

UNITED NATIONS ECONOMIC AND SOCIAL COUNCIL



BACKGROUND STUDY
FOR THE
DEVELOPMENT COOPERATION FORUM

*Towards a strengthened framework
for aid effectiveness*

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1. Introduction

1. As part of the substantive preparations for the first biennial high-level Development Cooperation Forum (DCF) in July 2008, the Department of Economic and Social Affairs of the United Nations (UNDESA) is undertaking a review of recent trends and progress in international development cooperation. This review will inform the analytical report of the Secretary-General, which will serve as the main background document for the DCF. The present study, which focuses on a strengthened framework for aid effectiveness, is part of this analytical effort.¹

2. For many countries receiving aid, the effectiveness of aid is one crucial factor for achieving sustainable development results. For any country providing resources to other countries questions as to the value and priority of such spending have to be addressed. It is therefore surprising that no coordinated attempt to establish an agenda for improving the effectiveness of aid was established internationally in the Twentieth Century. Of course, numerous efforts to improve effectiveness of both the delivery and the in-country management of aid of aid were made, both by individual countries receiving or providing aid, and in regional groupings (eg the Strategic Partnership for Africa (SPA) and the European Union), among groups of institutions, such as the UN family and the international financial institutions, or among donors in the OECD Development Assistance Committee (DAC). But these efforts were quite disparate and no concerted effort was made to address the topic across all the many stakeholders.

3. The last few years have at last seen a gradually-expanding effort to build a greater international consensus on how to pursue the objective of more effective aid. The Monterrey Consensus of 2002 encouraged greater attention to the issue. The High Level Forums in Rome (2003) and Paris (2005) have resulted in a growing consensus on some key principles (ownership, alignment, harmonisation, management for results and mutual accountability) and a monitorable set of indicators. The “Paris Declaration” was itself referred to positively in the UN Summit declaration of September 2005.

4. However the Paris High Level Forum, though co-sponsored by UNDP as well as by the OECD, World Bank and the European Union, was not formally speaking a “UN event” and the Declaration has no formal international status. Participation by recipient countries was not universal, and on the side of countries and institutions providing cooperation the discussions were dominated by members (including observer members) of the DAC. In addition, although several non-governmental organisations attended the Paris High Level Forum, their participation was marginal and they had little or no possibility of affecting the final outcome. Only one Private Foundation attended the Forum. The commercial private sector was not invited at all.

¹ The study was prepared by Richard Manning, former Chair of the OECD/DAC. Opinions expressed in this paper are those of the author and do not necessarily reflect the official views of the United Nations.

5. The number and weight of countries and organisations active in international development is increasing very substantially. Official donors not members of DAC, Foundations and private sector philanthropy, and new multilateral funds, especially of a global thematic nature, are all assuming greater significance. **There is therefore a strong logic to building a wider and more structured consensus around aid effectiveness, covering all the key stakeholders.** The coincidence of three major international events in 2008 – the Development Cooperation Forum (30 June – 1 July), the High Level Forum on Aid Effectiveness in Accra (2–4 September) and the UN Financing for Development Conference in Doha (29 November – 2 December) – provide a window of opportunity to advance this agenda decisively. This will require, among other things, a clearer demonstration that aid effectiveness is important for achieving sustainable development, which is necessary if the agenda is to receive strong support at the political level.

6. This paper is structured as follows:

- Section 2 considers briefly the strengths and weaknesses of the aid effectiveness model set out in the Paris Declaration
- Section 3 considers issues of substance that might be developed further in a strengthened international framework for aid effectiveness
- Section 4 considers how to improve the clarity and monitorability of the indicators already established in the Paris Declaration
- Section 5 considers issues of monitoring and mutual accountability
- Section 6 considers the issue of coverage of any strengthened international framework for aid effectiveness
- Section 7 addresses the link between aid effectiveness and development effectiveness and how to build stronger support at the political level
- Section 8 proposes priorities for the DCF in the short and medium term
- Section 9 puts forward recommendations for how the various key institutions might work together in support of this agenda

2. Strengths and weaknesses of the Paris Declaration aid effectiveness model

7. The Paris Declaration has clearly had much wider resonance than previous attempts to set out an agenda for making aid more effective, including notably the High Level Forum in Rome in

2003. This may be explained at least in part by some basic structural aspects of the Declaration, in particular:

- A few core principles – Ownership, Alignment, Harmonisation, Management for Results, Mutual Accountability
- A limited number (12) of monitorable indicators, with targets for achievement in the medium term (2010)
- A process for monitoring at country level
- A strong focus (even if not yet adequately realised) on mutual accountability.

8. **A first conclusion might be that these four aspects should remain central to any strengthened framework for aid effectiveness.** Against these strengths, three weaknesses are evident:

9. First, there are areas where the framework established in the Paris Declaration could be improved and strengthened, many of which will be the subject of discussions in the preparation of the Accra High Level Forum in September 2008. These include notably:

- Broadening of the subjects covered (whether or not this is done within the five principles or by adding to their number), possibly adding some additional indicators
- Improving the clarity, monitorability and comprehensiveness of the indicators already established in the Paris Declaration, in order to ensure that all the aspects treated as principles in the Paris Declaration are adequately covered, as well as broadening them to cover additional relevant subjects
- Strengthening the transparency and inclusiveness of monitoring and, more broadly, of mutual accountability, which is among the least developed of the Principles (but arguably among the most important in galvanising change, given the asymmetry in power between donors and recipients).²

10. Second, as noted in the Introduction, the process that developed the Paris Declaration did not engage the full range of stakeholders. While this may have facilitated agreement, it means that the Declaration does not have the legitimacy of a more conventional international process. It is clear that most DAC members and multilateral agencies have taken the process seriously, producing Action Plans and measuring their performance against the indicators, and that many recipient countries have used the Declaration locally to good effect. But it is less clear how far

² These issues are addressed in the following Sections 3-5.

the main elements of the Declaration can or should be applied to international cooperation activities beyond those of the long-established multilateral agencies and of bilateral donors who are members of DAC.³

11. Third, there are concerns that the aid effectiveness agenda established in Paris may become overloaded with procedures which themselves impose transaction costs but may not have a strong focus on sustainable development results. If so, it risks being seen as a bureaucratic topic of interest only to a limited circle of initiators who promote a “harmonisation and alignment industry” that has little connection to the real world. In fact, Aid Effectiveness is a political issue, in that most of the barriers to progress are political and that political support for aid is unlikely if it is seen as ineffective. In this connection, it is important to recognise, and then deal with, the factors on both sides of the aid relationship that can work against more effective aid delivery⁴, and put in place incentives that support it. There is a need to demonstrate to political actors at top level clear links between the issue of **aid effectiveness** and the broader issue of **development effectiveness** (real results for real people), in order to persuade politicians in both donor and recipient countries that it is their interests to change the business of aid in order to ensure sustainable development results.⁵

