

# The Paris Declaration on Aid Effectiveness and Impact: What's next in Busan?<sup>1</sup>

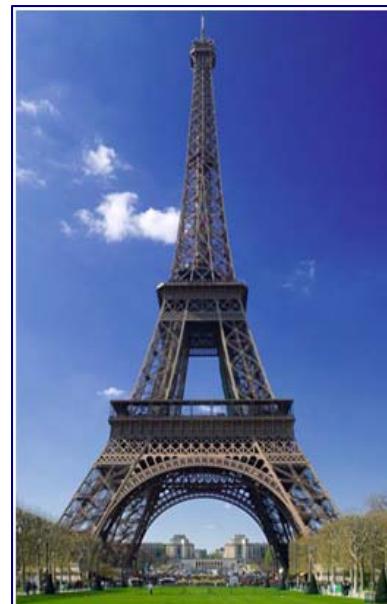
## Abstract

The Paris Declaration (PD) on Aid Effectiveness was endorsed in March 2005 by more than 100 countries<sup>i</sup> and international agencies with specific commitments for donors and partner countries to improve aid effectiveness. The overall aim was to improve the quality of aid and its impact on development. It has been subject to two fairly comprehensive evaluations. The first led to the Accra Agenda for Action (AAA) in 2008 which highlighted the role of parliaments and civil society; the second evaluation report was completed in 2011 and will be discussed at the Fourth High Level Forum in Busan, South Korea (HLF-4), at the end of November this year. PD targets were set for 2010 and in Busan discussion will focus on assessing progress and setting the direction for the future. Meanwhile, in a climate of economic crisis in donor countries, there is a need to reconcile the tension between donors' need for visible short term results and Value for Money with a desire to step back from micromanagement and allow partner countries to "own" development. This paper analyses the phase 2 evaluation conclusions and, based on DAS experience<sup>ii</sup> argues that, in the run up to the landmark HLF-4, the PD principles are still relevant but that new efforts are needed to ensure more realistic approaches to their implementation.

## The Paris Declaration: Concepts, Principles, the Phase 2 Evaluation and tensions between donor and partner countries

At the beginning of the 21st Century, it became clear that increases in aid financing were not producing the impact expected. While interest in aid effectiveness was not new<sup>iii</sup>, an unprecedented consensus emerged on what needed to be done to produce better results. This consensus underpins the commitments in the **Paris Declaration on Aid Effectiveness (PD)**.

*"Overall, little can truly be said with any degree of certainty about the link between the PD and development results – there is too large a gap between the high level agreement of a document in Paris, and the messy reality of implementing development on the ground"*



<sup>1</sup> This is one of a series of short pieces from KPMG DAS Advisors designed to show the practical application of development experience. The series covers Fragile States, Private Sector Development, Governance, and Organisational Development and Performance Improvement. This piece is written by Julio Garrido-Mirapeix, Head of DAS and Kate Hargreaves, DAS Advisor. The contributions from Caroline Ennis, DAS Mozambique, Harleen Thati, DAS Kenya, as well as three anonymous donor officials are gratefully acknowledged.

## Some Concepts

Aid effectiveness is about managing aid in a way that maximises its impact on development. Many commitments have been made by donors and developing countries – to their own taxpayers and to each other – for progress on development, and aid effectiveness is about delivering on those. Effectiveness and impact are two of the five core evaluation criteria for assessing development results, along with relevance, efficiency, and sustainability. Impact is defined by the OECD Development Assistance Committee (DAC) as: "Positive and negative, primary and secondary long-term effects produced by a development intervention, directly or indirectly, intended or unintended".

Impact evaluations are interested in attribution and causality that is the effects caused by a development initiative. This requires a counterfactual, comparing the effects with what would have happened had the intervention not taken place. This however is methodologically challenging and can also be very costly. Impact evaluation is now high on the development agenda linked to a renewed emphasis on outcomes. However, some donors are also looking very critically at the inputs required to achieve these outcomes<sup>iv</sup> – Value for Money (VfM) has become a new buzzword.

## Paris Principles, Monitoring & Evaluation of the PD

The PD was organized around 5 key principles of aid effectiveness;

- *Ownership*: Partner countries exercise effective leadership over their development policies and strategies and co-ordinate development actions;
- *Alignment*: Donors base their overall support on partner countries' national development strategies, institutions and procedures;
- *Harmonisation*: Donors' actions are more transparent, collectively effective and harmonised with each other;
- *Managing for results*: Managing resources and improving decision-making with a focus on results; and
- *Mutual accountability*: Donors and partners are accountable to each other for development results.

