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Implementing the Paris Declaration on Aid Effectiveness: Where does Germany stand?

The Paris Declaration (PD), adopted in 2005, lays down principles and procedures for enhancing the effectiveness of aid and specifies them in twelve targets supplied with monitorable indicators and to be achieved by 2010. The PD thereby clearly enlarges the international regulatory framework (norms, standards) of development cooperation. The PD complements the international commitments regarding the global development goals and scaling up financial resources for development.

According to the PD, partner countries (supported by donors) are to create the basis for effective aid by assuming ownership, elaborating operational development strategies through broad consultative processes, establishing reliable public financial systems and coordinating all donor contributions. Donors commit to respecting partner country leadership, aligning their overall support with partners' priorities,

strategies, capacities and procedures, and harmonising their approaches. Both sides are jointly responsible for the results-oriented management of their efforts and accountable for development results.

The quantitative assessment by the OECD of the progress towards 2010 reveals considerable delays of partner countries. Germany, while having advanced and partly being ahead of the donor average, has yet to make further efforts to achieve the targets by 2010. A qualitative evaluation of Germany's implementing the PD, conducted by DIE, shows that there is a high commitment being made to the PD and it is perceived as important. The institutional capacity to implement the PD has been improved by a number of measures. At the systemic level of German development cooperation, there are factors that both facilitate and hamper implementing the PD.

From 2–4 September 2008, ministers, heads of development agencies and civil society organisations from more than 100 countries met in Accra, Ghana for the *Third High Level Forum on Aid Effectiveness*. The aim was to review the implementation of the Paris Declaration on Aid Effectiveness (OECD 2005) and to agree on further steps to accelerate and deepen the PD process in the *Accra Agenda for Action*. What's the reason for these efforts?

Effectiveness as a particular challenge to aid – The background of the Paris Declaration

Effectiveness is a basic issue of aid. While not entirely new, it has been dealt with intensively for the last few years because the call for effectiveness is putting aid under considerable pressure as a problem and question of legitimacy. There are essentially four reasons for that:

- In quite a number of partner countries development progress has been unsatisfactory despite substantial aid in many cases.
- Development cooperation has problems (partly methodological in nature) in demonstrating its effectiveness. These problems are aggravated by the rather ambiguous picture of aid effectiveness which is drawn by international cross-section analyses and nurtures doubts.
- The complexity of the international aid system has considerably grown over time and is increasingly hampering the efficiency and effectiveness of aid.
- The international community has put a high pressure to succeed on itself by taking ambitious decisions with regard to aid effectiveness.

In fact, as a response to decreasing aid efforts in the 1990s and the growing awareness of the risks that the considerable inter- and intra-national development disparities can entail, the international community has entered into a number of commitments that both assign development cooperation an important role in securing our global future and are intended to enhance aid effectiveness. Taken together, these commitments constitute the international aid effectiveness agenda with the Paris Declaration (PD) being one of four pillars of this agenda.

For a policy to be effective, at least five requirements have to be met: (i) goals set as a yardstick of effectiveness, (ii) resources available to achieve goals, (iii) an institutional system conducive to goal achievement, (iv) principles and procedures for effectively using resources, (v) support, or at least no impairment, by other policies (policy coherence). The international community has translated these requirements with the exception of (iii) into commitments highlighted in **Box 1**.

The agenda lacks one essential pillar, namely the institutional dimension. Apart from one exception, there are no commitments intended to tackle the institutional problem of the international aid system, i.e. the large number of donors, directly by reducing the number of actors. Currently there are about 40 bilateral and 30 multilateral donors using numerous specialist organisations and frequently relying on their own priorities, goals or procedures. As a result there are losses of efficiency and effectiveness. In this analysis the much larger number of civil society organisations has not yet been considered and would have to be included to complete the picture. The PD seeks to solve this problem indirectly (through harmonisation), which will be difficult as long as

