environmental impact assessment and lack of public consultations. It is also unclear how the project will reduce gas flaring in Nigeria as previously asserted by the World Bank, or bring benefits to local communities. Property owners received on average between \$40 and \$80 each, as “full and final payment” for the large tracts of land that were acquired for the pipeline’s right of way. Grievance redress procedures have been deliberately obscured from the local communities.

⁷² See <http://www.endoilaid.org>

⁷³ *Ditch Dirty Development*. People & Planet campaign website
<http://peopleandplanet.org/ditchdirtydevelopment>

⁷⁴ http://practicalaction.org/docs/advocacy/energy-to-reduce-poverty_g8.pdf

⁷⁵ *Energy [r]evolution*, Greenpeace, 2007

<http://www.greenpeace.org/raw/content/international/press/reports/energy-revolution-a-sustainab.pdf>

⁷⁶ *Futu[r]e Investment*, Greenpeace, 2007

<http://www.greenpeace.org/raw/content/international/press/reports/future-investment.pdf>

⁷⁷ *Holding the IDB and IFC to account on Camisea II*, Amazon Watch, 2007

http://www.amazonwatch.org/documents/camiseaII_sept2007_web.pdf

⁷⁸ See *the Chad-Cameroon oil and pipeline project: a project non-completion report*, 2007

http://www.environmentaldefense.org/documents/6282_ChadCameroon-Non-Completion.pdf

⁷⁹ The request for inspection, submitted by Environmental Rights Action/ Friends of the Earth Nigeria can be found at: www.tinyurl.com/2xnb3q

23. *Gender impacts of the Baku-Tbilisi-Ceyhan oil pipeline.* Large-scale extractive industries projects often bring limited and short-term employment opportunities, fail to provide promised support for local communities or to alleviate poverty. The economic “booms” that accompany such investments are often unsustainable, and their negative effects disproportionately harm more vulnerable social groups such as women and indigenous people. A 2006 study by NGOs CEE Bankwatch and Gender Action found that the IFC-financed Baku-Tbilisi-Ceyhan oil pipeline, a \$3 billion project to transport crude oil across Azerbaijan, Georgia and Turkey has brought increased poverty, hindered access to subsistence resources, increased occurrence of still births, prostitution, HIV/AIDS and other diseases in local communities⁸⁰.

QUESTIONS

- Does the government believe that aid which accelerates climate change and energy poverty is effective aid?
- What steps will HMG take to ensure that UK aid does not undermine the United Nations Framework Convention on Climate Change (UNFCCC), the Kyoto protocol and domestic commitments that have been made in relation to this process?
- Will DFID develop a new energy and climate change strategy that would set a framework for monitoring and progressively reducing the climate impacts of development aid particularly as channelled through multilateral development institutions?
- Will DFID evaluate and monitor the climate impacts of its development lending, including via the World Bank and encourage the World Bank to do likewise?
- Will DFID urge the World Bank to revisit the recommendations of the 2004 Extractive Industries Review and fundamentally rethink its involvement in extractive industries?

Memorandum submitted by Christian Aid

COORDINATION FOR AID EFFECTIVENESS

INTRODUCTION

1. Christian Aid works in nearly 50 countries worldwide, supporting local organisations to deliver urgently needed services directly to poor communities, and to scrutinise and hold their own governments and the international community to account. We also strive to influence the UK, Ireland and the European Union on policies that affect the countries where we work. One of Christian Aid’s central concerns is the way those actors give aid.

2. Christian Aid welcomed the Paris Declaration on Aid Effectiveness (PD) agreed between donors in 2005 and particularly the active role the UK government took to secure it. The PD represents a significant change in aid relations in that it confers obligations on donors to meet certain standards. Prior to the PD, only recipients were required to make and meet specific commitments, through aid conditions. We strongly endorse the existing principles and believe that in emerging areas such as the Aid-for-Trade initiative⁸¹, the principles should also apply.

3. However, we must guard against overstating the importance of the PD. There are real limitations in the indicators, the methods to monitor compliance and, most importantly, the ability to hold donors to account for poor performance. September’s High Level Forum on Aid Effectiveness in Accra provides an opportunity to address some of these weaknesses. Christian Aid would like to see donors take on board the recommendations of the international civil society network, particularly to ensure donors commit to use aid only for poverty reduction, target it at the poorest people and allocate it equitably.⁸²

4. This International Development Committee (IDC) inquiry comes at an opportune moment to both scrutinise and influence the agenda of the UK government in the run-up to Accra. To assist that inquiry Christian Aid has written this brief submission. It does not aim to provide an exhaustive critique of the PD: instead it will focus on two specific issues, namely the indicators around country ownership and alignment with country procurement systems.

⁸⁰ See *Boom time blues: big oil’s gender impacts*, 2006 <http://www.genderaction.org/images/boomtimeblues.pdf>

⁸¹ Launched at the World Bank—IMF annual meetings in 2005. See Christian Aid *The Opportunities and Risks of Aid for Trade* December 2007

⁸² International CSO Steering Group (ISG), From Paris 2005 to Accra 2008: *Will aid become more accountable and effective?, A critical approach to the aid effectiveness agenda*, date?

OWNERSHIP

5. The current development consensus is that countries are more likely to implement a policy if they “own” it. This may seem obvious, but it is a significant change in principles to the traditional donor practice of imposing the reforms they believe to be priorities upon recipients. This approach is inappropriate, ineffective and undemocratic:

- *Inappropriate* because externally imposed reforms have so often failed to bring benefit to the country concerned. Indeed policies such as liberalisation and privatisation that are premised on their ability to bring growth have on the contrary frequently impoverished poor people further
- *Ineffective* because of the risk that aid recipients will not fully implement, or could even reverse, reforms
- *Undemocratic* in that externally imposed reforms undermine democratic decision-making in poor countries, because governments are forced to adopt specific policies to secure development finance—even if they are unpopular with their citizens. Agreements are made behind closed doors with little input from parliaments and citizens.

6. Christian Aid considers “ownership” to mean the degree to which a recipient country government selected a policy. We find it alarming that some donors such as the World Bank and International Monetary Fund (IMF) define ownership as the degree to which a country is likely to implement a reform, ie its implementation is proof that the policy is wanted. Such an approach fails to reflect the power of donor money, aid conditions and technical assistance to push a government on to a different course of action.

The operational PRSP

7. While we welcome a Paris indicator on ownership, it is the measure that reveals its weakness. Currently the existence of an operational Poverty Reduction Strategy Paper (PRSP) is seen by donors as proof of ownership. Christian Aid welcomed the PRSP and many of our partner organisations feel governance has improved as state and citizens engage in PRSP development. Yet it is perverse to use this as a measure of ownership, given its genesis in each country is driven by donor conditionality (countries need to have a PRSP to get aid) and pre-existing donor conditionality—most notably the IMF’s Poverty Reduction and Growth Facility (PRGF)—define the limits within which the PRSP is developed. It is the World Bank (whose policies inform the PRSP) who decides if a PRSP is “operational”.

Conditionality

8. The clear aid effectiveness indicator omitted a commitment to curtail aid conditionality. The failure to do this means donors can continue to have lots of conditions that differ from other donors. This can increase risks of aid volatility, unpredictability and other issues that kick-started the entire drive to improved quality of aid targets in the first place. The evidence shows that budget support programmes are more likely to go off track due to aid conditionality⁸³, highlighting the importance of rationalising across and coordinating between donors in this area. This becomes more important while donor conditions are informing the content of PRSPs and undermining the actual ownership indicator.

Parallel governance structures

9. Christian Aid is concerned that the pursuit of the “low-hanging fruit” of donor coordination must be accompanied by vigorous activity to achieve the goals of ownership and alignment. Failure to do so may perversely risk further squeezing citizens and their organisations out of major policy decisions. Indeed, we could be witnessing the development of parallel governance systems.

10. Civil society organisations are involved in PRSP formulation, the parliamentary PRSP approval and monitoring processes as well as other consultations with individual government ministries. Donors engage with government through the Multi-donor Budget Support performance assessment framework (which is drawn from but effectively prioritises PRSP commitments) and at the donor-government working groups that guide the work of each ministry.⁸⁴ Because donors have the leverage where citizens and their organisations do not, there is a risk that this parallel process could undermine those formal, albeit fledgling, democratic dialogue processes through which states and citizens communicate.

⁸³ Benn Eifert and Alan Gelb, *Coping with aid volatility*, Finance and Development, International Monetary Fund September 2005 Vol 42, Number 3.

⁸⁴ This has been seen in Sierra Leone, for example Lucy Hayes, *Old habits die hard: aid and accountability in Sierra Leone*, Eurodad, February 2008.

Conclusion

11. True ownership in the broader sense denotes the ownership not just of government but of other domestic stakeholders. Donors need to focus on restricting conditionality to those conditions focused on fiduciary accountability to ensure PRSPs are not just operational but more broadly owned. Furthermore, donors need to ensure that fora where they engage with recipient governments are fully transparent and do not distort dialogue processes between states and citizens.

ALIGNMENT: USE OF COUNTRY PROCUREMENT SYSTEMS

12. Christian Aid has focused specifically on the commitment for donors to use country procurement systems. Again, this is a welcome commitment because of the heavy transaction costs for recipients in complying with the purchasing rules of all their different donors. The goal is ambitious, for at least 90% of donors to be using country procurement systems by 2010.

Best practice procurement systems

13. The goal only applies to countries which have procurement systems which “adhere to broadly accepted best practice or have a reform programme in place to achieve these”.⁸⁵ At first glance this seems fair enough; no donor will want to put their funds through processes that are weak and likely to be at risk of corruption.

14. Christian Aid decided to investigate what “broadly accepted best practice” means on the ground. We did this because procurement is the most controversial of all the aid conditions around good governance, seem by critics as a “can-opener” for further liberalisation.⁸⁶ We found that the criteria focus on basic accountability and transparency of the procurement process, but step beyond this to consider how far recipients can use procurement as an interventionist economic policy tool.

A bias to liberalisation

15. An Organisation for Economic Cooperation and Development (OECD)-World Bank round-table on procurement has devised indicators to measure how far countries are meeting with “broadly accepted best practice”. These reward non-discriminatory procurement systems with higher scores. The sub-indicator on participation rules argues that “as a general principle, firms, including qualified firms, should not be excluded from participating in a tendering process for reasons other than lack of qualifications” as these exclusions “may arbitrarily limit competition and may result in inefficient procurement and higher prices”.⁸⁷

16. Furthermore, the indicators reward policies that do not require foreign firms to associate with local firms or establish subsidiaries. An annexed document entitled “good practice for national competitive bidding” claims that it is good practice if “any firm, national or foreign, can participate in the tendering process except if the firms are excluded by legal provisions” including convictions or UN sanctions.⁸⁸

17. Christian Aid research into procurement reform found that Ghana was pressurised by the World Bank to ensure national competitive bidding allowed foreign firms to participate. The impacts of this shift are being felt by local firms, many of whom argue that the mitigation measures allowed by the “broadly accepted best practice” models are not sufficient to counter the inequities of taxation, access to credit and other factors which allow foreign firms to bid lower.⁸⁹

Procurement and policy space

18. Furthermore, governments are restricted in their ability to use procurement as an important economic policy despite evidence that many countries have done so in the past. One of the best examples is the US Buy American Act 1933, which mandates preference for the purchase of domestically produced goods over foreign goods in U.S. government procurement and is still in place today.

19. In response to major riots between indigenous Malays (the Bumiputera), Chinese Malays and other “market dominant minorities”⁹⁰ in the late 1960s, the government of Malaysia used public procurement preferences for both Bumiputera businesses and other domestic providers. There has been some evidence

⁸⁵ Paris Declaration on Aid Effectiveness pg 9 available at <http://www.oecd.org/dataoecd/11/41/34428351.pdf>

⁸⁶ Author? Reality of Aid, *An Independent Review of Poverty and Development Assistance: Focus on Governance and Human Rights in International Cooperation[s?]*, Zed Books and IBON, 2004.

⁸⁷ Organisation for Economic Cooperation and Development *Methodology for assessment of national procurement systems version 4*, 17 July 2006.

⁸⁸ Ibid.

⁸⁹ Christian Aid research into procurement reform in Ghana. Forthcoming. [more info?]

⁹⁰ Christopher McCrudden, *Buying Social Justice: Equality, Government Procurement and Legal Change*, Oxford University Press, September 2007.

of political corruption by Malaysian officials in the awarding of contracts. However Janis van der Westhuizen, an expert in the southeast Asia region, argues that without this policy “Malaysia’s adaptation to the competition state model would have been even more difficult, complex and unstable”.⁹¹

Aid untying, procurement and market access

20. Procurement reform needs to be set against other trade goals. Procurement is a key issue in numerous trade agreements where western countries are encouraging procurement liberalisation with a view to secure greater market access. At the same time the donors are completely dragging their feet on lifting conditions attached to aid. The rather flimsy PD commitment was to make “continued progress” up to 2010.

21. As part of this drive the World Bank has begun considering how to use country procurement systems in countries where it works; however they have come up against the US corporate lobby who believe that developing country procurement systems are high risk and inferior to those of donor countries. Implicit in this is a concern that if this becomes World Bank common practice, it will restrict US corporations’ competitive access to bidding.⁹² To quash these concerns the proposed bar for selection of pilot countries is set so high very few countries will qualify. The World Bank is likely to continue to use its own systems for the foreseeable future.

Conclusion

22. The desire to minimise risk of corruption and maximise value for money have led donors to strongly emphasise open competition in procurement by as many players as possible, preferably including foreign participants too. But in doing so the scope for developing country governments to use procurement to pursue broader goals has been curtailed. It seems inappropriate that commitments to use national procurement systems should be requiring developing country governments to give-up their flexibility to pursue a path similar to that of Malaysia and indeed the US.