3. Issues in a strengthened international framework for aid effectiveness

12. In terms of **principles**, the five on which the Paris Declaration is built (Ownership, Alignment, Harmonisation, Managing for Development Results, and Mutual Accountability) appear to have commanded a wide measure of support, though CSOs rightly stress that country ownership is not the same thing as arbitrary government action but needs to be built on participation. **The DCF could consider whether the five principles are an adequate way of capturing the key high-level elements that are fundamental to more effective aid.** For example, civil society organisations have proposed that the centrality of human rights, gender equality, social justice and environment should be given the status of an additional principle.

13. As for **substantive issues**, there are several key areas either touched on lightly in the Paris Declaration or altogether absent which are worth considering for more explicit inclusion in a strengthened framework for aid effectiveness. They include four areas about the *terms* on which aid is provided: **predictability, conditionality, allocation and concessionality**; and one

³ This issue is considered further in Section 6.

⁴ For example, on the donor side, considerations of political or commercial advantage; on the recipient side, the competing interests of line Ministries and those whose function it is to look at priorities across the board.

⁵ These considerations are addressed further in Section 7.

issue about the *responsiveness* of aid financing to **important development themes of a central or cross-cutting character**. These are assessed below, with some suggestions on the way in which they might be integrated into a strengthened framework for aid effectiveness.

14. **Predictability** is indeed covered briefly in the Paris Declaration itself, where donors commit to “provide reliable indicative commitments of aid over a multi-year framework and disburse aid in a timely and predictable fashion according to agreed schedules”, but the indicator tracks only in-year predictability (and not even that very effectively). Predictability is crucial to aid effectiveness. For aid-dependent countries it is of the highest importance to have some credible assurances about medium-term predictability – typically over the sort of period (4-5 years) that such countries are often required by donors to show a medium-term development strategy or expenditure framework. There is a key underlying issue of mutual trust here. Too often, decisions whether or not to disburse aid are subjective and lacking in transparency. Longer-term commitments by donors would encourage behaviour change on both sides of the aid relationship.

15. In order to advance the debate on predictability, it needs to be recognised that on neither side (donor or recipient) is there such a thing as absolute predictability. On either side, governments may change, and new governments may have different priorities and mandates which have to be accommodated. Nor is absolute predictability even desirable if it equates to inflexibility: as argued below, flexibility is very important where aid-dependent countries are exposed to shocks.

16. Lack of predictability at the project level translates into negative effects on the real economy (eg power shortages) and on achievement of the MDGs. A systematic measuring at country level of actual project disbursements against planned disbursements across all donors would focus attention on this issue, and could be used to highlight systemic issues that delay timely project completion.

17. Lack of predictability in the matter of recurrent transfers, whether of cash, as with general and sector budget support, or of commodities such as food or essential drugs, raises even more acute issues. These are particularly troublesome when the amounts being supplied by the donor(s) are significant in relation to local budgetary aggregates. There is a good case for a more explicit set of mutual commitments in relation to such transfers. Good practice would suggest:

- A commitment by donors providing such recurrent transfers that at least matches in length the commitments being sought from recipients, e.g. for medium-term expenditure frameworks
- Specific measures to guarantee in-year predictability of recurrent transfers (e.g. by payments early in the recipient’s financial year), in order to tackle the extremely disruptive effect of in-year changes

- Adequate measures to ensure predictability of recurrent transfers over the whole period covered, e.g. by specific tranching arrangements, greater clarity about benchmarks etc
- Tackling unnecessary conditionality (see below) and procedural barriers to prompt disbursement
- Built-in flexibility for reprogramming funds and/or contingency allowances for additional transfers in the event of defined external events (e.g. a commodity price shock). The recent French institution of “contra-cyclic” loans with provision of payment holidays triggered by external shocks is an interesting example of one way to approach this for donors which provide loans (though loan repayments may be modest for those countries mainly supported by grant financing, where it is the availability of supplementary grant financing that is the issue)

18. These elements could form the basis of an agreed statement of good practice in this area.

19. **Conditionality** was recognised as an issue at the Rome High Level Forum in 2003, where donors committed themselves to “work to reduce donor missions, reviews, and reporting, **streamline conditionality**, and simplify and harmonise documentation” (emphasis added). However, no specific workstream was put in place on this commitment, and the issue was addressed only modestly in the Paris Declaration, for example by a commitment by donors to draw conditions “wherever possible” from the recipient country’s national development strategy and to link funding to “a single framework of conditions and/or a manageable set of indicators derived from the national development strategy”. Importantly, no indicator was set up to measure change (despite last-minute attempts by NGOs to press for one).

20. Like predictability, conditionality is an issue that needs careful analysis. Some conditions are uncontroversial. For example, all providers of loans specify terms of repayment. At project level it is normal to specify what resources the recipient agency will make available. Design standards need to be set. Other aspects of conditionality at project level (eg the scale of measures to mitigate impact on the environment or on people affected by the project, pricing policy) can be sensitive and raise controversy. This is all the more so at sectoral or at national level, where issues of wide scope such as privatisation or fiscal policy may be at stake. Some procedural conditions (e.g. creation of counterpart funds) may appear unthreatening but can be major obstacles in practice to prompt disbursement. Harmonisation of conditions can in theory minimise inconsistent application of conditions, but the price may be high in terms of complexity (each donor adding its own special interests) and lead to an “all or nothing” situation in which a cutting off of large amounts of aid may become a serious risk. In practice, some donors give more weight to procedural conditions, prior actions and the like, and others to results-based conditions.

21. Overall, there are three frequently asserted critiques of policy-based conditionality in particular:

- That such conditionality is intrusive and unduly restricts policy space. It may cut across, for example, human rights obligations, or serve to advance foreign policy interests of donors
- That conditions are unnecessarily numerous and detailed, adding to transaction costs; and
- That conditionality is often ineffective.