Box 1: Commitments constituting the international aid effectiveness agenda
<ol style="list-style-type: none"> Goals: Millennium Declaration of the UN (2000); Millennium Development Goals (MDGs) of the UN (2001; time horizon: 2015; MDG 1: Halving extreme poverty worldwide by 2015) Resources: Increasing official development assistance of developed countries to 0.7% of gross national income (UN Consensus of Monterrey of 2002; EU members committed to achieve the 0.7% target by 2015; Germany recorded 0,37% in 2007) Principles and procedures: Paris Declaration on Aid Effectiveness adopted in 2005 by about 30 bilateral donors, 25 multilateral organisations, 60 developing countries (90 by now) and a number of international civil society organisations) Policy coherence for development: Call for more development orientation of other policies (acknowledged at UN, OECD, EU and national levels)

the number of donors continues to be high. The exception referred to before is the Code of Conduct on Complementarity and Division of Labour in Development Policy adopted by the EU in 2007. It aims to reduce the number of EU donors engaged in a country or sector by division of labour.

What does the Paris Declaration stipulate?

The Paris Declaration lays down five principles of effective aid (Box 2) and specifies them in twelve targets supplied with measurable indicators and to be achieved by 2010. These principles are not new. Ownership and alignment for instance are congruent with the old principle of "help for self-help". Put together and consistently implemented, however, they amount to a silent revolution in aid because partners and donors and all organisations involved have to adjust the way they work. Consequently, habits cultivated over time and institutional self-interests may be questioned.

Box 2: The principles of the Paris Declaration*
<ol style="list-style-type: none"> Ownership: Partner countries exercise effective leadership over their development policies and strategies and coordinate development actions (indicator 1). Alignment: Donors base their overall support on partner countries' national development strategies, institutions and procedures (indicators 2–8). Harmonisation: Donors' actions are more harmonised, transparent and collectively effective (indicators 9–10). Managing for Results: The entire management of aid (planning, budgeting, implementing, monitoring, evaluating) focuses on the desired results (indicator 11). Mutual Accountability: Donors and partners are jointly accountable for development results (indicator 12).
* The corresponding indicators are mentioned in parentheses and explained in the following text and in Table 1.

How is implementing the PD reviewed?

It is important to consider the PD in the context of the international aid effectiveness agenda. The PD does not simply aim at a technocratic increase of efficiency nor should its implementation be reduced to that. The PD derives its relevance from being linked with the MDGs. Therefore in the end, its success cannot be judged in terms of the achievement of its own targets (the PD is no end in itself); instead it depends on the extent to which the PD, in conjunction with the other elements of the international aid effectiveness agenda, contributes to achieving the international develop-

ment goals. This implies developing the PD further in the light of experience.

At the international level, implementing the PD is reviewed in both quantitative and qualitative terms.

- The OECD periodically monitors progress towards achieving the targets by 2010. Its first monitoring survey (OECD 2007) provided baseline data of 34 partner countries from 2005. The second monitoring survey (OECD 2008) measured progress until 2007 based on the original 34 partner countries of the first report and extended the coverage to 54 countries.
- In addition, the OECD initiated a qualitative review of implementing the PD. In a first phase, completed by now, the commitment, capacity and incentives of eleven donors, including Germany (Ashoff et al. 2008), to implement the PD were evaluated. In terms of evaluation methodology, the three variables are *inputs*. Parallel, the evaluation reviewed the implementation of the PD by donors and partners in ten partner countries (*outputs*). The 21 individual studies were condensed in a synthesis report (Wood et al. 2008), which was presented at the Accra conference. In a second phase after Accra, the evaluation will focus on the direct development results (*outcomes*) and further effects (*impacts*) of the PD.

How far are partners in implementing the PD?

Four indicators (1, 2, 11 and 12) primarily apply to the responsibilities of partners. Compared with the targets set for 2010 there are still considerable delays (OECD 2008).