23. Christian Aid believes this issue substantially undermines the legitimacy of the Paris process. It is unacceptable to link commitments to use a country’s procurement system to how far it has liberalised, particularly when most donors continue to want to ensure that their own firms benefit from aid contracts (there is still a disproportional number of UK firms securing UK aid contracts, despite aid from the UK being untied). We would like to see the UK government prioritising this issue in the run-up to Accra and pushing for a revision that ensures recipient governments must only improve the accountability and transparency of their procurement systems.

CONCLUSIONS AND RECOMMENDATIONS

24. The run-up to Accra presents a good opportunity to not only strengthen the existing PD, but to deepen our understanding of what makes aid effective. The UK government has played a very important role in kick-starting this process, both at a country level and internationally. However, we believe this inquiry by the IDC is well-timed and useful to challenge the Department for International Development on the goals guiding their engagement in this process. We support all the recommendations made by the international civil society network, but in particular would ask that the IDC focuses on the following in their inquiry:

1. The need to change how ownership is measured. This should not be based on a World Bank assessment of how operational a PRSP is. Instead donors should measure how far a country leads in the selection, design and sequencing of their development agenda.
2. The importance of donor commitment to stop using aid conditions, bar those focused on fiduciary accountability. The continued use of conditionality undermines the goal of country ownership. A complementary goal on conditionality is required.
3. In implementing the PD, donors should avoid setting up decision-making structures with recipients which parallel those between states and citizens. Donor-government fora should be transparent and open to local civil society organisations.
4. Donors should look only to the accountability and transparency of recipient procurement systems when assessing their robustness and whether to use them. Any consideration of the degree of openness should be removed.

February 2008

⁹¹ *Ibid.*

⁹² For more information about the US corporate lobby and concerns re changes in World Bank procurement changes, see <http://econ.worldbank.org/WBSITE/EXTERNAL/EXTDEC/EXTRESEARCH/EXTPROGRAMS/EXTTRADERESEARHC/0,,contentMDK:20529033~menuPK:215762~pagePK:210083~piPK:152538~theSitePK:544849,00.html> and <http://www.nftc.org/default/trade/export/%20finance/May%2025%202005%20Letter%20to%20World%20Bank%20President-Elect%20Wolfowitz.pdf>

Memorandum submitted by Development Initiatives

AID EFFECTIVENESS—THE IMPORTANCE OF BETTER REPORTING TO IMPROVE TIMELINESS AND TRANSPARENCY OF FINANCIAL FLOWS FOR POVERTY REDUCTION

1. A key but currently neglected issue within the Aid Effectiveness agenda is the need to improve the timeliness and transparency of resource flows for poverty reduction and sustainable development.
2. Lack of timely and transparent data:
 - (a) impedes development planning and coordination—and therefore the efficient use of resources
 - (b) is a major obstacle to developing country ownership
 - (c) reduces accountability—to donor country taxpayers and more importantly to people in poverty in whose name resources are being allocated
3. At present, most recipient country governments only have partial knowledge of the resources they are meant to be receiving. This represents a substantial obstacle to effective financial management and planning—and undermines country ownership. Few businesses would survive without full and timely financial data.
4. In principle, improving the quality of information on \$100 billion in global aid flows should not be an insurmountable challenge. The trillions of dollars traded on global markets daily can be effectively tracked. Advances in IT offer major opportunities for better dovetailing of existing systems used by OECD donors. And whilst the potential benefits in terms of efficiency in the use of aid resources are as yet unquantified, intuitively they will be substantial.
5. Currently the OECD's DAC Statistics and Creditor Reporting System (CRS) databases provide a central authoritative source of data on ODA flows for poverty and development. A wide range of bilateral, multilateral, non-governmental, academic and private sector organisations rely heavily on OECD data.
6. But donor reporting to the DAC systems is far from being current—a disbursement made to a particular country in January 2008 will not appear in finalised DAC Statistics until December 2009—almost 2 years later. Reporting to DAC Statistics is mandatory—but reporting to the important CRS remains voluntary and CRS data is therefore incomplete.
7. Whilst substantial efforts have been made, especially in recent years, to provide data which is disaggregated and/or flagged, so that it is possible to see how policy intentions are being matched by changes in spending, NGOs and civil society groups (particularly in developing countries) find it difficult to access data which is as recent and disaggregated as they require.
8. Whilst the OECD is the single most important source of information on aid flows (especially since the OECD DAC defines what can be counted as ODA), there are several other databases which track aspects of aid, including databases designed for use by developing country governments. Unfortunately not all such databases are designed to be compatible with each other—or with the DAC and CRS systems—which reduces their usefulness for international comparability purposes.
9. Although audit processes play a vital role in scrutinising the proper use of resources, there is a case for increased access to transaction level data on aid, in order that a range of stakeholders can see how aid is transmitted through different organisations from source to ultimate beneficiary. A much clearer picture is needed on who has access to what resource information at each stage of the process.
10. Reporting on disbursements and commitments discussed above is important and can be greatly improved. In addition, there is also scope for some additional transparency at an earlier stage—when donors are putting together indicative spending frameworks. Often it is left to field staff in country to find out on an ad hoc basis what donor partners are planning to spend. There is clearly potential for some basic sharing of information on allocations significantly earlier, with clear benefits to country level coordination.

SOME INDICATIVE AREAS FOR PROGRESS

11. There is a strong case for all OECD donors giving greater priority to several aspects of financial and statistical reporting.
12. Investment is needed at all levels to ensure that donors collect and can report a more disaggregated picture to the OECD. This means, *inter alia*, more capacity (both personnel and IT investment) in DAC members' statistical departments so that adequate priority is given to the joint effort to produce internationally comparable data. Increased capacity is needed in the Development Cooperation Directorate of the OECD so that donors can be supported in efforts to improve the timeliness and granularity of data.
13. Concrete steps that could be taken at an early stage include:
 - (a) A shared effort to bring forward deadlines for reporting to the OECD—not all donors meet the current July 15 deadline.
 - (b) Reporting to the CRS to be made mandatory—in line with DAC statistics
 - (c) Urging all actors, including multilateral agencies, to ensure that their resource data related work is compatible with DAC protocols and definitions.

- (d) An effort to investigate the potential for greater application of innovative IT solutions to donor reporting—drawing on the expertise of the IT and finance sectors.
- (e) The vital importance of increased public access to information (project level and financial data in standardised format) needs to be explicitly recognised as a discrete and important area for specific timetabled progress following the Accra meeting.
- (f) Whilst improving transparency of bilateral donors is a priority since they provide most global ODA, the same principle of timely, comparable and properly broken-down data being made publicly available should also be applied to other aid providers and funding channels—including non-OECD bilateral donors, multilateral agencies, NGOs and Foundations—and government departments in developing countries.

WHAT DFID CAN DO:

14. DFID is already ahead of the curve on many aspects of reporting and is well positioned to set an example to the donor community and to continually strive to improve its own performance, drawing on best financial and IT practice in other sectors.

15. DFID should continue to work with a range of partners to promote the issue of transparent and timely data. It should set itself challenging goals to further improve performance and should work with other donors to ensure increased resourcing of the OECD on statistics and reporting.

16. DFID should (continue to) champion the development of standards such as IDML (International Development Markup Language) which can ensure the efficient electronic sharing of data.

17. It should prioritise the development of statistical capacity in developing countries, including through sustained support for the Paris21 Initiative and through increasing opportunities for building southern statistical capacity. In line with its efforts to explain and increase public engagement in development, DFID should provide specific support to processes and organisations which seek to increase access and understanding of development related statistical information—recognising that there is a real gap between data being available online—and people (whether ordinary members of the public, MPs, NGOs or officials in southern government departments) actually having the bandwidth, computer access, confidence and economic literacy to make practical use of the data.

CONCLUSION

18. Whilst 20/20 realtime information on resource flows for poverty reduction is probably unattainable—there are very many modest but worthwhile steps that every organisation involved in the aid process can take to improve the current situation. Some of these steps are known, a few have been mentioned in this memorandum, others are being identified. The IDC could play an important role in taking its own view on the importance of this issue as part of the wider aid effectiveness agenda.

ABOUT DI AND THE RESOURCE TRACKING INITIATIVE

1. Development Initiatives is an independent UK-based organisation that undertakes research and advocacy work on aid and poverty reduction. We have considerable experience in the area of aid effectiveness, having co-founded the Reality of Aid programme and managed the report process over its first decade. DI provides statistical and policy analysis to a range of bilateral and non-governmental agencies and manages an ongoing research programme on Global Humanitarian Assistance.

2. Development Initiatives has recently embarked on a major new initiative to track resources for poverty reduction, seeking to increase access to information on aid resources from the point of their initial allocation through to commitment, disbursement and ultimate impact.

3. The overall aim is to ensure that governments and citizens are in a stronger position to plan, manage and account for aid resources, thus maximising the impact of these resources on poverty reduction and sustainable development. The programme will seek to do this by improving the quality, timeliness, transparency and availability of data on resource flows.

4. The expected outcome of the project is more and better data on aid flows, accessible at all levels, resulting in better planning, more transparent resource allocation, improved aid management and increased accountability. This in turn will contribute to the achievement of the MDGs through faster, more effective poverty reduction, in line with the objectives of the Paris Declaration on Aid Effectiveness.

5. We do not underestimate the challenges, political, administrative and attitudinal, to increased resource transparency. But limited analysis and dialogue to date shows that there is real demand from a range of stakeholders and genuine potential for substantial progress.

6. Whilst our work is in its early stages, we are grateful for the opportunity to highlight this issue to the International Development Committee as part of their inquiry on Co-ordination for Aid Effectiveness.

7. We ask the International Development Committee to consider this issue as part of its current inquiry, and would welcome the opportunity of sharing our analysis on this issue as our new programme of work progresses.

February 2008

Memorandum submitted by Howard White, Executive Director, International Initiative for Impact Evaluation (3ie)

Why does aid coordination matter?

There are two main, related benefits to aid coordination:

1. Reduced transaction costs: governments should no longer need to deal with multiple reporting formats, multiple donor missions on the same subject and so on, freeing up time from aid management for the business of government.
2. Increased ownership: the project-based approach and program fragmentation under many donors hinder ownership since there is insufficient staff in government to participate in all projects and programs in a meaningful way.

What is 3ie and why is it necessary?

3ie is a new international organization which will finance high quality impact evaluations on questions of enduring relevance to enhancing development effectiveness. It is being supported by a number of governments in both developed and developing worlds, NGOs and official development agencies, including DFID.

The impetus for 3ie came from two perceptions: (1) a lack of high quality impact evaluations necessary for evidence-based policy-making, (2) the lack of the necessary independence of in-house evaluation departments to deliver critical findings. An additional rationale is that 3ie will place responsibility in the hands of developing country governments and agencies.

What is the link between 3ie and aid coordination?

3ie will foster greater aid coordination in at least three ways:

1. Providing common quality standards for impact evaluation, ensuring comparability and so enhancing learning across countries and agencies.
2. Providing a platform for evaluating government programs, rather than the fragmented, donor-specific contribution to those programs. In cases where a sector wide approach has been adopted, 3ie can support an evaluation which will cover the inputs of all funding agencies (noting that 3ie will evaluate specific interventions under programmes, not the programme as a whole).
3. Finance evaluations demanded by developing country policy makers, so fostering ownership and use of evaluation findings. The greater use of evaluation findings will motivate policy makers to be more proactive in the use of aid funds, seeking to coordinate financing under government designed interventions.

But doesn't the current proliferation of impact evaluation initiatives go against the idea of coordination?

In addition to 3ie, there is also a new Network of Networks on Impact Evaluation (NONIE) with the same objective of promoting quality impact evaluation. The World Bank also has a number of initiatives with the same objective. In reality these initiatives are complementary not competing. NONIE is to create awareness and understanding, and promote adoption of quality standards. 3ie is a financing agency, which will set standards by example. The World Bank initiatives are an additional financing channel, restricted to Bank-financed activities, and also carry out capacity building activities.

Submission by Merlin

INQUIRY ON CO-ORDINATION FOR AID EFFECTIVENESS

ABOUT MERLIN

1. Merlin is the only UK specialist agency, which responds worldwide with vital healthcare and medical relief for vulnerable people caught up in natural disasters, conflict, disease and health system collapse. Merlin's aim is to ensure that vulnerable people who are excluded from exercising their right to health have equitable access to appropriate and effective healthcare.

2. This aim is inspired and underpinned by the World Health Organisation (WHO) declaration⁹³ that "the enjoyment of the highest attainable standard of health is one of the fundamental rights of every human being without discrimination of race, religion, political belief, economic or social condition". In support of this aim, Merlin works in partnership with global, national and local health agencies and communities to strengthen health systems and build community resilience to better prevent, mitigate and respond to health outcomes.

QUESTIONS OF OWNERSHIP

3. Merlin's experience of the aid effectiveness agenda is predominantly based on our experiences in fragile states such as Burma, Sudan, Afghanistan and the Democratic Republic of Congo. In these contexts making aid more effective continues to be a challenge for partner countries and international donors alike: much of the aid effectiveness agenda is predicated on a mutual political willingness to make aid more effective, but in countries such as Burma⁹⁴, where international engagement is low and the regime unwilling to assume responsibility for development strategies, there is a need to consider what happens to ownership when countries are not willing to provide for the people.