22. The IMF/IBRD Development Committee in September 2005 endorsed a set of good practice principles for policy-based lending by the World Bank, which is one key player in the international discussion around conditionality. In essence, these principles were:

- Ownership: *Reinforce country ownership.*
- Harmonization: *Agree up front with the government and other financial partners on a coordinated accountability framework.*
- Customization: *Customize the accountability framework and modalities of Bank support to country circumstances.*
- Criticality: *Choose only actions critical for achieving results as conditions for disbursement.*
- Transparency and predictability: *Conduct transparent progress reviews conducive to predictable and performance-based financial support.*

23. A recent review of progress against these principles by the Bank showed that the average number of conditions per policy-based operation had declined from above 30 in the mid-1990s to about 10-12 in FY05 and subsequently, and that the average number of benchmarks (actions and indicators describing a government's program that are not conditionality) in policy-based operations funded by IDA had declined sharply – by 40 percent – from FY2006 to FY2007, though this followed an earlier rise, and the number of benchmarks had risen for IBRD borrowers. Significantly, the Bank reported that it had proved difficult to limit the size of the policy matrix in the early stages of donor harmonization efforts, underlining the problem referred to above and putting into question the practical effect of the Paris Declaration commitment to a “common streamlined framework”. Finally, a strong message from the Bank's consultations was that involving local counterparts more in planning and executing analytic

work, and in building and reinforcing local capacity for policy formulation and analysis should be an essential element of the Bank's support.⁶

24. There is thus a significant degree of agreement that streamlining of conditionality is important (indeed some Civil Society organisations have called for the complete abolition of policy conditions), but also much evidence that day-by-day incentives continue to encourage too many, and too intrusive, conditions. There would seem to be a strong case for developing some sort of *International Code of Good Practice* around conditionality, not limited to policy-based operations or, as proposed in the first draft of the Accra Agenda for Action, merely to transparency, and with at least some clear indicators against which movement towards greater streamlining can be tracked, if a specific target (aimed at making conditions more parsimonious and less intrusive) is thought too difficult. Such a code, for which the Development Committee decision of 2005 contains many useful elements, could usefully distinguish between conditionality of a procedural and of a policy nature, as well as assess the pros and cons of conditionality linked to actions within the control of governments as opposed to results not fully within government control. Meanwhile all donors should observe existing good practice on 'criticality' in particular.

25. Finally, as emphasized at the regional workshop held in Kigali at the end of April to prepare for the High Level Forum in Accra, there would be much to be said for moving away from the whole language of 'conditionality', which carries extremely negative and disempowering connotations in many countries and among many groups, in favour of talking about mutually agreed targets, benchmarks or policies. This should of course not be merely a linguistic shift, but a real one which recognises more explicitly that donor-imposed criteria are unlikely to deliver results, and that genuine local commitment is the key to progress.

26. **Aid allocation** was not discussed at all at the Paris High Level Forum, but is the subject of another paper in this series. There are two main aspects, allocation between countries and allocation within countries.

27. The 2007 OECD Development Cooperation Report (www.SourceOECD.org/developmentreport) shows some interesting trends in **inter-country aid allocation**, including an increase in programmable aid to LDCs and other Low Income Countries, and to Sub-Saharan Africa, between 2002 and 2006, counterbalanced by sharp falls in ODA to some large middle income countries and India. Is this evolution likely in principle to improve the effectiveness of a given volume of aid in helping recipient countries to address internationally agreed development goals, including the Millennium Development Goals?

⁶ The findings of the November 2007 Progress Report were contested by Eurodad research on WB conditionality: www.eurodad.org/whatsnew/reports.aspx?id=1804

28. If one takes a static view and relates ODA levels to numbers of poor people in each recipient country, it is not obvious that the move away from large lower middle income countries and India (where absolute numbers of very poor people are large) will tend to lead to faster progress against the MDGs. But if one takes a more dynamic view⁷, it is likely that the depth and stubbornness of poverty will be larger in the poorer and least developed countries, justifying a higher level of expenditure per head of each poor person than in middle income countries. This is, in essence, the logic that lay behind recognising the least developed countries as a separate category. To that extent, the recent trends are moderately encouraging.

29. A second inter-country issue is the weight to be given to “good performance” and “results” as opposed to “need” and “vulnerability”, a topic on which much ink has been spilled over the years. Different parts of the international system give different weight to these criteria. The International Financial Institutions, for example, usually give more weight to the former (though IDA and AfDF have also policies that favour fragile situations), and the humanitarian agencies necessarily to the latter. Few bilateral donors use quantified models to help determine aid allocation, though elements of both performance and need are usually taken into account, along with political, historical and commercial considerations. Global Funds have their own models, sometimes targeted at countries with specific problems, others essentially depending on requests received. Recipient countries have justifiable concerns about the multiple and often non-transparent approaches used by donors to assess performance both at sector level and more broadly.

30. What is the net result of these very varied approaches? DAC figures show that IDA-eligible countries in the two top quintiles of performance as measured by the World Bank have received a stable or possibly declining share of ODA over the last few years: it is not clear that reforms quickly translate into additional aid flows. Among countries in fragile situations, the amount of ODA per head varies very considerably according to the profile of the country concerned and the perceived scope for effective assistance. And there appear to be countries which receive significantly more or less than models would predict, leading to concern over donor “darlings” and “orphans”.

31. Another strand of concern is that some countries are, or may become, unhealthily dependent on aid, leading either to problems of macroeconomic management (“Dutch Disease”) or to a “dependence mentality”. Various parameters are used to illustrate when dependence may become a real problem (e.g. over 40% of the budget; over 20% of GNI). Over time, in fact, aid dependence for most low income countries is stable or declining as economies

⁷ See the article by Professor Adrian Wood entitled ‘Looking ahead optimally in allocating aid’, World Development, 2008, forthcoming (already available as Queen Elizabeth House Working Paper 137)”

grow, but there is a range of small countries (mostly either islands or small least-developed countries) where the issue is real, and where enhancement of domestic revenue is therefore a particularly high priority.

32. There is in addition a reasonable concern that because the country is the most prominent unit for allocation, regional issues and investments of a regional character may be marginalised by too narrow criteria for aid allocation. It is certainly important that investments of regional significance are not left unfinanced because they may be given low weight by individual countries (e.g. a road to a landlocked neighbour).