- Indicator 1: In 2010, 70% of partner countries should have established operational development strategies. In 2007, only 24% achieved this; the missing links to national budgets is an essential problem.
- Indicator 2: By 2010, 50% of partner countries should have improved their public financial management systems (by 2007 only 36%).
- Indicator 11: In 2010, 35% of partner countries are to have transparent and monitorable performance assessment frameworks (2007: 7.5%).
- Indicator 12: In 2010, all partner countries should have mutual assessment reviews in place (2007: 22%).

How far is Germany in implementing the PD quantitatively (OECD 2007, 2008)?

Table 1 presents Germany's results in the two monitoring surveys. The main findings are:

- The baseline data show that Germany (as most donors) lagged behind all targets in 2005 (columns c and g compared). This is partly because some targets indicate progress to be made on the basis of 2005.
- In the period 2005–2007 (columns c and d), Germany made progress in all indicators (except 7). Progress was partly less pronounced if the enlarged country sample of 2007 is used as a basis (columns d and e).
- In the cases of indicators 4, 8 and 10b, Germany already overachieved the targets by 2007, whereas the other targets have not yet been met (columns e and g). The largest distance still to be covered refers to indicator 9 (aid provided as programme-based approaches).

Indicator	Definition	Basis: 31 partner countries*		Basis: 46 partner countries*		Target by 2010***
		Germany (2005)	Germany (2007)	Germany (2007)	All donors (2007)	
(a)	(b)	(c)	(d)	(e)	(f)	(g)
3	Percent of aid flows to the government sector that is reported on partners' national budgets (acknowledgement of partner countries' responsibility and priorities)	55	84	67	82	85
4	Percent of donor capacity-development support provided through coordinated programmes consistent with partners' national development strategies	33	72	74	59	50
5a	Percent of aid flows that use public financial management systems in partner countries (strengthening of partner countries' responsibility and structures)	36	40	39	47	79/57 (G)**
5b	Percent of aid flows that use partner country procurement systems (see 5a)	34	60	63	44	78/56 (G)**
6	Number of parallel project implementation units in the partner countries surveyed (in parentheses: on average per country) (parallel structures weaken partner countries' structures)	40 (1.3)	27 (0.9)	33 (0.7)	-	13 (0.4) (G)
7	Percent of aid disbursements released according to agreed schedules in annual or multi-year frameworks (improving the predictability of aid)	75	71	66	63	88 (G)
8	Percent of aid (excluding technical cooperation) that is untied (untying aid increases the value for money)	94	99	100	90	> 94
9	Percent of aid provided as programme-based approaches (reducing fragmentation due to many individual projects)	19	34	24	44	66
10a	Percent of joint field missions (reduction of costs)	29	35	37	19	40
10b	Percent of joint country analytic work (see 10a)	50	78	70	41	66
* All percentages are based on the aggregate volume of German aid to the 31 and 46 partner countries (weighted averages).						
** Using partner countries' systems depends not only on the willingness of the donors but also on the quality of such systems. The first number indicates the target for Germany and is based on a two-thirds reduction of the gap between the baseline value of 2005 and 100% (assuming reliable country systems); the second number is based on a one-third reduction of the gap (country systems being reformed).						
*** The targets apply either to all donors (including Germany) or to Germany only, depending on the individual baseline value of 2005 (indicated by G in parentheses).						
Sources: OECD (2007, Table C.12); OECD (2008, Tables C.12, B.3 – B.10)						

Overall, Germany has actively engaged in implementing the PD and partly ranks above donor average (columns e and f). Yet meeting the targets by 2010 still requires considerable efforts.

How advanced is Germany in implementing the PD qualitatively (Ashoff et al. 2008)?

Commitment

Commitment to the PD in the German aid system is high. This is reflected not only in policy papers, but also in the implementation plan of BMZ, the revision of various procedures as well as intensive information and discussion processes. The PD is widely acknowledged as a relevant framework. Some of its principles, however, appear to require further clarification, particularly mutual accountability and managing for results. It is important not to focus the understanding of ownership entirely on the responsibility of central governments in partner countries; rather it should be

conceived as democratic ownership also involving parliaments and civil society. In the PD there are potential trade-offs (e.g. between ownership on the one hand and harmonisation, managing for results and mutual accountability on the other) donors and partners should openly address for the sake of the PD's overriding objective.

