



## Accelerating progress in aid effectiveness: from here to 2011

### what is aid effectiveness and why does it matter?

Aid effectiveness is about value for money – it is about managing aid in a way that maximises its impact on development. Donors and developing countries have made many commitments – to their own taxpayers and to each other – for progress on development. Aid effectiveness is about delivering on those commitments.

At the beginning of the 21<sup>st</sup> Century, it became clear that increases in aid financing were not producing the impact expected. While interest in aid effectiveness was not new (see box: Milestones on the way to aid effectiveness), an unprecedented consensus emerged on what needed to be done to produce better results. This consensus underpins the agreements in the Paris Declaration (2005) and the Accra Agenda for Action (2008).

These aid effectiveness agreements – spearheaded by the OECD-DAC and the Working Party on Aid Effectiveness – engage the whole spectrum of development stakeholders and are the only international framework on the *quality* of aid. They provide the essential counterpart to the UN-led agreements on development goals and to global commitments on development finance. At the same time, the Working Party on Aid Effectiveness – supported by the OECD-DAC – is the most inclusive and credible international forum for promoting the principles embodied in these compacts.

#### MILESTONES ON THE WAY TO AID EFFECTIVENESS

**1996:** The DAC issues the report *Shaping the 21st Century: The Role of Development Cooperation*, setting out the basic concepts of aid effectiveness.

**2000:** MDG-8 of the Millennium Declaration calls for a Global Partnership for Development.

**2002:** The Monterrey Financing for Development Conference sets funding targets to achieve the MDGs and calls for a more effective way of giving aid to ensure these resources have the maximum impact possible on development.

**2003:** At the High Level Forum on Harmonization (HLF-1, Rome), donors agree to improve in-country co-ordination and to reduce transaction costs for aid recipients.

**2005:** At the High Level Forum on Aid Effectiveness in Paris (HLF-2), donors and developing countries endorse the Paris Declaration on Aid Effectiveness, with 56 action-oriented commitments to improve aid quality that will be monitored (in 2005, 2007 and 2010) against 14 targets.

**2008:** In Accra, at the Third High Level forum on Aid Effectiveness (HLF-3), DAC and non-DAC donors, middle-income countries, low-income countries, civil society organisations, parliamentarians and global partnerships agree on the Accra Agenda for Action – a framework to accelerate achievement of the Paris commitments.

### What has aid effectiveness achieved?

The aid effectiveness agenda has drawn strong support from developing countries, civil society organisations, parliamentarians, global partnerships and donors worldwide. It has also contributed to progress against several MDGs, helping to produce impact more quickly and at a lower cost. And while it is essentially about the quality of aid, it has underpinned significant increases in annual aid flows: from US\$60 billion in 2002 to US\$120 billion in 2008.

Growing support for the Paris Declaration principles has produced changes in the way donors and developing countries do business. It is now the norm for aid recipients to discuss their national development strategies with

their parliaments and electorates (ownership), and for donors to support these strategies (alignment). Donors are working more and more to streamline their efforts in-country (harmonisation). Developed and developing countries are pinning their actions to clear goals, with progress measured against concrete targets (managing for development results), and they are holding each other responsible for achieving these goals (mutual accountability). CSOs and NGOs have become active players in ensuring that accountability is widespread and inclusive.

The Paris Declaration's call for transparency has also sparked significant improvements in the availability and quality of data on aid flows. As a result, electorates in donor and developing countries increasingly have the information they need to hold their executives to account, and executives have the information they need to identify and exploit potential cost savings.

The Paris Declaration and the Accra Agenda for Action have also helped to zero in on the quality of aid provided to countries in fragile situations ([Dili Declaration](#), April 2010), as well as on cooperation among developing and middle income countries ([Bogotá statement](#), March 2010).

### Still room for improvement

Almost all donors and some 60 developing countries took place in the 2008 Paris Declaration monitoring survey, which shows strong progress since the first, baseline survey in 2005. This progress is most evident in commitments to untie aid, improve the quality of developing countries' public financial management systems, and improve the quality of technical assistance. Yet there is still much ground to cover to meet these commitments fully. The Survey shows moderate progress in recording aid in countries' budgets, reducing parallel implementation units (that deliver aid outside national systems) and improving the predictability of aid (ensuring that aid turns up on time, in the amounts and forms expected). Nonetheless, progress was very weak in several areas, in particular in improving the quality of countries' national development plans, donors' use of countries' financial management and procurement systems, co-ordination of missions and studies among donors, and creation of frameworks to monitor and account for results.

The due date for the Paris Declaration targets was set for 2010. At the HLF-4, the results of the final monitoring survey will provide a scorecard on progress. To accelerate impact, the Working Party on Aid Effectiveness has joined forces with some 10 focus countries where they will bring all parties together to unblock barriers to achieving aid effectiveness in priority areas identified by each country. Much of this work centres on strengthening county systems and overcoming the resistance – on the part of donors – to using these systems.

### The Fourth High Level Forum and beyond

In Korea in November 2011, at the Fourth High Level Forum on Aid Effectiveness (HLF-4), Ministers and specialists will not only take stock of what has been achieved against the targets set out in the Paris Declaration – they will use this yardstick to set the aid quality framework for the years remaining until the MDG target date of 2015. What issues will be at the top of the agenda? Developing countries have already named their priorities for the HLF-4: predictability of aid, use of country systems, removal of policy conditionality, country-driven capacity development, mutual accountability and reduction of transactions costs. Drawing from the discussions and analysis around these topics, the HLF-4 will set the agenda for the years to follow. It will look beyond aid to identify the wider issues that are central to development effectiveness – and to determine how we will monitor progress on these in order to hold everyone to account.