33. **Intra-country aid allocation** is also a significant issue. A brief survey of trends in aid by sector in recent years shows a sharp increase in aid for the health sector (with a particular emphasis on HIV/AIDS) and a moderate increase in aid for basic education. This is balanced by sharp declines in aid for the productive sector (including notably agriculture) and until the last few years also in infrastructure. There is some increase in programme-type funding (such as budget support), though this is still far below the levels of twenty years ago, and a huge increase in debt write-off, only a small part of which reduces annual debt service outgoings. On a narrow view of the MDGs, the increase in health and education spending is very welcome, but given the links between poverty and all the MDGs the decline in areas such as agriculture (a prime source of gainful employment for poor people) and infrastructure (with its strong links to growth and accessibility) are matters of concern.

34. Broadly speaking, achievement of most, if not all of the Goals will require effort not just in the specific “sector” which a Goal may relate to most closely, but also in other areas (eg better levels of education, better environmental conditions, and ease of access to health facilities all contribute to better health, yet none of them involves health sector spending). They will also require attention to geographic balance within the country. **All countries need balanced development** in both the sectoral and geographical sense.

35. The logic of the principles of ownership and alignment is that donors should be more responsive to actual demand from recipient countries and less driven by their own notions of what these countries “need”. This argues against setting targets for aid spending by sector which are to apply to all countries or even all countries of similar economic status or of the same region. Nevertheless, such targets are often in fact set by international gatherings with a focus on particular areas.

36. A strengthened framework for aid effectiveness could usefully attempt to set out good practice in inter-country and/or intra-country allocation of aid. However, this would be no light task: it is indicative of the sensitivity of the issue that very few international agreements (the target for least developed countries being the most prominent exception) exist in this area. In any event, a regular report on the evolution of inter-country and intra-country aid flows would be a valuable basic input to future meetings of the DCF.

37. Finally under the heading of terms of aid is the issue of **concessional**ity. Most ODA is provided in grant form and most debt crises have been triggered by lending which is not ODA (principally private bank lending, non-concessional lending by the International Financial Institutions, and export credits). This suggests that the most significant issues lie not so much in the terms of ODA as in non-concessional or very low-concessional loans to countries whose foreign exchange earnings are very modest and uncertain.

38. The write off of large amounts of bilateral and multilateral debt over the past few years has created a new situation, in which many very poor countries are – for the first time in many years – carrying very modest levels of external debt (though internal debt remains a problem for many). This opens up space for them to resume foreign borrowing – but clearly this needs to be done in ways that will not simply return them to debt distress.

39. This will require prudence on both sides – in the way the country accesses and uses loan finance and in the way that lenders, both private and official, provide such finance. It does not mean that borrowing – on appropriate terms and for appropriate purposes – may not be a perfectly sensible part of a financing strategy. (Indeed some academic studies have concluded that loans are often associated with better results than are grants – perhaps because the recipient is more “committed” to a project that it is going to repay.) On the official side, International Financial Institutions have become more cautious about lending through their hard windows to poor countries, and the OECD has promulgated guidance to providers of export credits which is also designed to discourage unduly aggressive provision of credits. It is highly desirable that all lenders, official and private, observe similar restraint when considering lending to poor countries with uncertain export earnings.

40. It might be worth incorporating some of these considerations in a strengthened framework for aid effectiveness, for example by securing agreement that all official or officially backed loans to Least Developed Countries and other low income countries (excluding those countries sufficiently creditworthy to receive hard lending from the World Bank such as India) should be on terms recognised by the IMF as concessional (see below), or at least that non-concessional official lending should remain within the limits prescribed by the Debt Sustainability Framework. Ensuring “responsible terms for development finance”⁸ requires action by both lenders and borrowers⁹. However, there also needs to be recognition of the case for accessing loan finance where it is both additional and directed to investments with a strong linkage to economic growth, and can be serviced with a proper margin of prudence, consistent with debt sustainability.

⁸ See www.eurodad.org/whatsnew/reports.aspx?id=2060

⁹ Ibid

41. This leads on however to one aspect of ODA accounting that remains problematic. The OECD Development Assistance Committee, while requiring all forms of ODA to be “concessional in character”, has continued to use a standard of a 25% Grant Element calculated at a 10% discount rate (originally set in the 1970s) to assess concessionality. In contrast, the IMF, when determining ceilings for non-concessional borrowing, considers as non-concessional all lending below a Grant Element of 35% calculated at the usually much lower cost of capital in the currency of the loan (technically, the Commercial Interest Reference Rate –“CIRR” – used by the OECD Export Credit Group to assess certain parameters). This is a significant difference. At present day interest rates in most international currencies a 25% Grant Element calculated at a 10% discount rate can be achieved by non-concessional market borrowing, and it is therefore no longer an adequate guarantee of real concessionality.

42. As part of a strengthened framework for aid effectiveness, it would be highly desirable to align DAC practice with that of the IMF, or to find some other way of ensuring that all loans counting as ODA do indeed have a significant element of concessionality. This could be linked to a statement by all official lenders (both concessional and non-concessional) which recognises the need to respect the need of borrowers for debt sustainability. OECD Export Credit Group commitments to “responsible lending” are a start in this direction.

43. There has been much discussion of how far the aid effectiveness framework as set out in the Paris Declaration is sufficiently responsive to important development issues that are central to sustainable development and which have implications across all sectors, notably **human rights, gender and environment**. There is a brief section of the Paris Declaration that calls for a harmonised approach to environmental assessments, and refers to the need for similar harmonisation efforts on other cross-cutting issues, such as gender equality and other thematic issues. But this falls well short of a coherent statement of resolve. At the same time, concerns have been raised that if more programmatic forms of aid, such as budget support, increase at the expense of project-type interventions, some of these issues may be increasingly marginalised.

44. Given the importance of these issues, it would seem opportune to consider developing a more thoroughgoing statement of good practice. This might for example include recognition of the importance of:

- Good country-level systems for consultation and for domestic accountability
- Strong civil society in all its dimensions and an effective voice for those who may too easily be marginalised (such as women , the disabled, minorities etc)
- Willingness to work across traditional divides between State and non-State institutions

- Stronger local institutions of research and evaluation in support of evidence-based policy.

45. A strengthened framework for aid effectiveness could recognise these dimensions more explicitly and call on donors to support them. The MDGs do already pay attention to some of these issues, but the measurement (eg of gender and environment progress) under the MDGs is far from adequate. To develop agreed indicators of progress (eg inclusion of gender analysis in sector programmes) is an important task in all three of these areas. Developing countries need to improve their systems for monitoring and evaluating progress in these areas, and donors should both assist the process and use these systems for their own monitoring.