4. The health system receives the lowest priority in Burma. According to the 2005 Human Development Report, Burma had the lowest public health expenditure (as % of GDP) of all 173 countries measured, with government expenditure standing at 0.4%. Donor coordination around the three-diseases fund, a humanitarian funding mechanism, demonstrates that working with NGOs such as Merlin it is possible to support the health sector, and align with existing national strategies to ensure that health services and interventions are delivered in accordance with national health priorities, but there remains insufficient levels of aid to meet the needs of the population and in the main the current political context means that Burma remains excluded from the processes of the aid effectiveness agenda.

DONOR POLICY ALIGNMENT

5. One of the greatest challenges in fragile states centres on the capacity constraints of national policies and systems; in the Democratic Republic of Congo little bilateral or multilateral aid is aligned to national priorities owing in part to the absence of the government's development strategy combined with significant capacity constraints and shortages of technical skills. Although the Ministry of Health is responsible, in principle, for policy stewardship of the health system, in practice administration and enforcement at central level is poor and the Ministry has lost a considerable degree of its autonomy to decide, orient and direct national and regional health policy. A shortage of national managers capable of ensuring coordination in accordance with agreed guidelines has resulted in poor coordination among donors operating in the health sector. Furthermore the challenges posed by DRC government budget estimates against actual donor disbursements means that senior officials have poor information about what funding will be available to implement national health policy, making long term planning difficult.

6. One of the consequences of this situation is the lack of policy coherence between donors in the health sector, particularly in the east of the country; one of Merlin's greatest challenges in DRC has been reconciling separate donor policies within the same Province or even programme. Although the donor community has endorsed the Paris Declaration and Good Humanitarian Donorship principles in many cases this has yet to translate at field level. The tendency for donors to split areas geographically (even within a Province) can lead to policy and practical inconsistencies and impact on people's ability to access health care: conflicting donor policies *vis-à-vis* cost recovery mechanisms in Maniema Province in 2006 led to the implementation of user fees in health facilities in one area, while neighbouring facilities (supported by a different bilateral donor) introduced free health care services. DFID has made a commitment to work towards promoting policy coherence and within the context of health this is particularly important; the failure of donors to agree on common approaches, within the same sector and province, only serves to undermine already weakened systems, increase inequities in health service provision and further contribute to the pressures of Ministry of Health staff.

⁹³ As reflected in the WHO constitution (1946), Alma Ata Declaration (1976) and World Health Assembly (1998).

⁹⁴ Burma is not a signatory to the Paris declaration.

ALIGNING BILATERAL AID

7. Increasing the predictable nature of aid disbursements is a central tenet of the aid effectiveness agenda and critical to the development and strengthening of health systems. Current donor funding mechanisms are often inadequate in transitional contexts (that is, the transition from humanitarian intervention to development) where populations remain highly vulnerable and health needs are unmet. The risks of working with fragile states needs to be better balanced by the long-term health and political benefits of continued engagement. Donors expectations must be realistic—in countries facing chronic under investment in health systems health outcomes will not improve in the short term, it is a long term process. Merlin believes that the current short term approach to health funding undermines real progress.

8. In addition, the current plethora of global health partnerships presents a highly fragmented approach to improving health outcomes. Global and vertical funds must better match national development strategies and systems. Merlin welcomes DFID's work with global funds to ensure better impact without cutting across national priorities and systems (DFID, 2006).

9. Centralised pooling mechanisms can serve to reduce the volatility of disbursements (and direct aid according to need rather than to strategic interest) although there are lessons to be learned. USAID is been reluctant to commit to pooled funding because of concerns about monitoring the effectiveness of their contributions to the funds. In South Sudan the Multi Donor Trust Fund, established in 2006, has yet to disburse funding for health despite substantial commitments by donors and the government of South Sudan. Significant debate surrounds the reasons for the lack of progress of the MDTF, however the experience highlights the fragility of new financing mechanisms in fragile states where capacity is weak. The key purpose of the MDTF in health was to support the newly established Ministry of Health to develop its own capacity to carry out core management and coordination functions and expand service delivery to meet the needs of returning and resident populations. This key objective is some way from being met.

REFERENCES

DFID (2006). DFID's medium term action plan on aid effectiveness. Our response to the Paris Declaration.

February 2008

Memorandum submitted by Professor Mick Moore (Institute of Development Studies)

1. In recent years, there has been a great deal of discussion in aid donor circles, followed by quite a few agreements and resolutions, about improving donor performance around the set of issues labelled "coordination for aid effectiveness". Two concepts about how aid effectiveness could be improved have been central to this debate: (a) coordination (mainly of donor activities) and (b) recipient ownership.

2. I fully respect the motives behind the push toward coordination and ownership. But I believe that this agenda will not work, for three reasons: (a) it is to some degree misconceived (b) the two objectives are to some degree contradictory and (c) more important, change will not happen fast to keep pace with the scale of the problems.

3. Contradictory? If it happens at all, coordination will largely be on donor terms.

4. Coordination. Yes, the channelling of aid through a growing number of channels, each with its own modalities, does impose major costs ("transactions costs") on recipients. It is good in principle to harmonise procedures and try to reduce the number of channels. But this is a deeply rooted problem, which is getting worse even as we appear to be trying to deal with it. The number of aid channels has been increasing steadily since the 1970s. The growth has probably accelerated recently. More evidently, the new aid donors (China and other fast-growing middle income countries that were "traditionally" aid recipient; the big private foundations) have made the field much more diverse. The system is now out of control. The Western donors' club (OECD DAC) can no longer coordinate it. As the ODI evidence shows, progress by the Western aid donors even in meeting their own commitments to coordination (Paris Declaration and after) is painfully slow, and sometimes even contrarian (see references to "common funds"). Worse, the ODI evidence suggests that "coordination" has not reduced the burden of "transactions costs" imposed on recipient governments. One can imagine it worsening the problem. It is far from clear that it was ever sensible to expect the institutionally fragile governments—which largely overlap with those who get a lot of aid, from many different donors—to be able to take the lead and coordinate. Even if they could do that, we might be guilty of further focusing the attention of their high level politicians and public servants on getting and spending aid, when they should be focusing on promoting development.

5. Ownership. The term both addresses a real problem, but is a fudge. People still argue about what it means, and how one measures it. It is a politically convenient way of signalling a general concern—and one that is very appealing to recipient governments. It does not relate directly to what should be our central concern: the quality of aid. And, as Paul Collier has very usefully pointed out, it tends to obscure the fact

that many of the best uses of aid are regional rather than country-focused, especially in relation to infrastructure. We don't want the Government of Kenya entirely to "own" the Kenyan aid programme, if that discourages it from working with other governments in the region.

6. The current bundle of coordination-ownership reforms are (a) partly misconceived and (b) are likely to continue to roll out at a snail's pace - while the aid environment is changing much faster. Neither existing aid agencies, recipient governments, nor the donor governments who give aid for geo-strategic reasons have strong interests in accelerating reform. Why should they oppose a system characterised by (a) generous budgets, (b) so many overlapping agencies, activities and programmes that it is very hard to attribute either causality or blame, and (c) limited independent evaluation?

7. Policy implications?

(i) At the national/individual donor level: Do not expect very much of the current coordination-ownership agenda, and focus wherever possible on improving the quality of aid.

(ii) At the global level: Concentrate on building up a powerful system of independent evaluation, along the lines of the new International Initiative for Impact Evaluation, that should (a) provide aid-takers with information so that they can better choose among the increasing range of aid channels at their disposal and thereby (b) provide the aid-giving agencies with more tangible incentives to perform well.

4 March 2008

Memorandum submitted by Muslim Aid

COORDINATION FOR AID EFFECTIVENESS INQUIRY

SUMMARY

In the opinion of Muslim Aid the evidence from the field in Indonesia and Somalia leads to the following broad conclusions:

1. It is vital to the delivery of effective aid that donors and governments engage, coordinate and consult with civil society organisations (CSO) and the beneficiaries with whom CSOs often have privileged access.
2. The political context in which aid is implemented effects the nature of the coordination required. Muslim Aid's experience in Somalia, for example, demonstrates that in the absence of a single stable governing authority the humanitarian imperative demands that civil society coordinates with those who have authority on the ground.
3. Local government authorities should be more actively engaged to promote better coordination, alongside central government.
4. There are very practical ways in which aid can better reflect grassroots needs, such as the importance of good translation facilities to ensure beneficiary needs are really understood at the earliest possible stage of project design.
5. Muslim Aid recommend that DfID consider facilitating coordination between the agencies they fund by assigning responsibility to one NGO with a presence in the UK and the field.

INTRODUCTION TO MUSLIM AID

1. Muslim Aid is a UK based international relief and development NGO established in 1985 and working in 74 countries through its 11 field offices in Bangladesh, Bosnia, Cambodia, Indonesia, Iraq, Lebanon, Pakistan, Philippines, Somalia, Sri Lanka and Sudan. Muslim Aid is a signatory to the IFRC's (International Federation of Red Cross and Red Crescent Societies) code of conduct of NGOs in Disaster Relief; member of BOND (British Overseas NGOs for Development) and member of ECHO (European Commission for Humanitarian Organisation).

2. Muslim Aid's work is grounded in the ethos of beneficiary-led development which puts the values of compassion, justice and dignity of our beneficiaries at the centre of our work. This was demonstrated by the way local communities helped ensure that in our post-tsunami work, the most vulnerable people were selected for support. Organisations such as Panglima Laot, a fishermen's association in Aceh and local elders worked together with Muslim Aid to develop a fair and open selection process. The local community was also involved in finding suitable building sites, employing contractors and monitoring progress of the build. Beneficiaries took part in the reconstruction process from the start—working alongside local and international organisations to monitor the build process at weekly progress meetings.

3. Muslim Aid has been working in Indonesia since 2005 through its established field office. We now have a staff of 103 across Indonesia in one Field Office, three sub-field offices, and seven site offices, except for three the rest are recruited from the local community. We have sub-offices in Jakarta, Yogyakarta, Padang and Field Office in Banda Aceh.

4. Muslim Aid Indonesia is working in the field of poverty eradication (budget £500,000), the provision of clean and safe drinking water (budget £1,500,000), drainage (budget £2,500,000), sanitation (budget £1,000,000), capacity building for civil society and government (budget £1,000,000), orphan care (budget £500,000) and health (budget £1,000,000). Emergency relief is a continuing need as Indonesia, located in the ring of fire is prone to many natural disasters like earthquakes as well as floods and landslides. Muslim Aid is active in providing emergency relief as well as community-based disaster preparedness and risk reduction for risk-prone communities throughout the country (budget £1,500,000). Donor-funded projects we have implemented in Indonesia included a £2.5 million reconstruction projects with Oxfam in which we worked with local people to build homes to their design and specification. The American Red Cross provided water and sanitation infrastructure.

5. Our work in Indonesia has been widely acknowledged and supported by governments and the non-governmental development community as follows:

World Bank, Asian Development Bank, Multi Donor Fund, UN-OCHA, UNDP, UNICEF, International Organisation for Migration (IOM), Qatar Charity, The Glastonbury Trust, DEC/Oxfam, AusAID, AusCare, NZAid, Global Medic, The International Federation of Red Cross and Red Crescent Societies (IFRC), the American Red Cross, Handicap International, CHF International, the Ministry of Social Welfare, the Aceh and Nias Rehabilitation and Reconstruction Agency (BRR), Indonesian NGOs, the Governor of Aceh, the Provincial Governments of Jakarta, Aceh, West Sumatra, Bengkulu, Central Java, East Java and Yogyakarta.

6. Muslim Aid set up a field office in Mogadishu, Somalia in 1993 and opened a branch office in Kismayo in 1994. During the first few years Muslim Aid focused on providing emergency relief to those suffering as a result of conflict and famine. From the end of 1994 onwards, Muslim Aid started to implement long term development programmes in addition to its relief work. We currently work in the following sectors: emergency relief, education and skills, health, economic empowerment, child support and water and sanitation.

7. We have two sub-offices in both Puntland and Somaliland and are dealing with an increasing number of IDPs in these two semi-autonomous regions. In one particular area, namely Puntland, we are also dealing with human trafficking problems where many IDPs are trying to cross the Gulf of Aden with small boats which often do not reach their destination. We are also dealing with those who are fleeing from the recent fighting between the Government troops backed by Ethiopians and the insurgents in Mogadishu. The number of these IDPs is estimated to be 600,000 and they are still fleeing.

8. After the Tsunami, Muslim Aid Somalia worked with Oxfam / DEC to assist 5,700 beneficiaries, build 60 permanent houses in Hafun and Garacad and provide 80 fishing boats and other fishing equipment.

9. Muslim Aid works with over 20 local organisations to develop and deliver projects. In addition we have worked with the following international partners: WFP, WHO, FAO, UNICEF, UNISOM, UNSECO, Oxfam, DEC, Care International, NOVIB, AIDFUND, AL-IMDAAD, ICNA, Helping Hands USA.

EVIDENCE FROM INDONESIA

10. *Ownership*

Muslim Aid is a part of the economic advisory team to the Governor of Aceh for its long-term development strategy which is one of the seven teams advising the Governor on his Government's Transformation of the Government of Aceh. Muslim Aid, as other NGOs, worked within the BRR (Local Government) framework for the tsunami emergency and is now working with the Government in its efforts to set up a National Disaster Management Agency and with the Ministry of Social Welfare on social welfare projects. Involvement in these two processes by CSOs provides greater depth to the ownership of development strategies as Muslim Aid, for example, is able to ensure grassroots' needs are reflected.

For Muslim Aid, ownership by the local government and the beneficiaries themselves rather than just central government is more significant.

