

Briefing Paper 2: Aid Transparency and Aid Effectiveness

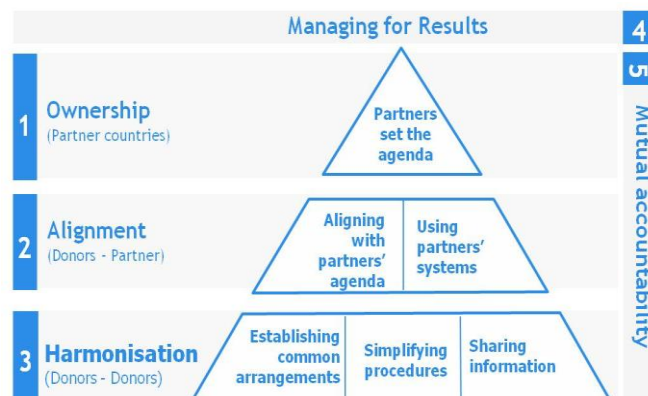
Despite the level of commitment, time and energy invested in the Aid Effectiveness Agenda since 2003 progress has been limited. This briefing focuses on the relationship between better information about aid and delivering on aid effectiveness. After setting out what the Aid Effectiveness Agenda is, this note goes on to explore the relationship between each of the agreed aid effectiveness principles and the future implementation of the Agenda.

What is 'the Aid Effectiveness Agenda'?

The aid effectiveness debate emerged from concerns that crystallised in the 1990s around the impact of aid on recipient countriesⁱ. The Agenda developed over the course of three key events - the Rome, Paris and Accra High Level Forums. The first, held in Rome in February 2003, built on ideas of the Monterey consensus the year before. The core principles established in the Rome Declaration related to recipient **ownership** of their development agenda, **alignment** of donors to recipients policies and systems and the **harmonisation** of donors with each other. Each of these terms are explored further below.

At the Paris High Level Forum two years later two additional elements were added - **management for results** and **mutual accountability**. The Paris declaration also established a set of 12 indicators and targets for measuring success in implementing the principles.ⁱⁱ In Accra in 2008 an Agenda for Action was signed. This was intended to establish agreement on specific actions which would deliver on the Paris Principles and achieve the 12 targets by 2010.

The classic representation of the Principles is set out in the 'Paris Pyramid' above, and each of the Principles is then discussed in more detail.



Ownership, represented at the top of the pyramid, is about recipient countries developing and implementing policy and programmes that they 'own'. It is designed to place the burden of expectation for delivery and the responsibility to policy programming and delivery on the recipient country rather than the donor. When national ownership of a project occurs, better stewardship of that project ensues.

Alignment covers two primary elements – the relationship of donors to recipient country systems and the relationship of donors to their policies. Systems alignment concerns the relationships of donors to recipient country systems. Fundamentally it is about supporting partners' administrative systems, particularly in budget cycle and planning functions. Policy alignment describes the movement of donors towards following the recipients own development agenda, i.e. the recipients' policy priorities. Part of alignment is improving the **predictability** of donor behaviour and flows and the **conditionality** placed on the disbursement of aid.

Harmonisation refers to donors relationships with each other. This is conceived as an instrumental goal for donors moving towards sharing information, rationalising procedures and developing common arrangements in order to be able to align more effectively. Thus, improved harmonisation and alignment will help the overarching goal of enhancing, or at a

minimum not undermining, national ownership of policy formulation and implementation.

The definition of **managing for results** is the use of aid in a way that focuses on the desired results and uses information to improve decision making in that respect. **Mutual accountability** describes the idea of a process of donors and recipient countries holding each other to account for mutual commitments.

Aid transparency and delivering on the Paris Principles

The progress on the Paris principles by donors has been slow. Of the 10 indicators established in 2005 that apply to the donors only two were being achieved in 2008.ⁱⁱⁱ

There are a range of reasons why donors are struggling to deliver on the promise of the Paris Declaration. However, a common underlying issue appears to be a lack of information on what is currently happening regarding implementation of the principles. Without this foundation, donors are struggling to know and incentivise change. The following paragraph clarifies some of the relationships between aid transparency and each of the aid effectiveness principles.

At a basic level, it is hard to feel **ownership** of something that is not known about. While clearly not a sufficient condition for recipient ownership to emerge, it is perhaps a necessary one. Similarly, mutual accountability in relationships between donors and recipients cannot begin to emerge without aid transparency. An Oxfam report on ownership in practice notes that “unless recipient countries get comprehensive, timely and comparable information from donors, recipients cannot hold their government responsible, and those governments can’t plan, prioritise or explain to their populations what they are doing.”^{iv} In this sense, for aid dependent countries, the transparency of aid can be seen as a prerequisite for effective country-led development.

Information about aid, presented in line with recipient planning timelines and formats represents an **alignment** of systems. Timely information on future plans and flows by donors is in itself a form of **predictability**. Transparency on numbers, types and the nature of **conditionality**, bench marks and triggers is the

start of efforts to reduce, coordinate and improve the nature of conditions associated with aid spending.

In terms of **harmonisation**, comprehensive information on plans, flows and procedures is the basis for coordination and redirection of efforts for better division of labour between donors. Moves toward including both non-DAC donor and even potentially ‘non-aid’ forms of foreign assistance, or other official flows, are a starting point for country-level coherence of donor activities.

Without information about inputs, **managing for results**, let alone being held accountable for them is likely to be challenging.

Accra and the International Aid Transparency Initiative

The Accra Agenda for Action agreed specific aims and commitments on aid transparency. This was part of a growing recognition of the role better aid information contributing progress across a wide range the principles of the Paris Declaration. An important feature of commitments on aid transparency is that donors can be proactive about progress. With limited exceptions, most of the aid information needed is held by donors in their systems. Thus there is potential for rapid progress if donors decide to be proactive. For more on the characteristics and solutions of the aid transparency Agenda see Briefing Paper 1.

The International Aid Transparency Initiative was launched in Accra, based on the recognition that aid transparency contributes to delivering on the aid effectiveness principles. In the months since Accra momentum has been building. The Initiative now has 18 signatories working together to develop an aid information standard and a code of conduct.^v Full engagement across the donor community will be needed to ensure the Initiative delivers on its promise.

References

ⁱ Influential critiques were the Wapenhans report (1992) and Assessing Aid (1998)

ⁱⁱ <http://www.oecd.org/dataoecd/57/60/36080258.pdf>

ⁱⁱⁱ 2008 Survey on Monitoring the Paris Declaration

^{iv} Ownership in Practice – The key to smart development. P2

^v See <http://aidtransparency.net/> for more information