4. Improving clarity and monitorability of indicators in the Paris Declaration

46. The Baseline Survey under the Paris Declaration demonstrated **practical definitional problems** in several indicators, such as Coordinated Capacity-building (Indicator 4), Project Implementation Units (Indicator 6) and Programme-based approaches (indicator 9). The measurement of aid “on budget” and its predictability also raise issues. Attempts have been made to address some of these problems in the monitoring round conducted in the early months of 2008, for example by strengthening the role of the country coordinators and by giving more examples of approaches that illustrate the various parameters. It remains to be seen how successful these attempts will prove in practice.

47. It is doubtful whether the 2008 DCF should spend time on these often quite technical issues, but if the report on the monitoring round is available it may wish to note whatever the report has to say about remaining definitional challenges, and urge that these be addressed through the continuing process in the DAC-hosted Working Party on Aid Effectiveness. It might be desirable to call for a report back to the DCF in 2010. An example of the possible direction of travel would be to make the indicator on co-ordinated capacity building more robust by emphasising alignment of technical cooperation to capacity development plans as the basis for harmonisation, by requiring clearer evidence of demand, and by measuring the extent of the use of locally hired expertise. This could develop into an international code of conduct on delivering TC, rather than as additional targets under the Paris Declaration.

48. In addition, one issue stands out as inadequately covered by the indicators: **untying**, where the target is merely “continued progress over time”. There is a long history of concern that the tying of aid to procurement in the donor country (or sometimes just in the donor country and the recipient) leads to excess costs and therefore to lower value for money from the aid expenditure. The issue has been debated among the main donors in the OECD Development Assistance Committee for nearly 40 years, with the only agreed result of any

significance being the DAC Recommendation of 2001 which effectively ends tying by DAC members for aid to Least Developed Countries with the important exceptions of food aid and technical assistance. DAC figures show that the amount of ODA reported as tied is low and falling, but this leaves two areas of concern: the large amount of ODA whose tying status is not recorded and the surprisingly large share of untied aid that is still spent in the donor country. It is high time that all DAC members reported the tying status of all their ODA on a transparent and fully comparable basis, and it would be worthwhile setting a date for achieving this. More research is needed on the reasons for the high share of some donors' untied aid going to their own economic actors. As a first step, basic figures for the destination of procurement under bilateral aid should be collected and published by the DAC. Again, the DCF could call for a report on both issues for its meeting in 2010.

49. However, recipient countries are not just concerned about tying as such (i.e. the ability to spend the aid provided by donor X anywhere in the world). They may also be concerned that the proportion of ODA spent on local or regional goods and services is too low. This is not strictly an issue of "tying", but more one of improving the ability of local and regional actors to compete for and win aid-funded business, thus maximising the "first round effects" of aid spending. There are many ways of doing this, from the way contracts are designed to removing any distortions (for example in donors' own procurement) that in practice favour offshore suppliers¹⁰. The evidence base for the extent of local and regional procurement by donor is unfortunately extremely weak. Again, a first step would be to call for transparent figures for all bilateral and multilateral donors.

50. Two other issues, covered in both the Declaration and the Indicators, but still difficult, are worth referring to explicitly in this section. The first is the **development and use of local systems**. This brings together important and difficult issues around capacity development, institutional reform, anti-corruption, and mutual trust. The Paris Declaration encourages recipient countries to strengthen their systems and donors to make greater use of them, with a view to creating a "virtuous circle" of institutional improvement in areas such as public financial management and procurement.

51. It will be important to see how far the monitoring process shows changes in the desired directions since the baseline survey of 2006. On the host country side many efforts are being made, but institutions change only at a certain pace. On the donor side, the baseline survey suggested that the variability of use of local systems was at least as much driven by differences

¹⁰ Some multilateral agencies give preferences to local suppliers (for example the European Development Fund). It is not clear how effective such measures are in practice, and it may be better to concentrate on achieving a truly level playing field.

in risk assessment and risk tolerance among donors as by objective assessment of the standards of the local systems themselves.

52. This suggests that serious work, supported by the international community, should continue on improving the capacity and performance of key institutions, but also that donors and their supervising authorities (notably Parliaments, Finance Ministries and Supreme Audit Institutions) should build **more consistent, evidence-based approaches to risk in areas such as use of local accounting, audit and procurement systems**. This could again be an element to emphasise in a strengthened framework for aid effectiveness, and one where more dialogue between Parliamentarians and auditors in North and South would be essential. The meeting of Parliamentarians in Florence in May is highly relevant, since Parliaments in donor countries can, by their requirements for accountability, discourage aid agencies from making their aid more accountable locally, including by making use of local public financial management systems. Equally, Supreme Audit Institutions in donor countries are well aware of the need to strengthen Southern audit capacity, and are also increasingly familiar with the need to adapt their methods to encourage rather than discourage joint financing by donors, e.g. of budget support.

53. The second issue is that of **results**. The Paris Declaration gives some profile to the issue of managing for results as a Principle, but is relatively unspecific about action to be taken. The Roundtable in Hanoi in February 2007 showed that a number of developing countries now had some real ownership of this agenda, and it is very encouraging that communities of practice are developing in many parts of the world. Nevertheless, there is a clear need to build and strengthen results-based monitoring at national level and by national actors, including both state and non-state actors. Donors need to help this process, not least by using local systems increasingly as a basis for their own measurement of results.

54. However, the question of what results, if any, are being achieved by the international dialogue on aid effectiveness is also an important one. Has the dialogue really changed donor behaviour, and has that led to any observable real-world changes that benefit people in recipient countries? These are questions of considerable importance, since there is no point in pursuing the aid effectiveness agenda if it does not, over time, translate into better real-world outcomes. Indeed, there is a serious risk that unless the aid effectiveness agenda is seen to be contributing to real development results, the effort will fall flat. Both donors and recipients need to be held accountable for the commitments they have entered into. The independent evaluation of the development impact of the Paris Declaration being carried out by an international group of evaluators (first draft due in May) will be particularly important, and it might be useful for the DCF to have a presentation from the team carrying out the evaluation. The DCF could usefully maintain a core focus on the link between aid effectiveness and development effectiveness.

5. Transparency and inclusiveness of monitoring and mutual accountability

55. Monitoring and Mutual Accountability are hallmarks of the process established in the Paris Declaration. Both are potentially very effective in encouraging changed behaviour that promotes aid effectiveness, but in both cases a good deal remains to be done to achieve this potential.