11. *Alignment*

Indonesia's reform programme seems to have stalled and corruption requires further interventions to ensure it is eliminated. Muslim Aid's projects and programmes are aligned to country's national priorities.

As part of Muslim Aid's commitment to assist the government and the communities, Muslim Aid has planned to deliver a capacity building training programme for the government's financial sector managers in Aceh for effective and efficient distribution of resources to the communities.

12. *Harmonisation*

Muslim Aid has signed a Memorandum of Understanding with the Ministry of Social Affairs of the Republic of Indonesia concerning cooperation in social welfare development.

The cluster approach in emergencies worked well in Yogyakarta but at the recovery phase there is less coordination between NGOs. In Aceh there are seven different NGOs, UN Agencies and international agencies advising the Governor on economic development with no coordination between them.

The lead role of the United Nations in the cluster approach is problematic in some cases because the UN system is deeply compromised by the influence on policy by the major powers and the Security Council membership.

13. *Managing for Results*

In Aceh most housing donors wanted to work only in contiguous areas and found it difficult to work with communities where the needs were widely dispersed. Muslim Aid has approached this by ensuring that the communities are dealt with and individuals and their needs are specifically addressed. Muslim Aid treated them as clients. With the concept of ensuring full community participation and consultation at all stages of the project, not only land verification but design and monitoring.

14. *Mutual Accountability*

Accountability to beneficiaries is an important element of Muslim Aid's programmes. Muslim Aid carries out a post-intervention survey on all its programmes.

One problem is related to language in Aceh many local NGOs and government officials did not participate in cluster meetings in Yogyakarta or Working Groups in Aceh due to language problems. This could have been solved by having on hand simultaneous translation facilities.

EVIDENCE FROM SOMALIA

15. *Ownership*

In a country ruined by the civil wars the nation does not have a well-set development strategy with priorities linked to a medium-term expenditure framework and reflected in annual budgets. In Muslim Aid's provision of services such as health and education, ownership is a major part of our community approach so that the community ensures the suitability of any implemented project.

16. *Alignment*

Muslim Aid works with authorities, other donors and communities in implementing its programmes to avoid parallel projects addressing the same objectives. In the context of Somalia, although there is some degree of cooperation and collaboration, as the country has been without a central functional government for quite some time except the last few years, Muslim Aid Somalia usually implements its plans in line with assessed needs and with community and local authority consultations.

17. *Harmonisation*

Muslim Aid Somalia has an annual programme plan that includes joint programmes with other donors and projects implemented by Muslim Aid alone.

18. *Managing for results*

Muslim Aid Somalia selects the most vulnerable and marginalized communities by working in close collaboration with the relevant authorities particularly at local level. Gender balance, impartiality, true needs-based approach and transparency are also vital for effective aid delivery.

RECOMMENDATIONS:

19. DfID could consider facilitating coordination between agencies funded by DfID on the ground and the work with local partners.

20. DfID may consider assigning coordination responsibility to one of the NGOs working in the field and having its offices in UK as well.

21. The coordination agency (NGO) under DfID's mandate can ensure that aid is effectively delivered to the communities.

Memorandum submitted by Brenda Killen, Head of Aid Effectiveness Division, OECD-DAC

At the hearing on 7 May, I promised to share whatever results were available from the 2008 Paris Declaration Monitoring Survey. The headline results are set out below. Detailed figures will not be available until the statisticians have finished their analysis next week, but I thought the committee might find the overall picture useful.

Brenda Killen

15 May 2008

2008 SURVEY—INITIAL FINDINGS

The Paris Declaration on Aid Effectiveness, endorsed in March 2005, is now recognised as a landmark international agreement aimed at improving the quality of aid and its impact on development. It lays out a road-map of practical commitments, organised around five key principles of effective aid:

Ownership by countries

Alignment with countries' strategies, systems and procedures

Harmonisation of donors' actions

Managing for results, and

Mutual accountability

Each has a set of indicators of achievement. The Declaration also has built-in provisions for regular monitoring and independent evaluation of how the commitments are being carried out.

The following paragraphs summarises some still tentative results from the second round of monitoring that was undertaken in the first quarter of 2008 in 56 developing countries (a first round was organised in 2006). The findings of the survey will inform discussions at the Accra High-Level Forum on Aid Effectiveness hosted by the Government of Ghana on 2–4 September 2008.

The conclusions that can be drawn from the 2008 survey analysis are alarming in respect of substantive progress on the Paris Declaration commitments. The survey suggests a simple message to the Accra High-Level Forum: the efforts currently being made are not enough.

- The survey countries will meet the ambitious targets that have been set in the areas of ownership and results' orientation only if they make unprecedented break-throughs in respect of strategy-budget linkages and embedding results' orientation in governance systems. Consideration needs to be given to whether the current focus on operational development strategies and results-oriented frameworks is setting the right level and kind of ambition.
 - The most robust of the indicators of aid alignment and harmonisation suggest a situation of “no change” since 2005. Except for aid untying, there is no indication that the incentives underlying donor and country practices have altered significantly in response to the Paris Declaration commitments. While a few countries have advanced in specific areas, it is not clear that the Paris commitments are responsible. Other countries have apparently slipped backwards. The survey suggests a simple message to the Accra High-Level Forum: the efforts currently being made are not enough.
 - The findings from the World Bank Aid Effectiveness Review suggest that a mutual accountability that involves aid donors and recipients in a rigorously results-based dialogue is a considerable way from being achieved. But simpler and more realistic objectives need to be entertained. The progress made in establishing specific monitoring arrangements for aid partnership commitments remains to be assessed because the revision of the country chapters of the survey report is not yet complete.
 - The approximately 50 countries participating in the 2008 survey include 10 countries with fragile states and 16 Middle Income Countries according to current World Bank definitions. An encouraging finding on the former group is that on the most robust alignment measure, it does no worse than the whole sample, meaning that some donors are making special efforts to build up country systems by using them. Alignment and harmonisation in MICs present some distinctive challenges which may call for some “localisation” of the Paris commitments. Continued monitoring of the commitments in these different types of country situation seems justified.
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Memorandum submitted by the Overseas Development Institute

SUMMARY

1. This submission presents evidence from ongoing research and advisory work by ODI on the three themes: international aid architecture; aid effectiveness; and agency incentives and practices in delivering aid.

2. ODI's programme of work in these three areas includes reviews and evaluations of specific aid modalities, donor coordination efforts at country and sector level, expert opinion and advisory work on the workings of the international aid system and involvement in surveys of progress against international agreements on aid effectiveness.

3. The evidence submitted here is wide-ranging but can be summarised in the form of four high-level messages:

- The benefits of stronger aid coordination are more widely understood today than at the beginning of the decade, but progress in implementation is uneven and in some cases at odds with the good practice promoted in the Paris Declaration.
- Many of the problems of coordination stem from an international aid architecture which suffers deep seated, though increasingly clear, weaknesses. Donor agencies retain substantial asymmetric power reflected in lack of clear mechanisms for mutual (recipient-donor) accountability, and there is growing and potentially uncontrollable proliferation in the aid system.
- At the level of individual countries there are definite signs of progress under the aegis of country-led Poverty Reduction Strategies, Performance Assessment Frameworks and Joint Assistance Strategies, but the mechanics of coordination are challenging and costs are both high and unevenly spread among donors and recipients.
- Beyond Accra there is a need to revisit a progressive agenda for reforming aid that focuses more directly on the need for de-fragmentation across the aid system, provides greater space for recipient leadership, promotes strategies for medium term predictability and takes greater account of the political-institutional challenges of bringing about stronger ownership and accountability within the aid relationship.

1. *How donors seek to apply the principles of the Paris Declaration (PD) and coordinate their aid programmes in terms of objective and priorities*

1. KEY MESSAGES

- Positive progress is being made with Poverty Reduction Strategies (PRSs), the use of recipient led Performance Assessment Frameworks (PAFs) and Joint Assistance Strategies (JASs) as a basis for coordinating aid efforts at country level.
- The benefits of coordination are reduced by the lack of predictable aid flows, with clear consequences for partner governments. Donors should do more to provide longer term and more reliable financing commitments.
- Donors continue to find it difficult to make the sacrifices necessary to reap longer term coordination gains.
- Mutual Accountability mechanisms have taken no more than a limited hold and need to be extended much more widely.

BACKGROUND

Progress against PD

2. Early impressions from progress reports for the High Level Forum in Accra (Paris baseline survey) suggest that recipient governments are taking greater control of their development agenda. PRSs are stronger than they were some years ago, but donors are still leading development efforts in some important respects indicating that further efforts are needed to live up to partnership commitments.

3. Progress on Managing for Development Results is comparatively slow for a number of reasons. The principle was introduced at a relatively late stage and is inherently difficult to implement. Relevant PD indicators are weak. Moreover donors still tend to want to be in the lead on monitoring and evaluation issues.

Strategic Partnership with Africa (SPA) survey

4. The Annual Strategic Partnership with Africa (SPA) survey of budget support obtains information on progress made by 20 budget support donors in aligning and harmonising their activities in 14 Poverty Reduction Strategy (PRS) countries in Africa. The survey was initiated in 2003. The 2007 survey report will be finalised in early 2008.

5. Preliminary findings suggest a number of positive trends. There is increased use of Memoranda of Understanding (MoU) linked to partner led PAFs in country programmes: there has been a net increase of 19 new programmes signed up to MoUs among surveyed countries compared to that recorded in the 2005 survey. This partly reflects new agreements introduced in Malawi, Mali and Sierra Leone.

6. There is some evidence of improvement in the short term, quarterly predictability of disbursements, ie within the recipient government's financial year, and in the disbursement of commitments in general (92.5% of General Budget Support (GBS) committed for 2006–07 was actually disbursed, compared with an 83.1% disbursement rate for 2005–06 commitments). At the same time, GBS has increased as a proportion of total aid covered in the survey (24.5% of aid flows compared with 19.7% previously) and there is a general improvement in recipient satisfaction, reflecting greater use of joint reviews or missions and efforts to reduce the burden of conditionality.

7. One of the areas in greatest need for improvement is that of medium-term predictability. Of donor programmes recorded as having committed funds for 2006–07 in the 2007 survey, 85% had also been able to make firm commitments for the following year (2007–08), 69% had firmly committed for 2008–09 but only 35% had committed for 2009–10. For partner governments attempting to undertake strategic resource allocation decisions over the medium-term this lack of predictability is a major constraint.

Joint Assistance Strategies

8. Problems in delivering medium term predictability are further evidenced by the experience of implementing Joint Assistance Strategies (JASs). JASs aim to provide a coherent medium term framework within which development partners can mobilise and coordinate their aid at country level. JASs are in most cases the “donor-response” to a country led PRS as in Ghana and Zambia. In a few cases, as in Tanzania, the JAS is a government-led strategy and is used to establish government preferences on how aid is mobilised and allocated across the government system.

9. In few cases, however, have the aspirations of creating a clear medium term framework for delivering development assistance been fully realised. Despite a commitment in principle to the JAS, few donor partners (DPs), and particularly bilateral DPs, are able to commit to aid volumes beyond the first or second year of the JAS. Few are in a position to readily switch their assistance into sectors that are under-resourced relative to need, and few are willing to make sacrifices in the short term to bring about medium to longer term coordination gains (such as exiting sectors in which they have a historical attachment).

10. JASs are also intended to provide a platform around which DPs, in particular, can be held to account for their part in the aid partnership. Few countries have so far managed to develop robust mutual accountability mechanisms. The SPA survey mentioned earlier finds that only four out of 14 respondents in the 2007 survey yet have mechanisms in place to annually assess donor performance against their MoU obligations. More detail is given on progress with mutual accountability in response to section 2.

2. Ownership: the role of recipient countries in managing aid flows, articulating their needs and facilitating co-ordination

1. KEY MESSAGES

- Stronger recipient ownership of national policy agendas and donor interventions is essential for achieving development results.
- Good examples of mutual accountability are few but important lessons are now emerging.
- The step change in country ownership envisaged in the Paris Declaration requires further changes in behaviour on both sides.
- Current donor approaches to assessing effectiveness fall far short of providing partner countries with the kind of information they need to decide which donors to engage with for additional financing.

BACKGROUND
Recipient country ownership

2. The Paris Declaration has at its centre the idea that stronger recipient country ownership of both the national policy agenda and donor interventions in support of it are essential for achieving better development results. Stronger ownership depends on donors aligning with both the policies and systems of the recipient country. It also depends on greater efforts by donors to harmonise their activities by establishing common arrangements, simplifying procedures and sharing information. Lessons on country ownership have been learned the hard way through failures of earlier approaches to development assistance centred on freestanding projects and policy-based conditionality.

3. Key to achieving stronger country ownership is the realisation of a more equal partnership between donors and recipients. At present, donors are the more powerful actors because they have the resources and make most of the decisions about the quality and quantity of their assistance. Donors monitor the performance of recipients and can use this as a basis for rewarding good behaviour and sanctioning bad performance. Recipient countries are much less able to monitor donor compliance with aid effectiveness commitments, or take action if donors do not perform. Recipients lose resources if they perform badly, but donors do not lose “market share” and are only weakly regulated through effects on their reputation amongst their peer group.

Mutual accountability

4. Mutual accountability offers an alternative vision for the aid relationship in which both donors and recipients are held to account on a more equal footing. It requires shared goals and reciprocal commitments, access to information about donor aid flows and actions, mutual monitoring and review, and greater recipient country voice (including potentially the capacity to challenge through rewards and sanctions).