Some of the PD's modalities partly triggered very controversial debates in the German aid system; participation in programme-based approaches (PBAs; indicator 9) was a particular issue. By now, there is a common understanding that PBAs can involve different aid instruments and modalities, including budget aid, which can reduce transactions costs and strengthen partner countries' responsibility provided certain requirements are met. As for Germany's engagement in budget aid, the Federal Court of Auditors recommended applying strict criteria. The Budget Committee of the Federal Parliament reserves the right of approval in every individual case.

Capacity

a) Institutional capacity (of individual organisations)

The evaluation focused on three aspects: (i) the institutional embedding of the PD (focal points, divisions, working groups and competence centres dealing with PD-related topics), which was found to be largely adequate; (ii) the knowledge of the PD, which on the whole is considerable, partly because of extensive training; (iii) the human resources and organisational capacity to implement the PD. As for the third point, conditions have clearly improved without being always sufficient, however, particularly in Germany's representations in partner countries. There the PD has for instance multiplied coordination with partners and other donors, requiring capacity that is not always available.

b) Systemic capacity (of the German aid system)

There are factors inherent in the German aid system that both support and complicate implementing the PD. Supporting factors are the cabinet rank of development cooperation, the existence of experienced implementing organisations, the multi-level approach frequently adopted (simultaneous engagement at national, regional and local levels) and the representation of German aid in a large number of countries through local offices and embassies.

Among the complicating factors, reference was made to the complex German aid system (numerous organisations having to harmonise not only with other donors but also among themselves), the institutional separation of financial and technical cooperation, the large proportion of bilateral technical cooperation being *de facto* tied to direct contributions (in kind) provided by Germany, and various problems of representation at the country level (e.g. insufficient delegation of decision-making authority to the country level). These problems are not new and have repeatedly been criticised by the OECD in the Peer Reviews of German development cooperation (OECD 2006).

Incentives, disincentives

The evaluation identified various incentives, e.g. the belief of many aid professionals that the PD can contribute to enhancing the effectiveness of what they do, as well as organisational target agreements and individual performance targets that have incorporated PD-relevant aspects. The following disincentives were reported: shortage of staff, increased transaction costs due to the PD (e.g. time-consuming coordination) despite the opposite being intended, interfering political priorities (e.g. cross-cutting thematic earmarking such as health, pressure to disburse funds), call for visibility of German aid contributions (possibly hampering participation in PBAs) and institutional self-interests (which may for instance impede joint missions and reports).

Civil society and the Paris Declaration

The PD is essentially an agreement of governments and multilateral organisations even though several international civil society organisations (CSOs) participated in the consul-

tations. Since CSOs are additional actors in development cooperation for whom effectiveness should equally be crucial, they have to ask themselves of how to deal with the PD.

The debate among CSOs on the PD has increased considerably and focuses on four aspects: (i) To what extent is the PD applicable to CSOs? (ii) How can CSOs support the implementation of the PD (e.g. by promoting democratic ownership)? (iii) Criticism of the PD (e.g. arguing that the PD aims at technocratic efficiency gains); (iv) rejection of the PD coupled with efforts to develop CSO-specific principles and procedures of aid effectiveness. This scope of the debate reflects the different roles assumed by CSOs (advocacy, capacity-building for the benefit of partner CSOs, implementing aid with official funds or on behalf of governments).

Conclusion and outlook

In the PD, western donors and the majority of partner countries have for the first time agreed on procedures to enhance aid effectiveness, which are based on acknowledged principles and complemented by monitorable indicators and a time horizon. This effort has to be taken seriously. It is a challenge for all actors involved, including Germany, and requires reforms of the aid system. Based on the experience made, the PD for its part is to be reviewed and further developed. Contributing to this is the aim of the Accra Agenda for Action. Furthermore, there should be a dialogue on principles and procedures of effective aid with new donors (e.g. China, India) and partner countries not having endorsed the PD.



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