56. There are several grounds for concern about the **monitoring** process, though some have been addressed by the improvements mandated by the DAC-hosted Working Party on Aid Effectiveness ahead of the latest monitoring round. One concern, strongly expressed in the baseline survey of 2006, was that donors had too much latitude to claim that certain practices responded to the indicators set up in the Paris Declaration, even when there may have been legitimate questions about their true performance. Certainly, the definitions of some parameters (e.g. when is a project Implementation Unit “freestanding”? Exactly what justifies scoring a Project as a “programme-based approach”?) lent themselves to ambiguity, and donors had a good deal of scope to report as they themselves saw fit. While efforts have been made to tighten up the definitions, concerns remain over the extent to which the monitoring process gives adequate attention to the views of recipient countries as well as donors, and the role of non-official actors, such as national legislatures and civil society.

57. Concerns have also been expressed about the reliance on World Bank assessments for indicators 1 (operational development strategy) and 11 (results-oriented performance assessment), where the Baseline Survey recommends a process where the profiles are generated largely by an in-country process, with some outside standardisation of results. This is not an easy task, but such country-based processes could help trigger a more searching local discussion of, for example, how to close the gap often observed between the aspirations of development strategies and the realities of national budget allocations and donor adherence to locally-expressed priorities. The DCF could encourage the development of such local processes along the lines recommended in the baseline survey. There may be similar possibilities of developing over time a more country-led but externally-validated approach to Indicators 2 (a) and (b) (quality of public financial management and procurement systems). More generally, the independence of the monitoring function itself needs to be strengthened.

58. **Mutual Accountability** is a core principle of the Paris Declaration, with an ambitious target that “mutual assessment reviews” are in place in all participating recipient countries by 2010. The existence and the quality of such reviews is a key issue on which much of the success of the drive for more effective aid depends. Successful processes hold both donors and host countries to account for the delivery of their commitments to each other, and provide a “space” for reflection on what is and is not working well. This is one route towards a more balanced

relationship between donors and recipients, in which both sides can be held to account for the performance of their obligations.

59. The monitoring process will provide updated information on the extent of such processes in the 50 plus countries where monitoring is taking place. It seems likely that well-considered and effective local processes for mutual accountability will still be few and far between, raising serious questions about achieving the target for 2010.

60. This is an issue that the DCF may wish to address, because of the potential for transforming donor-host country relationships. Elements of good practice exist in several countries and typically include:

- Strong host government and donor commitment to the process
- Genuine independence of analysis, giving a strong role to competent local research institutions
- A transparent process, with openness to non-official as well as to official voices
- Publication of findings to encourage genuine discussion
- A link to other national and international processes (e.g. national planning cycles, aid group meetings).

61. The DCF could for example commission a report on the lessons to be learned from country-level mutual accountability processes with a view to discussion at its meeting in 2010. Indeed the UN system is well-placed to offer a consolidation and encouragement of local mutual accountability processes, and the DCF might want to make this a regular focus of its attention, highlighting innovative ideas that could be replicated elsewhere. Such an initiative might have genuine 'leverage' in many countries.

6. Recognising the implications of a more diverse set of actors

62. It is evident that the range of actors involved in international cooperation is becoming much broader. This is partly because some longstanding donors are becoming much more significant (not least in South-South cooperation), and because a steadily widening number of countries are embarking on development cooperation programmes. But it is also because new multilateral channels are being created, notably for programmes which address global issues (HIV/AIDS and other infectious diseases, climate change etc) and because private philanthropy, whether through NGOs, private Foundations or corporate social responsibility, is growing rapidly.

63. A strengthened international framework for aid effectiveness should pay attention to all these forms of assistance, even though it is unlikely that a single framework can fully respond to the diversity of actors. (Thus international NGOs have not endorsed the Paris Declaration, even though many of them recognise that its principles have significant relevance for their own cooperation; and when the G-20 countries did, at their meeting in Melbourne in November 2006, formally endorse it, one important G-20 member indicated that while it fully accepted the relevance of the Declaration to North-South flows, it considered that South-South cooperation should be driven by considerations of mutual advantage.)

64. The process adopted by the DAC-hosted Working Party on Aid Effectiveness has gone some way to recognise the importance of dialogue with other actors. There was already some broadening of participation between the Rome and Paris High Level Forums, and this process has continued in the increasing membership of the DAC-hosted Working Party on Aid Effectiveness, which has a tripartite structure representing bilateral donors, multilateral agencies and aid-recipient countries. In the run-up to the Accra High-Level Forum, there is a dialogue with Civil Society Organisations, through an Advisory Group chaired by Canada, a dialogue with non-DAC bilateral donors, led by Japan and Russia, and a more structured discussion with Global Funds, several of which now participate in the Working Party.

65. Both Global Funds and Civil Society Organisations are also working in their own groupings to engage with the Accra process and to consider their own effectiveness: indeed Civil Society Organisations will be meeting in Accra immediately ahead of the High Level Forum.

66. It is clear that many donors outside the DAC see value in the Paris Declaration, particularly as a statement of principles which all can accept. However, a high proportion of them feel that they have had no ownership of the process and many consider that some of the commitments, indicators and in particular targets in the Declaration are inappropriate, particularly where the providers of development cooperation are themselves relatively poor countries. This links in some cases to a wish to sustain a qualitative difference between 'South-South cooperation' and 'aid', seen as in principle two separate concepts. These views are important, yet there are many issues that are common to all forms of cooperation (e.g. effective delivery, evaluation, sustainability, results), and from a recipient country perspective all inflows of finance or expertise need to be managed in the most effective way. Indeed, most countries which engage in South-South cooperation are also recipients of aid, and appreciate the principles of the Paris Declaration in that capacity.

67. It is therefore highly desirable, while recognising the particularities of different forms of international cooperation, to build common practice and standards which will help the recipients of cooperation make the best use of it. As part of this, non-DAC cooperation partners need to have a much stronger voice in building on the emerging consensus which is being forged about good practice in effective delivery of development cooperation. There also needs to be

more recognition for the specificity, value and significance of South-South cooperation, underpinned by reporting such cooperation in a consistent and transparent way. It is also clear that poorer donor countries cannot be expected to take on commitments identical to much richer countries. The DCF could play a particularly significant role in encouraging a constructive dialogue around these issues.

68. As for CSOs, it is clear that the Paris framework cannot be simply transplanted to the world of private philanthropic channels and international non-Governmental organisations. However, the importance of effectiveness is equally high for these bodies as for official donors, and it is encouraging that discussions are taking place about how they too can work better together in support of Southern partners. The DCF might wish to keep abreast of such discussions and to invite such bodies to report progress periodically.