5. Recent research suggests that very few countries have actually made tangible progress towards mutual accountability frameworks of this kind. One positive example is Tanzania, where a crisis in relations between donors and recipients in the mid-1990s prompted the involvement of a panel of expert advisers. By 2000, this had evolved into an Independent Monitoring Group instrumental in improving the quality of aid to Tanzania. Further innovations include the 2002 Tanzania Assistance Strategy, which commits the government to take action in areas such as public financial management and anti-corruption and commits donors to take action on harmonisation and alignment. A complementary Joint Assistance Strategy has been developed by donors. Tanzania has also established harder conditions on the acceptance of aid through, and stepped up efforts to monitor donor performance in providing predictable aid.

6. In Vietnam a process of engagement with donors which began in the late 1990s was followed by a division of responsibility among donors, covering public financial management, harmonisation of procedures and project management. The Government demonstrated strong ownership of the national policy agenda and proved willing to forego aid rather than accommodate donor demands. Efforts culminated in the Vietnam Harmonisation Action Plan and Hanoi Core Statement in 2005, which represent cutting edge attempts to adapt the PD to country circumstances.

Stakeholder perceptions

7. Work commissioned by Development Finance International, the Commonwealth Secretariat and DFID suggests that partner country stakeholders take into account a range of criteria when assessing the effectiveness of donor agencies. This range of criteria is wider than those used by donors. In addition to an interest in the impact of individual agency activities and their performance against the PD indicators, these stakeholders are also concerned about both donor policies and donor procedures.

8. There are no systematic approaches for providing partner countries with the information they require to make informed decisions about which donor agencies to engage with when seeking additional ODA. This is hampering efforts by partner countries to develop aid policies and hence ownership of the aid system at national level.

3. *The benefits and potential difficulties of greater co-ordination: the impact on recipient and donor countries*

1. KEY MESSAGES

- A prerequisite for effective coordination at country level is consensus on aid policy and good institutional arrangements for recipient-donor dialogue. Even with coordination arrangements in place major institutional barriers typically need to be overcome on both sides.
- GBS should remain the preferred aid modality but needs to be strengthened, not least by avoiding combination with less effective aid modalities.
- Donors need to recognise that GBS can facilitate a process of internally driven change rather than drive it, and that the link with poverty reduction is necessarily long term.

- Some coordination efforts can actually reduced domestic institutional capacity, reinforce donor asymmetric power and impose additional costs on recipients.

BACKGROUND

Institutional barriers

2. Experience from major aid recipients in Sub Saharan Africa (SSA) points to the importance of financial and institutional aid dependency, shortage of sustained political support for more difficult reforms, and the limited capacity of Ministries of Finance to enforce changes in the incentive structures of line ministries and local governments. Above all, the continued dominance of projects and other modes of aid delivery that by-pass the national budget process can offset the advantages of GBS.

3. The role that donors can play in strengthening government ownership, public financial management (PFM) systems and domestic accountability is more complex than previously assumed, or admitted. In aid-dependent countries, budget priorities and accountability mechanisms are shaped both by external factors, such as the influence of donors on budget choices, and domestic factors such as the role played by parliamentary committees and civil society organisations. Formal processes and procedures can work in contradiction with informal forces, and incentives defined by existing rules and regulations may not have desired or easily foreseen effects. Donors have tended to overlook the technical and political feasibility of reforms and the importance of sequencing. Progress on these issues will require better understanding of the drivers of PFM reform in particular country contexts.

Country aid policies

4. Our review of co-operation between Netherlands, Sweden and the United Kingdom in Rwanda has highlighted the importance of donors working with Governments to develop frameworks for aid policy, within which co-operation and dialogue can be organised along lines similar to the Tanzanian Joint Assistance Strategy. A consensually based statement of aid policy that balances national ownership with maximum consensus can help provide a strong basis for progress on the alignment agenda and in implementing PD principles.

5. Donors need safeguards that Governments will commit to acceptable norms of behaviour, including relatively technical but also sensitive political assurances. At the same time, donors need to conform to norms of good behaviour concerning delivery and predictability of assistance, including clearly defined channels for speedy dispute resolution and graduated response mechanisms in the event of disagreements. In Rwanda as elsewhere strengthened and institutionalised channels of dialogue need to be established for this purpose.

GBS

6. Recent assessments of GBS as an aid modality point to significant but, in absolute terms, still quite limited impacts on macroeconomic stability and government spending in priority sectors. They also highlight rising transaction costs due to the co-existence of GBS with other aid modalities, vulnerability of GBS to governance crises and continued weaknesses in domestic accountability.

7. The effectiveness of GBS can and needs to be improved in a number of ways. It is vital to give close attention to the sustainability, predictability and timeliness of financial flows, reduce the large number of donor projects and reign back the parallel rise in common-basket funding. Donors also need to recognise that GBS can facilitate a process of internal, politically-driven change, rather than drive it, and that the link to poverty reduction is necessarily a long term one.

Sector budget reform

8. More could be done to improve the way in which budget reforms are implemented at sector level. Most reforms aimed at improving the management of public expenditure try to achieve the core objectives of fiscal discipline, resource allocation based on government strategic priorities and promotion of more efficient service delivery.

9. But typically these reform processes run out of steam by the time they reach sector level. Energy for reform needs to be sustained well beyond finance ministries to ensure that efficient service delivery receives the attention it needs. Sector budget reforms need to be well integrated with existing sector public expenditure management systems, for example through more systematic efforts to tackle mismatches between underlying costs and available resources and to seek out efficiency gains. In the absence of this budget reforms are likely to remain cosmetic.

Common funds

10. Despite apparent enthusiasm, donors are not shifting decisively towards direct budget support, while common funds have increased in popularity. In the Mozambique health sector, for example, common funds make up approximately half of sector aid and a third of sector funding. In Tanzania, a common fund dominates aid to primary education.

11. Common funds are meant to generate efficiency gains over individual projects and to work better with government systems. Donors also argue they are useful in building the preconditions for an eventual adoption of budget support modalities.

12. Our research shows that these expectations are misplaced.

13. Establishing common funds requires in practice efforts similar to those needed to strengthen mainstream government systems, and face the same constraints as the systems they attempt to side-step. Moreover these funds often overshadow (or even replace) domestic delivery systems, are difficult to take apart to allow subsequent transition to government systems, and divert attention away from vital sector policy issues.

14. In short, the move to common funds appears to be doing more harm than good. The main attraction to donors rest in the visibility they create with “branded” interventions, and superficial appearance of lower risks achieved though tighter control over the use of aid funds. A more critical approach to the use of common funds, by donors and recipients alike, is urgently needed.

4. *How bilateral and multilateral aid, including within the EU (member states and EC aid), can be better aligned and coordinated*

1. KEY MESSAGES

- Current assessments of aid effectiveness focus on individual agencies and throw very little light on the effectiveness of the aid system as a whole, or how it might be improved. Donors must consider ways of opening up a broader discussion on the future of the international aid architecture
- Bilateral donors should stop carrying out their own assessments of multilateral effectiveness and instead make the case for multilateral donors to produce comprehensive assessments of their own. Standards for assessment must be developed as a first step.
- The effectiveness of EC aid is improving, but lack of coordination among the bilateral programmes of EU Member States is a persistent problem. Routing more resources through the EC (and other multilateral channels) is an increasingly important avenue for raising the overall effectiveness of EU aid.

BACKGROUND

Problems with international aid system

2. The international aid system is a loose aggregation of more than 50+ bilateral donors and over 230 international organizations, funds and programmes. The result is high proliferation and fragmentation, with bilateral and multilateral donors, and recipient governments, pursuing multiple agendas for different purposes, leading to poor coordination and high transaction costs.

3. The international context is changing with the growth of China and India, trade and security challenges, and concerns over global/regional public goods which could knock progress against MDGs off-track and raise huge new demands for additional financing.

4. Approaches to assessing the effectiveness of multilateral channels, described below, are helpful in providing information on components of the aid system, but provide little useful information about its performance as a whole. Critical weaknesses such as proliferation and verticalisation, have been identified but there is little or no consensus on how the system should evolve to address these problems.

5. Donors should consider ways of opening up broader discussion on the international aid architecture. For example consideration might be given, outside the normal calendar of replenishment and funding negotiations, to whether proliferation is best addressed through some form of planned rationalisation of aid delivery channels, disciplining mechanisms at country level or more radical “marketisation” of the aid system.

Assessing Multilateral Effectiveness

6. ODI has recently carried out a study for DANIDA surveying the different approaches which donors take when assessing the effectiveness of multilateral donor agencies.

7. The study shows that individual approaches for assessing multilateral effectiveness provide a very partial picture. They provide little information about impact, or on outputs and outcomes in a form useful for day-to-day management decisions. Donors should therefore continue to explore approaches which

synthesise information from a range of sources such as the new MOPAN (Multilateral Organization Performance Assessment Network) Balanced Scorecard, though as we suggest below MOPAN could perform a more strategic role than this in future.

8. A more fundamental problem is that approaches used by bilateral agencies, either individually or as a group, are inherently inefficient. They lead to duplication and significant transaction costs for bilaterals themselves, multilaterals and wider stakeholder groups. Instead bilaterals should use their role on the governing boards of multilaterals to make the case for agencies to themselves produce information in a form useful for both for internal purposes, bilaterals and other stakeholders.

9. As prior step, improved standards for assessing effectiveness need to be developed. International networks such as the MOPAN group should consider developing into a forum for building consensus around standards of assessment, and advocacy and influencing objectives of bilateral donors.

EU Aid

10. The EC has the potential to act as genuinely comprehensive agency, working on a large scale, across many sectors and with strong global presence. However many EU member states consider that the quality of the EC's aid is below that of their own bilateral programmes and provided at higher cost.

11. This perception has begun to change with the introduction of reforms in 2000. The OECD DAC peer review of EC Development co-operation showed some progress towards PD objectives and increased aid effectiveness. The number of planning documents and instruments has reduced, helping simplify structures and giving greater coherence. Establishment of the Europe Aid office as the single implementing agency, together with moves towards "de-concentration" has had a significant impact.

12. Of course much remains to be done. Improved agreements on joint technical assistance are needed. Many systems and procedures are still too complicated and subject to centralised checks, and authority remains unnecessarily centralised. Staff numbers and capabilities are not yet adequate to fully support harmonisation and alignment (H&A) efforts and permit a wider coordinating role over EU aid at country level.

13. Despite improvements, the EC accounts for only about 20% of all EU aid, of which about two thirds of which remains bilateral, with the remainder channelled mainly through Multilateral Development Banks (MDBs) or the UN. Collectively, EU bilateral aid and EC aid remains fundamentally fragmented. Improving the quality of EC aid, building on existing momentum, and increasing the proportion of Member State's aid provided via the EC (and other multilateral channels) is a promising route for improving the overall effectiveness of EU aid in the long term.

5. *Comparative advantage*

1. KEY MESSAGES

- The EU Code of Conduct on Complementarity and Division of Labour embodies novel ideas on how to exploit the comparative advantage of different agencies, but results in implementing the code on the ground so far are discouraging.
- The code is unlikely to succeed in its present form since it does not address important practical obstacles, or overcome fundamental lack political will among Member States to sacrifice visibility and international profile.

BACKGROUND

EU Code of Conduct on Complementarity and Division of Labour

2. The EU Code of Conduct on Complementarity and Division of Labour in Development Policy approved by the Council in May 2007 sets a new frontier for European aid by working towards greater specialisation and increased concentration in development cooperation. The goal is to rationalise the European aid system by reducing the number of donors involved in the same kind of activity in the same country and rationalising country coverage, by exploiting the comparative advantages of different donors.

3. The Code is voluntary and is intended to be implemented flexibly to take into account the situation of partner countries. Two central guiding principles are, firstly, that donors restrict themselves to a maximum of three sectors per country and either redeploy out of other sectors or work as a silent partner, allowing another EU donor to take the lead. Secondly, that no more than 3–5 donors should be present per sector (the Code of Conduct does not say whether this means all donors or only EU donors).

Practical challenges

4. The challenges of making the Code of Conduct a reality are formidable. In practical terms, it is necessary to know at the outset how many sectors each EU donor actually supports in each country. In practice this is not easy. A prior question is what is meant by the term “sector”, which could be wide or narrow. The Code of Conduct is not precise on this issue and allows for a high degree of flexibility: it does not say, as it might have done, “use international definitions of sectors, as defined by the DAC”.

5. The way the code is framed therefore leaves difficult questions to be answered. Unfortunately early signs are not encouraging. Experience from division of labour efforts in Zambia has shown that that the number of donors per sector barely reduced, and that the willingness of donors to withdraw from sectors in which they are engaged is limited.

6. Without a sustained effort on harmonisation it is not clear that member states will be able to implement the code in its existing form. It requires a willingness on the part of donors to withdraw from sectors in which they are engaged which cannot be taken for granted.

7. Division of labour efforts will also depend on the availability of human resources in EC Delegations. This could pose serious constraints since turnover rates are very high, staff at delegation level is often thinly spread and lacking in necessary resources.

8. Ultimately, implementation of the code rest on the political will of the Member States and the European Commission to make difficult choices, and sacrifice their desire for higher visibility and enhanced international profile in the short term.

*6. Next steps for Paris Declaration and for aid effectiveness***1. KEY MESSAGES**

- Beyond Accra there is a need to develop the Paris agenda in forward-thinking and progressive directions, and tighten commitments in areas where progress is lagging.
- Post Accra discussions need to focus more directly on de-fragmenting the aid system, increasing space for recipient leadership and recognising the political challenges for building stronger ownership and mutual accountability.
- Efforts should continue on an evaluation framework to support lesson learning, a stronger evidence base and to test more thoroughly the underlying logic embodied in the PD.