*"Providing value for money – Above all, we will be relentless in providing value for money for British taxpayers, and achieving results. We will scrutinise every pound spent to make sure it goes to the people it is designed to help."*

Multilateral & Bilateral UK Aid Review 2011



Specific commitments and targets for 2010 were established for each principle to be regularly monitored and evaluated. Three monitoring surveys have been carried out, in 2006 (to establish a baseline with 2005 figures), in 2009 and in 2011. A first evaluation took place in 2007, and a second in 2010. The emerging findings and country reports of the second phase evaluation have been presented at different forums since fall 2010 but the key discussion will take place at the HLF-4, 29th November- 1st December 2011.

Results of the 2011 monitoring survey will also be presented to this forum. In Korea Ministers and specialists from partner and donor countries and key civil society organizations will not only take stock of what has been achieved against the targets set out in the PD – they will use this yardstick to set the aid quality framework for the years remaining until the Millennium Development Goals (MDGs) target date of 2015, and beyond.

### ***The Phase 2 Evaluation: Conclusions and Recommendations***

The Phase 2 report recognized that “Overall the Evaluation finds that of the five principles, country ownership has advanced farthest, with alignment and harmonization progressing more unevenly, and managing for development results and mutual accountability advancing least”. The main recommendations of the phase 2 report could be summarized as follows:

#### **For decision makers in partner and donor countries:**

- Make the hard political choices and follow through;
- Focus on transparency, mutual accountability and shared risk management;
- Centre and reinforce the aid effectiveness effort in countries;
- Work to extend the aid reform gains to all forms of development cooperation;
- Reinforce the improved international partnerships in the next phase of reforms.

#### **For policymakers in partner countries:**

- Take full leadership and responsibility at home for further aid reforms;
- Set strategies and priorities for strengthening capacities;
- Intensify the political priority and concrete actions to combat poverty, exclusion and corruption.

In the words of a donor Foreign Minister “*Many donor countries have broken the bargain*”, that is, they haven’t aligned enough or not at all. These are the “free riders” referred to in the evaluation report which includes some “traditional” and also “new” donors (Brazil, China, India, Russia, etc).

#### **For policymakers in donor countries and agencies:**

- Match the crucial global stakes in aid and reform with better delivery on promises made;
- Face up to and manage risks honestly, and admit failures;
- Apply peer pressure to ‘free riders’ for more balanced donor efforts.

## Approaching Busan: Tensions donor – partner countries

The Phase 2 evaluation report was carried out by an independent team of consultants, who aggregated information from country-led evaluations. DAS carried out the country evaluation in Mozambique, which was widely cited and used at the emerging findings discussion in Bali (HLF-3). While efforts were made to elicit consensus, with such a broad agenda and large number of participant countries and organizations, it was a challenge.

Donors and partner countries will be going to Korea with different agenda priorities. The timing of the HLF-4 is significant because of the growing impact of the global economic crisis on donors' domestic budgets and funding allocations to development partners, and also the growing role of the so-called "non-traditional donors".

For Partner countries the main items are likely to be predictability of aid, use of country systems, removal of policy conditionality, country-driven capacity development, mutual accountability and reduction of transactions costs. From the donor side, issues likely to be high on the agenda will include VfM, managing for results, accountability, and impact<sup>v</sup>.

Two major approaches are dominating the debate on the donor side:

1. A continuation of efforts to implement "aid effectiveness" reforms, such as those in the PD;
2. A focus on improving "VfM" from aid, through focusing on investing resources in the most cost-effective way.

Some donors are preparing their positions for Korea along 1), others emphasize 2), and several have some kind of intermediate positions. It can be argued however that aid effectiveness and VfM are complementary, or that aid effectiveness is all about VfM since for example harmonization efforts can contribute to reducing costs, while ownership and alignment should contribute to outcomes. So VfM under a different terminology is what aid effectiveness is all about. The tension seems to be on the timeframe – i.e. politically donors need to show attributable, short term results – while aid effectiveness is mostly a medium to long term perspective.



*Busan at night*

## A dose of reality approaching Busan

Within each of the PD principles there are multiple important issues that will be discussed at Busan. We indicate below some “sobering” reminders that aim to contribute modestly to a balanced outcome.

### **On political economy:**

The PD ignores power aspects of the aid relationship, and the highly political context in which the PD is implemented, giving the impression that effective aid is simply about getting the structures and mechanisms right. Understanding that aid effectiveness debates and the principles of the PD are implemented in a political context, and have political implications is extremely important. The choice of aid modality, the exercise of ownership, the choice of whether to use government systems, the application of mutual accountability are all highly sensitive issues subject to the political economy of the context in which they are implemented<sup>vi</sup>. It is probably time to get real<sup>vii</sup>.

### **On setting new targets & managing for results:**

Development is typically a long term process, and indeed it is generally agreed that the PD impact on development is likely to have a longer time horizon than originally anticipated. While this is obvious, in practice it means that more realistic targets for both donor and partner countries need to be agreed without losing momentum.