69. The DCF could also build synergies between the official discussions and the interests of stakeholders such as civil society, parliamentarians and local governments. All these actors can and should play a major role at country level. For some, existing international networks could usefully focus on aid effectiveness as an issue. For example, the Inter-Parliamentary Union could bring Northern and Southern Parliamentarians together around an issue where the views of legislators (especially in donor countries) are key to providing more policy space; the international associations of cities and of local government could similarly be encouraged to discuss the agenda.

70. The effectiveness of aid provided by CSOs, foundations and Vertical Funds is an important issue, though not different in character from other sources of cooperation. All these bodies may be expected to have some interest in evaluation, and many will have some sort of evaluation function. The Gates and Hewlett Foundations have in addition, with a few bilateral donors, been instrumental in establishing the new International Initiative on Impact Evaluation (“3IE”). The way forward lies in more collaborative evaluation, with strong Southern participation. 3IE could be invited to make a presentation to the DCF.

71. In addition, the DCF has a clear mandate vis-a-vis the UN system itself. The effectiveness of the UN system as a development partner is a major issue, and is of course a matter of regular attention in ECOSOC. The DCF could usefully give developing countries in particular a good opportunity to comment on their own views of the effectiveness of the UN system in-country (including the impact of the existing reform efforts). In collaboration with UNDG, a focus could be maintained – perhaps by a specialised roundtable at each DCF meeting - on how the various UN actors are responding to the principles of aid effectiveness and how they shape up against the various targets established in the Paris Declaration (recognising that these will apply in different ways depending on the type of agency or programme involved).

72. Against this background, the Development Cooperation Forum would appear particularly well-placed to:

- Highlight the crucial perspective of the host country in helping to ensure aid effectiveness
- Pursue the discussion about maximising the development effectiveness of South-South cooperation and its links to the wider international discussion of aid effectiveness
- Offer an inclusive space for dialogue with civil society and the private sector. (This would require building stronger and more inclusive links with, for example, the strong civil society grouping that will be meeting in Accra.)
- Build on its specific mandate to strengthen links between UN normative and operational work to emphasise considerations of aid effectiveness within the UN system (this issue deserves a separate paper)

73. In doing so, it has the potential, without duplicating work done elsewhere, to maintain an overview of such work and could use this position (1) to request reports from the bodies carrying it out with a view to ensuring overall coherence and (2) produce a regular report on progress [see para.73 below].

74. In this connection, it is worth noting that the Paris Declaration sets up a clear process to the High Level Forum in 2008, but not thereafter, apart from the fact that by setting targets for 2010 it implies a further monitoring round in early 2011 which would need to go, presumably, to some further high-level policy event in late 2011. Consistently with this, the draft Accra Agenda for Action proposes a further High Level Forum for December 2011. Whether any process of the relatively autonomous nature of the Rome, Paris and Accra High Level Forums should continue beyond that date is an entirely open question.

75. This suggests that the 2010 DCF could, if members chose, play an influential role in helping to develop a more inclusive framework for promoting the effectiveness of all forms of international cooperation for a further period, possibly leading to UN endorsement at an appropriate moment (for example by UN co-sponsoring of the event at the end of 2011¹¹). This would give subsequent meetings of the Development Cooperation Forum from 2012 onwards a key role in sustaining the global overview of delivery of commitments by all parties to the effectiveness of aid, probably supported by continued technical work within the OECD/DAC-hosted Working Party on Aid Effectiveness (see below). A very important function, with high potential for value-added, would be to encourage the work on mutual accountability at country level by providing a regular space for assessing progress and discussing issues of common concern that may arise in the delivery of the proposed strengthened and more inclusive

¹¹ The UN was invited to co-sponsor the Paris High Level Forum, but it was decided that UNDP should be the co-sponsor

framework. As suggested in a recent review¹², this could be based on an analytically independent report which could evolve into an authoritative and comprehensive source for information on mutual performance, and which would lead to a meeting at, or linked to, the DCF itself involving all stakeholders.

7. From a technical to a political agenda

76. As noted above, there is a danger that the international dialogue about how to improve the development effectiveness of aid is perceived as a basically technical issue, of concern to mid-levels of aid bureaucracies and their Southern counterparts, and of little political interest.

77. Of course one can argue that this perception is misconceived, that in fact politicians, North and South, have a very considerable interest in whether aid is really producing results and delivering value for money, and indeed that some of the constraints on effectiveness are the result of political pressures, whether for 'visibility' or to reward compliant behaviour by the recipient government regardless of its concern for the welfare of its own citizens. However, it would be very foolish to ignore the danger.

78. The DCF could encourage three initiatives to tackle the problem: First, along with other international bodies such as the International Financial Institutions and the DAC, it could publish documents and materials in much more accessible language than is commonly the case, concentrating in particular on the link between **aid effectiveness** and broader **development effectiveness**. And it should work with others to ensure that the key messages are delivered to the highest possible level in both donor and recipient countries. The DCF itself, but still more the Financing for Development conference in Doha, can be influential in this regard.

79. Second, it could address with bodies such as the Inter-Parliamentary Union aspects of behaviour by politicians and the media in donor countries that work against effectiveness. For example, excessive demands for 'visibility' can weaken effectiveness and sustainability. Put briefly, donor agencies may be impelled by the need to respond to political concerns about visibility to favour stand-alone activities for which they are the major funding source in place of possibly more effective joint financing with other donors of host-country owned programmes that may be more productive and sustainable. The first might involve funding and taking direct credit for, say, 30 schools, perhaps through a dedicated Project Implementation Unit and using donor-controlled procurement systems; the latter might involve being a relatively modest co-funder of a country-wide educational reform programme executed through national systems. If

¹²Paris Declaration on Aid Effectiveness: Study of existing mechanisms for mutual accountability between donors and partner countries at international level, James Droop, Paul Isenman and Baki Mlalazi, Oxford Policy Management, March 2008

donors are to be brought to a greater degree to support programmes of the second kind (which may involve some greater risks but have a greater prospect of sustainability), such pressures need to be tackled.

80. Third, the UN and other players should recognise the large gap in knowledge and perception between the relatively small number of officials and other experts who have worked on the aid effectiveness agenda over the past few years and the much larger number of actors who need to understand the practical steps they can take to improve results on the ground. There is no place where one can go for a handbook on aid effectiveness in the sense of say a handbook on development economics. There is a need to collate materials on the issues, document best practice, conditions for success etc, so that those who need a working knowledge (not least officials in recipient countries) can access what they need to know. More systematic training¹³ would help to create a critical mass of people who can understand both the concepts and the practical steps that can be taken. Donors could be encouraged to finance accessible training courses (including through distance learning) to help officials in recipient countries address this issue. But they also need to work on the continuing disconnect between the rhetoric around harmonisation and alignment and the practice of their own agencies.