BACKGROUND*Progress is patchy*

2. Progress on Paris has been patchy to date, with some recipients and donors making good progress and others very little. Political governance concerns are affecting progress on the recipient side and threatening gains made in “donor darling” countries like Uganda and Ethiopia. “New” donors including non-OECD countries, private trusts and foundations, and vertical funds are operating largely outside the Paris process at country level.

3. Some PD commitments are unlikely to be delivered without a step change in effort in the run-up to 2010, as described below. There is some evidence of a return by donors to use of conditionality as means of “buying reform” in the guise of managing for results. This likely to increase in today’s risk-averse climate, but is burdensome for recipients and risks diverting attention from, for example, better use of political analysis at selectivity stage.

Building more effective partnerships

4. Our research points to five key factors needed for effective partnerships.
 5. *Confidence*: Actions are required on both sides to build trust. Recipients need to develop clear development strategies, linked to a medium-term budget framework and planning process, beforehand so that donors can align with policies and systems (though these actions need not happen simultaneously). Public financial management systems and effective dialogue structures are also vital for developing confidence in the aid relationship.
 6. *Credibility*: Intentions expressed by both sides need to be both rigorous and reliable. For instance, donors need to demonstrate that aid commitments are matched by predictable disbursements. Recipients need to open up public finances to wider scrutiny, and demonstrate firm intentions on aid management (such as legal requirements that ODA should be included in the national budget).
 7. *Coherence*: Coherence between the actions and statements of multiple actors on both sides. For example coherent use of Performance Frameworks to assess both general and sector budget support, and coherent division of responsibilities between different ministries backed through strong political leadership.
 8. *Capacity*: adequate aid coordination capacity is needed to allow donors and recipients to engage in effective dialogue and monitoring, manage aid flows, build confidence and track coherence between local and international policy processes.
 9. *Timing and Sequencing*: actions need to be sequenced carefully over a considerable period time (eg 10 years) to develop effective mutual accountability mechanisms. For instance, donors can only align once the government has a clear national policy agenda and workable budget and planning systems, yet recipient government may not invest in systems if donors appear unwilling to use them.

Looking beyond Accra

10. Beyond Accra, there is a need to begin developing the Paris agenda in forward-thinking and progressive directions. A firmer line is needed on aid instruments such as vertical funds and pooling mechanisms, which in some cases are undermining efforts to build institutions, and on projects which make limited use of recipient systems. The potential gains from GBS are not being fully realised because donors are keeping eggs in other baskets. While appearing to reduce risks in reality these can be equally prone to corruption.

11. Untied aid is unfinished business and needs a much harder indicator in the post-Paris agenda than merely “continuing progress over time”.

Evaluation

12. The PD is founded on the premise, firstly, that country ownership together with other outputs will strengthen country capacity to make and implement results orientated policies and make good use of aid. Secondly, that this will raise the quality of public investment and service provision, including regulation and institutional development for private investment. Thirdly, that this would lead to better development results, such as growth and transformation, and faster progress towards the MDGs. Efforts are being put in train to test the underlying logic of the declaration and learn lessons from early stages of implementation through a common evaluation framework: these will clearly be invaluable in helping set the post Accra agenda.

7. DFIDs role in facilitating greater coordination

1. KEY MESSAGES

- Political leadership and public awareness is critical if DFID is to continue to generate and absorb good practice at country level, and be in a better position to analyse and (where appropriate) take necessary risks.
- DFID should work more with non-like minded donors to make progress against the Paris agenda and to open up discussions on aid architecture.
- The SPA survey suggests number of important areas where DFID needs to catch up in delivering on its aid effectiveness commitments.
- DFID should consider ways of strengthening the resources available to its country offices, such as through reductions in staff turnover, in view of pressures on administrative costs and the need to raise aid effectiveness.

BACKGROUND

Political leadership

2. The 2006 DAC peer review made a number of recommendation about ways DFID could facilitate greater coordination through internal changes. A precondition is that DFID's political leadership needs to be fully informed and supportive of emerging good practice at country level, especially as DFID tries to deliver more and better aid, and under increasingly more difficult circumstances.

3. A frank dialogue is needed with the public both to maintain support for and to improve understanding of some of the unavoidable risks involved in providing development assistance. There are strong arguments for more thorough and early assessments of political risks at country level, and for focusing more on risks across the aid bilateral portfolio rather than at the level of individual aid recipients. These issues are less well understood. In the absence of a thorough airing DFID may be led into over cautious approaches, and place over-reliance on safeguards, such as routing funds via alternative routes, which in reality are of limited value due to the fungibility of aid.

Working with non-like minded donors

4. DFID needs to work more actively with non like-minded donors in order to make significant further advances on the Paris agenda. Much remains to be done to influence international donors to move more decisively towards common approaches. Without wider engagement it is questionable whether DFID can make headway on deep seated challenges related to the international aid architecture. In pursuing these challenges DFID needs, as noted by the DAC, to strike a balance its leadership role through broad based debate, and promoting its own model.

Human resources

5. DFID faces major challenges in scaling-up or at least maintaining high levels of bilateral aid with more limited human resources. This is especially true as attention shifts towards Fragile States, and if DFID is to build up competencies at country level to deal with complex institutional processes. Reducing staff turnover at field level to build continuity and consistency of DFID action has an important role to play.

Delivering aid effectiveness commitments

6. Preliminary findings from the 2008 SPA survey show that the DFID has some way to go in delivering on aid effectiveness commitments at country level. Among the 14 donor countries surveyed the UK ranks comparatively low in aligning GBS missions with PRS reviews and in providing recipients with information on planned disbursements in a form needed for budget planning. The UK does little better than average among surveyed donors in minimising the number of reviews and missions it mounts, and in aligning disbursements with the national budget cycle. Some attention is needed to improve performance in these areas in future.

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Memorandum submitted by Saferworld

Proposed areas of inquiry for International Development Committee Inquiry: Co-ordination for aid effectiveness.

THE PARIS DECLARATION, VIOLENT CONFLICT AND AID EFFECTIVENESS

A. *Key recommendations*

1. Saferworld welcomes the Paris Declaration on Aid Effectiveness (PD) as a valuable multilateral tool for promoting aid effectiveness and donor coordination, but the Declaration does not acknowledge that conflict prevention is a core development issue.

2. The Third High Level Forum on Aid Effectiveness (HLF 3), to be hosted in Accra by the Government of Ghana on 2–4 September 2008, provides an important opportunity to rectify this.

3. Saferworld believes that donors and development partners meeting at Accra HLF 3 should:

- Recognise the links between poverty and violent conflict and agree to ensure that aid is effective in conflict prevention.
- Agree to conduct joint conflict assessments where possible.
- Agree to develop joint development strategies that use these assessments in their design and implementation, thereby ensuring that development programmes address rather than aggravate the structural causes of conflict.

B. *Summary*

1. Aid has the potential to play a positive role in preventing violent conflict and development assistance can act as a powerful tool for conflict prevention if it is targeted to address factors that increase the risk of violence, such as poverty, poor governance and inequality between groups. The PD is a welcome international instrument which helps guide and coordinate donor development assistance and aid delivery to help meet internationally agreed development commitments, such as the MDGs and the 2005 World Summit Outcome Document.

2. There are concerns, however, that the principles underpinning the PD risk being undermined if aid delivery is not implemented in a conflict-sensitive manner. For instance, well-intentioned development assistance may, in certain contexts, affect the relative advantage of one ethnic group over another, or affect access to scarce resources—thereby fuelling tensions and exacerbating the potential for violent conflict. It is therefore essential that the PD fully examines the extent to which conflict issues are being taken into account in its implementation and promotes well-designed joint projects which are sensitive to the local context and can have a positive impact on peace and security.

C. *Background to the Paris Declaration*

3. The PD, signed at the DAC High Level Forum in February 2005, represents an ambitious reform of the international aid system, encouraging donors and partner governments to turn their attention to the important task of improving aid effectiveness, including in fragile states (see paras 37–39).

4. The implications of such reform are positive and far-reaching. The PD commits donors to co-ordinate aid flows so that greater donor harmonisation and alignment is achieved, thus improving coherence across the various aid modalities and making aid more effective at combating global poverty and, by extension, accelerating progress towards meeting the MDGs.

5. The PD is also unique in that it sets clear targets for both donor and recipient countries with both mutually accountable to each other. The Declaration acknowledges that coherence in donor activities is fundamental to designing effective individual aid programmes and maximising their combined effectiveness.

6. The principles of Ownership, Harmonisation, Alignment, Managing for Results and Mutual Responsibility underpin the commitments enshrined in the PD framework and set out operational goals designed to promote joint approaches to making aid more effective. However, the five key principles have implications which extend beyond aid delivery.

7. For example, while the PD represents a move towards greater donor alignment and international focus on improving aid effectiveness, the declaration is weak in that it fails to integrate security and conflict prevention within its framework. There is real concern that confining donor efforts to improving the mechanics of aid delivery will not necessarily be sufficient to make a real impact on overall development effectiveness if no attention is paid to security.

D. From aid effectiveness to development effectiveness: mainstreaming conflict prevention

8. There is now a growing consensus that conflict is a key obstacle to realising the MDGs and security from violence is widely recognised as fundamental to reducing poverty and protecting rights. Of the 34 countries furthest from reaching the MDGs, 22 are in the midst of—or recovering from—violent conflict (1). A recent report estimates the cost of armed conflict to Africa's development to be around \$18 billion per year. Compared to peaceful countries, African countries in conflict have on average 50% more infant deaths, 15% more undernourished people, life expectancy reduced by five years, 20% more adult illiteracy, 2.5 times fewer doctors per patient, and 12.4% less food per person (2).

9. At the same time, it is widely acknowledged that poverty leads to a higher risk of conflict, yet conflict in turn drives poverty. Aid has the potential to promote greater human security by addressing some of the root causes of violent conflict, such as poverty, inequality and weak institutions. But, all too often, aid can worsen the risks of violent conflict where it reinforces tensions between groups or where it undermines accountability and governance. Aid cannot hope to promote greater stability if it ignores the root causes or early warning signs of conflict. Designing and implementing programmes around a good understanding of the local context is vital to ensuring development programmes are effective at both poverty reduction and conflict prevention—particularly as donors increase their investment in conflict-affected and fragile states.

10. By increasing focus on conflict prevention and ensuring that donor assistance is conflict-sensitive, the international donor community can enhance the prospects of meeting the MDGs. Although conceptual agreement on prevention policy and practice is emerging, the challenge remains how to operationalise it. The PD now needs to concentrate efforts on assisting donor governments to design joined-up approaches which place greater emphasis on ensuring that aid delivery is planned and delivered with a clear understanding of the impact these decisions will have on the ground.

11. For aid effectiveness to translate into development effectiveness, donor coordination frameworks, such as the PD, and donor countries undertaking substantial development activities must also give full prior consideration to the risks of violent conflict. As a matter of course, joint-conflict assessments should be conducted to make sure that development programmes are sensitive to local issues and that they enhance prospects for peacebuilding.

12. This analysis should also be used for developing national security and justice sector development, small arms and other programmes targeted at directly addressing conflict and security issues. The PD offers a useful mechanism through which such analysis can be conducted jointly, or shared with other donors. For example, by factoring human security issues into joint aid assessments, PD donor signatories can coordinate aid delivery to both support security and justice sector development programmes and promote action to address the irresponsible transfer of arms and the proliferation of small arms within societies.

13. For the most part, the international community has not done enough to address the development implications of conflict or, indeed, the conflict implications of aid. International donor efforts must now look building conflict prevention and human security considerations into their decisions making processes. The review of the PD at the forthcoming HLF 3 in Accra is a valuable opportunity to do just this.

February 2008

NOTES:

- (1) *Preventing Violent Conflict*: DFID 2007.
 (2) *Africa's missing billions*, Iansa, Oxfam and Saferworld, 2007.

Memorandum submitted by the UK Aid Network

COORDINATION FOR AID EFFECTIVENESS INQUIRY

ABOUT UKAN

The UK Aid Network (UKAN) is a network of UK NGOs who work together to advocate for more and better aid, from the UK in particular. We also work with colleagues across Europe, and internationally, to influence the aid system more widely. Members include ActionAid UK, Oxfam GB, Save the Children UK, WaterAid and World Vision UK.

1. Introduction

1.1 UKAN welcomes this inquiry from the Committee—2008 will be an important year for progress on aid effectiveness, and the UK has a key role to play both by improving the quality and effectiveness of UK aid and acting as a catalyst for change in the wider aid system.

1.2 The Paris Declaration was a welcome recognition by donors and recipients of aid that change is needed if aid is deliver real results for poor people in the long term; and the principles of ownership and accountability which lie at the heart of the Declaration have been welcomed by civil society organisations (CSOs). However, the Declaration itself does not fully reflect the challenges of real democratic ownership and accountability; and the targets, monitoring, and implementation of the Declaration have been narrowly focused on a range of technical processes which, while important, will not resolve the central problems of aid effectiveness.

1.3 CSOs around the world are working together to encourage donors and recipients of aid to live up to their existing commitments and to make more ambitious commitments in 2008. We refer the Committee to a paper produced by the International Civil Society Steering Group for Accra—*From Paris 2005 to Accra 2008: Will aid become more accountable and effective?*⁹⁵—which sets out CSO demands for Accra in more detail.

1.4 Harmonisation and improved coordination of aid is important, both to reduce the administrative burdens on recipients and to allow for more strategic interventions. However, coordination can only be effective if it is based on recipient country leadership and donors' respect for their priorities, policies and processes. Coordination led by donors alone has sometimes only served to reinforce the power of institutions like the World Bank at the expense of real democratic accountability. CSOs believe that accountability and transparency in the aid system are key to achieving the objective of coordinated aid based on country leadership.