Managing for development results implies a number of changes in the way interventions are designed, implemented, monitored, and managed. When it comes to measuring aid effectiveness and impact, what angle should we follow? The donors, the countries, both? In many cases the partner countries do not have good aid management and information systems, so what best practices can be identified? In particular, investment needs to be made in improving national monitoring systems, to provide the data required for evidence-based policy making. The open question is whether this will actually happen.

Actors are likely to understand and be motivated by the Paris Declaration differently, with the result that it might be perceived as having different kinds of results achieved via dissimilar kinds of mechanisms. There are therefore multiple reasons to believe that the causal relationship between aid effectiveness and development effectiveness has been in several cases driven by dynamics other than the Paris Declaration. So which are those key factors?<sup>viii</sup>

In terms of measuring results “There is no verifiable, quantifiable link between aid effectiveness and development results, let alone between the PD and development results. This does not mean that aid effectiveness does not matter, or that it does not lead to development results – simply that we need to be constantly re-assessing what works and what doesn’t and what our implicit assumptions are”<sup>ix</sup>. The development community needs to get better at finding measures for effectiveness which also implies gathering reliable data, and applying a variety of analytical methods.

### **On co-ordination:**

There has been a massive investment of resources on implementing the PD. Aid coordination involves significant transaction costs, money and manpower, both for partner countries and donors. There is a certain “co-ordination fatigue” in relation to achieving the PD targets. Going forward, this requires careful thought in relation to “best management models” that based on the accumulated experience, should be defined as a matter of urgency. Probably a private sector corporate governance and management angle is required, which doesn’t seem to have been taken into account so far; co-ordination models have been fairly bureaucratic, rigid and vertically oriented.

To conclude, we are cautiously optimistic that Busan, albeit with tensions, will define a more realistic way forward based on the accumulated experience and continue to make progress in the implementation of the PD principles since “The Declaration has proved relevant to many different countries and donors/agencies”<sup>x</sup>.

However, the nature of the game is changing with several new actors joining the already extremely complex institutional picture, while looking at results achieved so far it is clear that identifying best practices in some key areas is urgent such as political economy analysis, co-ordination models, aid management information systems, impact evaluation methodologies, capacity building of national M&E systems, etc.

New forms of cooperation and new approaches are needed - more involvement of the private sector in aid delivery, more support to the private sector across the board, challenge funds in a variety of sectors<sup>xi</sup>, new special vehicles<sup>xii</sup>, design and implementation packages, results/performance based financing, and a fairly substantial investment in learning so that the wheel is not invented on a daily basis.

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<sup>i</sup> In the PD Evaluation report terminology this means aid recipient countries.

<sup>ii</sup> Mozambique, evaluation of Paris Declaration, Phase II, 2010: This report, prepared by KPMG Mozambique DAS, aims to document, analyze and assess the relevance and effectiveness of the Paris Declaration and its contribution to aid effectiveness and ultimately to development results, including poverty reduction. <http://www.oecd.org/dataoecd/61/0/47083538.pdf> We have considered two additional PD experiences: Kenya were the Joint Assistance Strategy (KJAS) presents a core strategy of 17 development partners for 2007–12, a shared development vision and intention between the Government of Kenya and KJAS partners, but it is not a legally binding document. Tanzania – A country with good progress on PD targets but donors are inching away from General Budget Support (GBS) because of poor reform efforts from the government.

<sup>iii</sup> For a vintage analysis, see Cassen, Robert (1994) *Does Aid Work?* Clarendon Press, Oxford, UK. There is an extensive literature on the topic, for key references visit the DAC network on development evaluation at <http://www.oecd.org>

<sup>iv</sup> The link between impact and policy however seems to receive less attention.

<sup>v</sup> This is based on several discussions with donors and Government officials across Africa and in Europe, the Overseas Development Institute (ODI) debate on PD that took place on line on 15 June, as well as public presentations of the PD Report such as the one that took place in Stockholm, 17 June 2011.

<sup>vi</sup> KPMG Mozambique DAS evaluation of Paris Declaration, Phase II, 2010

<sup>vii</sup> See Booth, David (2011) *Governance for Development in Africa: Building on what works*, APP Policy Brief 1, April.

<sup>viii</sup> For a related discussion on this from a governance perspective, see Booth, David (2011).

<sup>ix</sup> KPMG Mozambique DAS evaluation of Paris Declaration, Phase II, 2010

<sup>x</sup> PD Phase 2 Evaluation Report.

[http://www.oecd.org/document/60/0.3343,en\\_21571361\\_34047972\\_38242748\\_1\\_1\\_1\\_1.00.html](http://www.oecd.org/document/60/0.3343,en_21571361_34047972_38242748_1_1_1_1.00.html)

<sup>xi</sup> Such as the African Enterprise Challenge Fund (AECF) that supports agribusiness, rural financial services, renewable energy & climate change. <http://www.aecfafrica.org/> The Challenge Fund model has been used in other sectors as well.

<sup>xii</sup> See for example Trade Mark East Africa (TMEA) <http://www.trademarkea.com/home/>