8. Possible priorities for the DCF - short and medium-term

81. The 2008 Development Cooperation Forum needs to position itself in relation to two other key events of 2008, the Third High-Level Forum on Aid Effectiveness in Accra and the Financing for Development Conference in Doha, while also looking to its own longer-term role. It should avoid duplicating existing work in either of these two processes and look for where it can add value to them. The draft Agenda for Action for the Accra High-Level Forum will have been discussed at several regional meetings before the DCF, and these discussions should facilitate a useful exchange at the DCF on the appropriate level of ambition for Accra. Preparations for the FFD event will also be advancing. In addition, the ongoing process of enhancing the effectiveness of the UN system itself remains highly relevant.

82. From this perspective, and recognising the convening power of the DCF, areas for specific attention in the short term (2008 DCF) might include

- a) Substantive issues (most of which are likely to feature on the Accra Agenda for Action)*

¹³ The organisation 'Train4Dev', a training consortium established by a group of multilateral and bilateral donors, is active in this area, but a great deal more needs to be done, not least for developing country officials

- Clarifying the position of the various stakeholders on **predictability, conditionality, concessionality**, and on **untying and local procurement**, based on “unpacking” each issue in order to identify the real areas of difficulty: what level of ambition should be sought at Accra on these issues?
- Considering how best to facilitate progress on key **cross-cutting issues** within a framework that takes ownership, alignment and harmonisation more seriously
- Addressing the issues around greater use of **local systems, capacity development, institutional reform, managing for results** etc: how can progress be accelerated?
- [The question of how far the **allocation of aid** could be further improved in terms of its impact on sustainable development and the various agreed international goals is an important one, but would require a longer period of preparation.]

b) Process issues

- Considering **issues arising from the first monitoring survey** under the Paris Declaration, particularly on host country and non-official voice and possible areas for greater transparency in future monitoring rounds.
- Considering the scope for encouraging **mutual accountability** processes, including the possibility of establishing standards for good quality processes, and perhaps calling for a report to the 2010 DCF. The DCF should also discuss the possibility of following up the proposal for a regular report (para. 73 above).

c) Coverage Issues

- Assessing how far **DCF participants** who supply aid and other forms of co-operation but are **not in the category of “traditional official donors”** consider the Principles of the Paris Declaration as a good basis for a strengthened international framework for aid effectiveness
- Providing an opportunity ahead of the Accra Forum for integrating the perspective of **South-South co-operation** into the aid effectiveness debate
- Considering the case for providing **basic data on South-South co-operation** in a consistent and comparable manner
- Giving **recipient countries and organisations** (eg Southern CSOs) a strong opportunity to make their views known on how they would like those who provide cooperation to them to facilitate greater effectiveness of such cooperation.

- A specific focus on how far the **UN system** is applying principles of aid effectiveness.

83. This is already a large agenda, and several items are by their nature issues that will require further work over a longer period. The nature of this **longer-term work** will itself need to be determined in more detail in the light of the outcome of the Accra and Doha events, but the aim could be **to develop over time a strengthened and more inclusive framework for aid effectiveness, endorsed in the UN, which would be regularly monitored in the DCF** (while technical work might continue to be grounded in the DAC-hosted Working Party on Aid Effectiveness). This could involve the following priorities:

- Continued work on broadening the issues covered by the ongoing High Level Forum process (eg on predictability, conditionality, concessionality, allocation, untying/local procurement, cross-cutting issues, results, use of local systems)
- Retaining till 2011 a more detailed operational process hosted by the OECD/DAC Working Party on Aid effectiveness, based on the Paris Declaration, subject to any modifications agreed at Accra. This should aim to strengthen transparency and inclusiveness of monitoring, and to build closer links with the DCF (eg by the DCF requesting the Working Party Chair to submit a report on post-Accra progress to the DCF in 2010 and potentially by UN co-sponsorship of fourth High Level Forum in 2011)
- Encouraging a consensus on good practice in mutual accountability processes and developing a regular report as proposed above
- Considering in all relevant forums (including the UN, the Development Committee and the DAC-hosted Working Party on Aid Effectiveness) what might be the elements of a more inclusive international structure, perhaps post-2010, for encouraging aid effectiveness at country level.

9. Recommendations

84. In moving towards an inclusive, effective and feasible international framework for aid effectiveness, attention should be paid to the role of the various international bodies that already exist, and to their respective roles, which can and should be complementary. A possible division of roles might be:

- **UN** (notably via DCF, but also FFD under the terms of the relevant GA and ECOSOC Resolutions): addressing issues that require a political level discussion; developing a broadening consensus on how to make all forms of aid more effective in terms of their results; taking a lead in ensuring that South-South cooperation is adequately recognised and documented, and that it too is as effective as possible; supporting mutual

accountability processes and holding all relevant parties accountable; strengthening links with non-official actors, including Parliamentarians and CSOs; and addressing aid effectiveness issues across the UN system (with UNDG). As suggested above, the DCF could also launch a regular, independent analysis of progress;

- **Development Committee:** using World Bank monitoring reports to improve the analysis of public and private flows; actively promoting the aid effectiveness agenda across the IFI system. A specific focus on Aid Effectiveness might be considered for a forthcoming UN/Bretton Woods spring meeting, e.g. in 2010;
- **OECD DAC:** monitoring the Paris Declaration and Accra Agenda for Action; developing good practice in the relevant areas through the Working Party on Aid Effectiveness and its Joint Ventures; monitoring ODA flows from its members and (where available) other official and non-official sources; using its Peer Review mechanism to incentivise changed donor behaviour; preparing with other interested parties a fourth High Level Forum in 2011
- **Regional and sub-regional bodies** (UN Regional Commissions, Regional and sub-regional development banks; SPA, sub-regional economic groupings): addressing aid effectiveness issues notably from the standpoint of recipient countries; capacity building; exchanges of experience.

The DCF could aim to play a central role in encouraging synergies between these groupings, looking to a close working relationship with more technically-oriented work in the DAC-hosted Working Party on Aid Effectiveness but itself concentrating on the significant policy areas that impact on the links between aid effectiveness and development effectiveness.