2. Making the UK's Bilateral Aid More Effective

2.1 The UK, and some other donors, have already made much progress in delivering more effective aid. But there is no room for complacency—DFID should aim to be a leader in developing and implementing best practice in aid policy and delivery.

2.2 The UK has emerged as a donor willing to take aid effectiveness and country ownership seriously. The last decade has seen significant and welcome steps to make UK aid more effective at poverty reduction, including by supporting countries' own priorities and systems:

- The establishment of **poverty reduction as the clear and single objective** of DFID spending. While recognising the importance of cross-cutting issues like conflict and climate change, it is essential that UK aid continues to focus on poverty reduction above all.
- **Ending economic policy conditions** on UK aid. DFID's conditionality policy recognises the importance of developing countries determining their own economic policies. Challenges of implementing the policy remain, however, particularly where DFID is working with conditionality-heavy donors such as the World Bank. DFID must continue to make progress on implementing its policy a priority, and must also work to reduce the overall burden of conditions.
- The use of **budget support**. Budget support can build ownership and accountability by using countries' budget processes and financial management systems. Budget support is also particularly important for recurrent spending like teachers' and health workers' salaries. Although DFID should continue to use a range of instruments, continued and expanded use of budget support, in appropriate countries, is essential. DFID does need to consider how to ensure that the use of budget support, particularly by multiple donors, does not lead to excessive intrusion by donors into recipient policy making processes.

2.3 Although the UK has made great progress in improving its bilateral programming, we believe that there are a number of areas where further improvements are possible, and necessary, including:

- Increased **predictability** of aid. Developing countries need to be able to rely on long-term support in order to plan and implement development strategies—DFID should expand the use of long-term budget support compacts. Another priority must be to make DFID decision-making more transparent—the criteria upon which budget support (and other aid) will be disbursed or withdrawn from particular countries should be clear and transparent to recipient governments, parliaments and civil society.
- Effective **technical assistance (TA)**. DFID must make sure that all TA is demand-driven and country led, with much greater use of country systems and a focus on building capacity in country. There must be greater pooling of TA—DFID should commit to providing all its TA through pooled mechanisms by 2010. DFID must also increase the proportion of TA supplied from developing countries—although DFID untied all its aid over five years ago, the overwhelming

⁹⁵ Available at www.betteraid.org

majority of DFID TA contracts (by value) still go to UK firms. It will also be important for the UK to implement its 2006 commitment that TA should not be used to impose specific policy choices on recipients.

- Improved **transparency and accountability**. In contrast to domestic spending, those affected by aid often lack the means to provide feedback on its impacts—DFID must lead the way in developing effective accountability mechanisms. Transparency is the first step in this process—DFID must do better at communicating its policies, activities and impacts to recipient governments, and to parliaments and civil society. DFID should be subject to genuinely independent monitoring and evaluation, both at country level and centrally.

SUGGESTED QUESTIONS TO ASK

- How is DFID improving the predictability of its aid? What proportion of DFID's bilateral aid is committed for three years or more? What proportion is disbursed on schedule?
- How is DFID ensuring that its technical assistance responds to the demands of recipient countries, and that it is effective in building local capacity?
- How does DFID make information on its activities available to governments, parliaments and citizens in the countries where it works? What is being done to improve the transparency of its operations at the country level?
- How will the government ensure the independence of the newly established Independent Advisory Committee on Development Impact? What is DFID doing at country level to establish independent monitoring and evaluation of its activities?

3. *Delivering Real Progress across the Aid System in 2008*

3.1 The Accra High Level Forum (HLF) on Aid Effectiveness provides an opportunity to make the aid system as a whole more effective. The evidence so far suggests that only modest progress has been made since Paris, and the HLF will be a chance to hold donors to account for their commitments and seek to set more ambitious targets for 2010 and beyond.

3.2 The EU, which provides more than half of global aid, will be a key player in Accra, and will play an even more important role in the future. If European donors meet their commitments, by 2010 around 66% of aid will come from the EU, and the EC will be providing twice as much aid as the World Bank's International Development Association. In 2005 the EU made more ambitious commitments than other donors in Paris—this provides a precedent for European leadership in the wider donor group.

3.3 UKAN is working with other CSOs across Europe to push the EU to set itself new and ambitious targets, regardless of the steps taken by other donors. We make the following specific recommendations for EU governments and institutions, which are set out in detail in the CONCORD paper *Delivering Better Aid: An opportunity for European Union leadership in the fight against global poverty*:⁹⁶

- The EU should respect real democratic ownership of the development process, and allow partner countries to be in the driving seat by:
 - untying all EU aid to all countries;
 - phasing out economic policy conditionality.
- The EU should radically improve its accountability, particularly to developing countries and their citizens by:
 - making monitoring and evaluation of aid truly independent;
 - establishing a complaints mechanism open to aid recipients;
 - supporting in-country mechanisms for holding donors to account.
- The EU should commit to good practice standards of openness and transparency of their aid budgets and activities.
- The EU should agree new, more ambitious targets to make multi-year, predictable and guaranteed aid commitments based on clear and transparent criteria.

3.3 The UK needs to do more to build consensus on these issues in Europe, including through the negotiation of specific European targets, in order to support wider change in Accra. In some of these areas the UK is already in a position to lead European (and other) donors by example (eg untying, conditionality) but in others it needs to make significant progress (eg independent evaluation, transparency).

3.4 The implementation of the Paris Declaration has been hampered by the lack of an effective independent monitoring and the absence of targets for individual donors. In Accra, the UK should be pressing for the creation of independent monitoring and accountability mechanisms both in recipient countries and at the international level, and for targets to be set for individual donors.

⁹⁶ Available from www.concordeurope.org

SUGGESTED QUESTIONS TO ASK

- Will the UK be seeking new and more ambitious targets for donors in Accra?
- What is the UK doing to promote the setting of more ambitious targets for aid effectiveness at the European level in 2008?
- Will the UK be supporting the establishment of transparent and independent mechanisms for monitoring the implementation of commitments made in the Paris Declaration and elsewhere?

February 2008

Memorandum submitted by World Vision

EXECUTIVE SUMMARY

The Accra High level Forum on aid effectiveness in September, provides an opportunity to set out an agenda for action to accelerate progress on the commitments made in the Paris Declaration. World Vision welcomes the accompanying pre-Accra consultation processes with civil society. However, it is clear that the Paris Declaration by itself is not a panacea for poverty reduction. World Vision believes that aid effectiveness should be measured in terms of achieving rights, and reducing poverty, inequality and injustice, particularly for the most vulnerable. As we move forward, linking the implementation of Paris Declaration to these key development goals puts the interests and rights of poor and marginalized people at the centre of the aid effectiveness agenda.

At present it is clear that uncoordinated donor practice results in time-consuming and costly operations for already overstretched developing country government staff. Coordination is even more necessary in fragile states where evidence suggests that clustering around selected focus areas can create gaps in the provision for other critical needs. This incoherence seriously undermines the effectiveness of development aid programmes. While there are attempts to improve harmonisation, the EU Code of Conduct on Division of Labour, for example, is voluntary and self-policing. It should be promoted and monitored to ensure greater stability and predictability of aid flows.

World Vision believes that ownership is an important cornerstone for development—unless countries are able to decide and direct their own development paths, development will fail to be inclusive, sustainable or effective. Country ownership is not achieved simply by recipient governments developing national poverty reduction policies. It also relies on the meaningful participation of citizens, including children and the historically marginalized, in the development, implementation and monitoring of those policies, as a key entitlement. However, while there has been a marked improvement in the level of civil society participation in national planning and budgeting processes (including the Medium Term Expenditure Framework process), the influence of civil society in recipient countries remains at best minimal, and in some cases non-existent, in major government donor aid discussions. Failure to address civil society capacity and engagement could undermine any efforts to increase transparency and accountability of central, state and local governments and exacerbate imbalances between the branches of government and/or between central and state/local governments.

For aid to flow, decentralisation is important, including fiscal decentralisation—a significant challenge for recipient governments. Decentralisation ensures that resources and policy implementation reaches the furthest and most needy locations, when supported with capacity enhancement at the lower development levels. Weaknesses and constraints of government capability and performance at the district level can undermine progress of decentralisation, putting at risk the effective use of resources. As such, support to development that reaches the most vulnerable children and the communities in which they live, requires support to capacity development and institutional reforms for decentralisation.

INTRODUCTION

1. World Vision is a Christian relief, development and advocacy organization, dedicated to working with children, families and communities in nearly 100 countries to overcome poverty and injustice. Motivated by our Christian faith, World Vision is dedicated to working with the world's most vulnerable people, and serves all people, regardless of religion, race, ethnicity or gender.

2. The organization is responding to this inquiry because development aid continues to be a key instrument for lifting people out of poverty, and the organization works with others including the UK Aid Network to advocate for better aid, allocated and delivered efficiently and effectively.

3. In 2006, the Organisation for Economic Cooperation and Development (OECD) countries coordinated a baseline survey of donor and recipient country performance as a way to monitor progress against the targets of the Paris Declaration⁹⁷. Civil society has also been active, both in the North and in the South, monitoring the delivery and use of aid resources to ensure its effectiveness. To date, indications are that both donors and recipients have a long road ahead to meet the promises made in Paris in 2005. This year provides a potential opportunity, through the Accra High level Forum on aid effectiveness in September, to set out an agenda for action to accelerate progress on the commitments made in Paris. World Vision recognises the opportunity this provides and welcomes the accompanying pre-Accra consultation processes with civil society.

4. Based on our policy analysis and field experience in several countries, we are pleased to respond to this consultation on coordination for aid effectiveness. World Vision underscores the point that aid is not just about the numbers, but its delivery to achieve decent livelihoods for the billions deprived of basic rights every day.

HOW DONORS SEEK TO APPLY THE PARIS DECLARATION AND TO CO-ORDINATE THEIR AID PROGRAMMES IN TERMS OF OBJECTIVES AND PRIORITIES

5. One of the indicators in the OECD survey assessed the extent to which donor missions have been coordinated. Effective coordination cuts transaction costs and reduces bureaucratic demands on governments. Disappointingly, the 2006 OECD survey reveals that only 18% of all missions across the surveyed countries are conducted jointly.⁹⁸ This is an example of uncoordinated donor practices that can result in time consuming and costly operations for already overstretched developing country government staff. Donor countries should increase efforts towards more unified and coordinated approaches for aid support.

6. In Sudan, pooled funding mechanisms such as the Multi-Donor Trust Fund (MDTF), managed by the World Bank, is designed to provide the main funding for recovery and development in Southern Sudan, and to prioritise the building of capacity of the Government of Southern Sudan. In the North, it is targeted towards the war-affected areas. Though the MDTF was advertised to aid recovery and development, in reality it has focused on central government capacity-building and technical assistance, supporting large scale, centrally-planned programmes. In addition, DFID's own Conflict and Humanitarian Fund has continued to be the main funding mechanism for Sudan three years after the Comprehensive Peace Agreement was signed. This has made recovery and development inside Southern Sudan more constrained due to short and unpredictable funding allocations.

7. While donor coordination is important, clustering around selected focus areas can create gaps in the provision for other critical needs. For instance, a large gap has been left within Sudan between humanitarian funding for immediate needs and long-term recovery and development funding. "One of the challenges that confront the aid community and governments in Sudan is finding a balance between the country's needs and a mix of instruments and mechanisms that work together to address those needs; across the humanitarian, recovery and development phases. Existing recovery tools are not yet attuned to reach their desired results. Donors, governments and implementing partners such as NGOs and the UN continue to search for ways to improve the combined effect of their contributions to meet the needs of the people of Sudan."⁹⁹

Recommendations

- Donor countries should increase efforts towards more unified and coordinated approaches for aid support.
- Coordination is even more required in countries in situation of fragility. All funding should be in line with the Development Assistance Committee (DAC) principles¹⁰⁰ to ensure that long term recovery and development foster peace and prevention as well as reconstruction.

OWNERSHIP: THE ROLE OF RECIPIENT COUNTRIES IN MANAGING AID FLOWS, ARTICULATING THEIR NEEDS AND FACILITATING CO-ORDINATION

8. Country ownership is summarized under the Paris Principles as meaning "partner countries exercise effective leadership over their development policies, and strategies and co-ordinate development actions." Country ownership is not achieved simply by the development of national policies by governments. It also relies on the meaningful participation of citizens, including children, in the development, implementation and monitoring of those policies, as a key entitlement. If citizens do not participate, then policies will not be "owned", and the aid delivered through them will not necessarily meet citizen needs and result in poverty

⁹⁷ 2006 Survey on Monitoring the Paris Declaration
http://www.oecd.org/document/20/0,3343,en_2649_15577209_38521876_1_1_1_1,00.html

⁹⁸ Eurodad brief analysis of OECD Survey on Monitoring the Paris Declaration—2007-06-11
<http://www.eurodad.org/aid/article.aspx?id=124&item=01358>

⁹⁹ Notes from workshop in Sudan in October 2007

¹⁰⁰ <http://www.oecd.org/dataoecd/61/45/38368714.pdf>

reduction. True ownership exists when engagement in policy and program development becomes the fertile ground for citizens to demand their rights and the services that reflect the realization of those rights. However, what is lacking is how donor and partner government are going to ensure that.

9. World Vision believes that ownership is an important cornerstone for development—unless countries are able to decide and direct their own development paths, development will fail to be inclusive, sustainable or effective.

Articulating needs

10. It is critical that aid is targeted towards well-articulated national development plans that capture the multidimensional nature of poverty. From the cycle of Poverty Reduction Strategies (PRS), many developing countries have internalised the concept of developing holistic PRSs or National Development Plans (NDPs). Despite this, many of the processes of developing these strategies are not yet perfect, often leaving out key actors such as parliamentarians or engaging them on an ad hoc basis by “consulting” rather than “institutionalising” their participation¹⁰¹. Adopting institutionalised frameworks for civil society participation could contribute to increased effective influence of civil society who in turn should bring to the table the marginalized.

11. Further, strengthening local ownership of the development agenda requires support that allows the government to spend according to its priorities as outlined in PRSs or NDPs. To do this, donor governments are increasingly channelling their support through national budgets. For this support to be effective, national budgets and Medium Term Expenditure Frameworks need to be closely aligned to corresponding PRSs. The first generation PRSs were not as closely aligned to national budgets as the second generation, which have made more explicit links with the budgets¹⁰². There should be a strengthening of linkages of the PRSs/NDPs to national resource envelopes.

12. The recommendations in paragraph 10 and 11 are in line with the 2006 OECD report that identifies six priority areas, including that partner countries need to deepen their ownership of the development process, including by engaging their citizens and parliament and linking development strategies more effectively to budgets.

Managing Aid Flows

13. The management of aid flows, especially at country level requires sound and well functioning financial management systems. Governments should ensure that these are set up and aid donors should be ready to provide technical and financial support towards this. Strong financial systems should not be limited to oversight functions but include other key elements such as aid negotiation capacities to help level the negotiation capacities between donors and recipient governments. This is particularly important in the face of increased donor coordination.

14. For aid to flow, decentralisation is important, including fiscal decentralisation, which could be challenging for governments to undertake. Decentralisation ensures that resources and policy implementation flows to the furthest and most needy locations when supported with capacity enhancement at the lower development levels. World Vision evidence, presented in our submission to DFID’s Country Assistance Plan consultation for Mozambique,¹⁰³ reveals that weaknesses and constraints of government capability and performance at the district level can undermine progress of decentralisation, putting at risk the effective use of resources. As such, support to development where people are requires support to capacity development and institutional reforms for decentralisation.

Democratic Ownership

15. Democratic ownership implies real governance, information sharing, empowerment, participatory approaches, and the legitimate voice and active participation from the communities (including the vulnerable and children). It implies government responsiveness and accountability to its citizens. At the community level World Vision believes that CSOs play an important role in educating and empowering citizens to hold their governments accountable for program and policy initiatives, through increasing citizen awareness, participation and interaction with local leaders and government officials, independent budget monitoring and community based performance monitoring. For example, the DFID Country Governance Analysis suggests that accountability is the most fragile component of governance in Malawi. It is commendable that DFID plans to build on current funding to create a more accountable and responsive government, including through support to civil society organisations¹⁰⁴. Aid should support the creation of political space for dialogue between the national and local governments; civil society; parliament; donors

¹⁰¹ World Vision, “Poverty Reductions: Are these strategies working?” June 2005

¹⁰² 2008, World Bank, Minding the Gaps

¹⁰³ http://www.worldvision.org.uk/upload/pdf/WV_Submission_on_DFID_Mozambique_CAP_2007.pdf

¹⁰⁴ http://www.worldvision.org.uk/upload/pdf/DFID_Malawi_Country_Assistance_Plan_Consultation_Oct_2007.pdf

and the private sector on the pace and progress towards meeting development targets. This also provides the much-needed environment for citizens to raise issues arising from Community Based Performance Monitoring or other social accountability tools to monitor how aid has been spent.

16. As ownership is strengthened with the meaningful participation of citizens in various processes, it is important to note that while there has been a marked improvement in the level and extent of civil society participation in the national planning and budgeting processes (including the MTEF¹⁰⁵ process), civil society influence remains at best minimal and in some cases non-existent in major government donor aid discussions. For instance, Zambian civil society has been calling for more transparency and improved information flow around the government/donor aid discussions such as the Joint Assistant Strategy processes, IMF negotiation processes with the PRGF, and the Performance Assessment Framework (PAF) for the PRBS process¹⁰⁶.

17. Principles and subsequent funding must address this challenge and include a clear and achievable plan for increasing the capacity and ability of national Non-Governmental Organizations (NGO) to contribute to negotiation processes. Failure to address civil society capacity and engagement could undermine any efforts to increase transparency and accountability of central, state and local governments and exacerbate imbalances between the branches of government and/or between central and state/local governments.

Recommendations

- Aid donors should support strengthening of processes, particularly those aimed at broadening local stakeholder engagement—especially the historically marginalized, to enhance local ownership of development processes.
- Donors should propose more support to the government in enhancing communication flows to its partners and even down to its local administrative authorities if the decentralization processes are to be efficient and transparent.
- Moreover, donors should recognise the role of non-governmental organisations' activity in implementation at the district and local levels. This is more important because current experiences of NGOs in government outsourcing programmes reveal that the government lacks the technical capacity to manage the partnerships financially and institutionally.
- Adopting institutionalised frameworks for civil society participation could contribute to increased effective influence of civil society who in turn should bring to the table the marginalized.
- There should be a strengthening of linkages of the PRSs/NDPs to national resource envelopes.
- Strong financial systems should not be limited to oversight functions but include other key elements such as aid negotiation capacities to help level the negotiation capacities between donors and recipient governments.

THE BENEFITS AND POTENTIAL DIFFICULTIES OF GREATER CO-ORDINATION: THE IMPACT ON RECIPIENT AND DONOR COUNTRIES

18. The benefits of co ordination are significant to both donors and recipients. First, donor coordination requires those donors that participate to align their priorities, and then pursue common and strategic objectives with the recipient country. The emphasis on funding in line with government priorities is an important donor priority, and the overall objective to see programmes handed over to national, state or local levels is essential to the development of a country. However, this emphasis has to take into account the ability and willingness of a government to prioritise recovery or development.

19. Evidence shared by World Vision in Sudan suggests that the annual consortium meeting with donors and local government held to discuss future funding priorities and pledges by the international community including donors and local government, has consistently helped to keep the needs of those in Sudan high on the agenda. These consortium meetings are convened in conjunction with the Sudanese government to ensure that funding is underpinning the priorities and efforts of the Sudanese Government.

20. Disappointingly, there has been little coordination for non-state actors. Experiences shared by Zambian civil society reveal that though donors are increasing efforts to harmonise their aid policies and actions in support of the national development plan, there still remains a lack of corresponding harmonized support to civil society to effectively enable and provide a formidable social-political entity to check and hold government accountable¹⁰⁷. Zambian civil society is therefore recommending that donors should promote a “civil society budget support” approach to enable and build corresponding capacity in civil society to engage in Joint Assistant Strategies and other processes, including monitoring donor commitments to Paris Declaration targets.¹⁰⁸

¹⁰⁵ MTEF is the Medium Term Expenditure Framework

¹⁰⁶ 2007, Irish Aid, OECD and Danish Ministry of Foreign Affairs—notes from workshop on development effectiveness in practice.

¹⁰⁷ 2007, Irish Aid, OECD and Danish Ministry of Foreign Affairs—Notes from workshop on development effectiveness in practice.

¹⁰⁸ *Ibid.*

Recommendations

- Donors should strengthen recipient government negotiating capacity and ability to effectively scrutinize policy options.
- Donors should promote funding for civil society to enable them to participate in policy discussions around prioritization and allocation of aid in country.

HOW BILATERAL AND MULTILATERAL AID INCLUDING WITHIN THE EU (MEMBER STATES AND EC AID), CAN BE BETTER ALIGNED AND COORDINATED

21. The EU has been providing a framework for members states to operate within, even though some new states are not yet donors. The UK government has in recent years allocated most of its multilateral aid through the European Commission, almost double what is allocated to the World Bank¹⁰⁹.

22. Incoherent donor action seriously undermines the effectiveness of development aid programmes. The EU Code of Conduct on Division of Labour¹¹⁰ is a good attempt towards better coordination among different donors. The EU Code of Conduct on Division of Labour is welcome in so far as it will reduce the number of donors to whom each partner country will have to relate. The EU and its member states are also increasingly moving for more government-to-government type of aid, such as poverty reduction budget support or sectoral budget support. For example, the French government is keener to use this funding mechanism (1% French ODA). By contrast in 2006–07 budget support represented 18% of DIFD total bilateral aid programme. Better coordination and alignment of bilateral and multilateral aid will be one the main development priorities under the French Presidency of the European Union. Nonetheless, World Vision is concerned that the Code is voluntary and self-policing. It should be promoted and monitored and through that, ensure greater stability and predictability of aid flows. The EU Code of Conduct on Division of Labour should be promoted and monitored across Europe and among multilateral donors.

23. Aid is often accompanied by lack of transparency and openness. There are wide variations in the degree to which donors report in advance how much aid they intend to disburse, and after how much they have disbursed and on what terms. This makes it difficult for recipient governments to budget properly, and for CSOs, women's organisations and citizens to scrutinise budgeting processes. Appropriate safeguards must be put in place to tackle the problem of aid volatility. In addition, increased harmonisation must not result in increased conditionality and prescriptions on economic policy reforms.

Recommendations

- Donors, including DFID and the EU member states should make multi-year aid commitments based on clear and transparent criteria, and should deliver those commitments on schedule, in a transparent manner.
- The European Union has the potential to lead “by example” among other EU member states. However, EU's best practices should need to be escalated.
- Bilateral and multilateral donors must recognise that their activities can undermine democratic ownership, particularly through policy conditionality.

NEXT STEPS FOR THE PARIS DECLARATION AND FOR AID EFFECTIVENESS

24. The Paris Declaration addresses concerns about the management and effective delivery of aid, but it fails to recognise that development encompasses political, economic and social issues and aid only partially address them. For aid to be effective, it should facilitate a process whereby people living in poverty are empowered to understand, claim and realise their human rights. Linking the implementation of the Paris Declaration to the realization of human rights should put the interests of the poor and the marginalized people at the centre of the aid effectiveness agenda.

25. The DAC High Level Forum taking place in Accra next September presents an opportunity to deepen the current aid effectiveness agenda by explicitly addressing its relevance to these broader development goals. Deepening aid effectiveness in the Accra Agenda for Action (AAA) requires recognition by all stakeholders that the modalities and partnerships of aid must be explicitly coherent with, and accountable to United Nations goals to achieve progress in poverty reduction, gender equality and human rights. Donors must be accountable and take responsibility for their actions, while all governments must spare no effort to meet their obligations to provide basic rights for their citizens.

¹⁰⁹ DFID Statistics on International Development: 2007 Edition <http://www.dfid.gov.uk/aboutdfid/statistics.asp>

¹¹⁰ http://www.ec.europa.eu/commission_barroso/michel/Policy/key_documents/docs/COMM_PDF_COM_2007_0072_F_EN_ACTE.pdf

26. World Vision has been actively engaged in many civil society events in the run up the DAC High Level Forum in September 2008. As part of larger civil society networks and coalitions, we will build on our own dialogue and processes to broaden and deepen the process so that it reflects both development and aid effectiveness. We will engage in the processes leading up to September 2008 Accra High Level Forum, take our recommendations to Forum, and beyond to 2011 when the Paris Declaration will be reviewed.

Recommendations

- World Vision believes that aid effectiveness should be measured in terms of achieving rights, and reducing poverty, inequality and injustice, particularly for the most vulnerable. Linking the implementation of Paris Declaration to these key development goals puts the interests and rights of poor and marginalized people at the centre of the aid effectiveness agenda.
- The role of Civil Society Organisations should be recognised development actors in their own right working for the eradication of poverty. Further, harmonization should not result in the instrumentalization of CSOs. Our key value is in our independence and our ability to be responsive to the needs communities.

February 2008

SUMMARY OF RECOMMENDATIONS

- Donor countries should increase efforts towards more unified and coordinated approaches for aid support.
- Coordination is even more required in countries in situation of fragility. All funding should be in line with the Development Assistance Committee (DAC) principles to ensure that long term recovery and development foster peace and prevention as well as reconstruction.
- Donors should propose more support to the government in enhancing communication flows to its partners and even down to its local administrative authorities if the decentralization processes are to be efficient and transparent.
- Moreover, donors should recognise the role of Non-governmental Organisations activity in implementation at the district and local levels. This is more important because current experiences of NGOs in government outsourcing programmes reveal that the government lacks the technical capacity to manage the partnerships financially and institutionally.
- There should be a strengthening of linkages of the PRSs/NDPs to national resource envelopes.
- Strong financial systems should not be limited to oversight functions but include other key elements such as aid negotiation capacities to help level the negotiation capacities between donors and recipient governments.
- Donors should strengthen recipient government negotiating capacity and ability to effectively scrutinise policy options.
- Donors should also promote funding for civil society to enable them to participate in policy discussions around prioritization and allocation of aid in country.
- The European Union has the potential to lead “by example” among other EU donors.
- EU donors must recognise that their activities can undermine democratic ownership, particularly through policy conditionality.
- Donors, including DFID and the EU member states should make multi-year aid commitments based on clear and transparent criteria, and should deliver those commitments on schedule, in a transparent manner.
- World Vision believes that aid effectiveness should be measured of achieving rights, and reducing poverty, inequality and injustice, particularly for the most vulnerable. Linking the implementation of Paris Declaration to these key development goals puts the interests and rights of poor and marginalized people at the centre of the aid effectiveness agenda.
- The role of Civil Society Organisations should be recognised development actors in their own right working for the eradication of poverty. Further, harmonization should not result in the instrumentalization of CSOs. Our key value is in our independence and our ability to be responsive to the needs communities.