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## AID EFFECTIVENESS

**With budget constraints severe in many countries and only four years until the deadline to achieve the Millennium Development Goals, maximising the impact and effectiveness of development resources has become even more imperative.**

Donors and developing countries have made a number of aid effectiveness commitments in recent years, through both international agreements (most notably the 2005 Paris Declaration and the 2008 Accra Agenda for Action) and individual reform efforts. In addition, many countries have started to set clear commitments on the impact they intend to achieve through their development programmes.

This chapter evaluates donors' progress toward their commitments at the High Level Forums in Paris and Accra (using the most recent data available), profiles additional efforts and results-oriented commitments by individual donors and proposes recommendations for both donors and developing countries ahead of the Fourth High Level Forum on Aid Effectiveness, which will take place in Busan, South Korea in November/December 2011.

African governments must play a central role in improving aid effectiveness, for example by increasing the transparency of domestic resources and ensuring accountability for the development assistance they receive. Although this chapter focuses on aid effectiveness commitments and progress made by donors, future ONE reports will assess African governments' progress in ensuring the efficient use of development resources.

## OVERVIEW OF COMMITMENTS

In 2005, a group of donors, developing countries and multilateral institutions came together in Paris for the Second High Level Forum on Aid Effectiveness. In signing the Paris Declaration, they each agreed to pursue a set of aid effectiveness principles focused on improving developing country ownership over development priorities; aligning with these priorities and working through developing country systems; harmonising efforts among donors; focusing on development results; and being held accountable for those results. In addition, the signatories agreed on a set of targets to achieve by 2010, along with indicators against which to monitor progress.

In 2008, the Third High Level Forum in Accra reiterated these principles and recommended additional areas of focus to accelerate results. The Accra Agenda for Action called on donors to increase efforts to use recipient country systems; provide transparent, forward-looking budgets; reduce fragmentation of aid; focus on results; and reduce conditionality and tied aid.

Although all G20 countries signed the Paris Declaration and Accra Agenda for Action, only progress by DAC members and recipient countries is monitored by the DAC. Most donors that are not members of the DAC have not made explicit commitments to improve the effectiveness of their development assistance. However, it is important to note that 20 donors that are not DAC members currently report their annual development assistance data to the DAC, which is a critical (although not sufficient) first step towards improving the transparency and accountability of their development assistance commitments. ONE hopes that more donors will take this step and make specific commitments to improve the effectiveness of their development assistance.

## TARGETING RESULTS

Starting with the MDGs in 2000, world leaders have increasingly incorporated results-oriented commitments into international agreements on development. For example, the Gleneagles communiqué included objectives that the G8 hoped to achieve with their doubling of aid to sub-Saharan Africa, such as universal primary education and access to ARV treatment for HIV/AIDS.

These targets have been criticised for being overly ambitious and vague. Without clear interim targets or individual parties responsible for achieving the goals, it has been difficult to hold individual donors accountable for fulfilling these commitments (a challenge that the DATA Report has faced each year).

This has started to change in recent years as donors have increasingly set individual targets for themselves, especially in areas such as education, health and agriculture. Many commitments to the L'Aquila Food Security Initiative and the Muskoka Initiative on Maternal, Newborn and Child Health, for example, included targets on numbers of people to be lifted out of poverty and deaths prevented among pregnant mothers and children.

These results-oriented commitments have helped to shift focus from the inputs to the impact of development programming and have started an important discussion about how to design programmes in ways that deliver maximum results (see box at right). Yet there are still challenges to ensuring delivery on these commitments. Monitoring is hindered by a lack of reliable, timely and complete data, which is especially difficult in sub-Saharan African countries where statistical capacity is often limited.

Given these challenges, and the fact that results-oriented commitments are still a growing trend in development policy, this report profiles commitments to achieve results, but does not attempt to monitor their delivery. As countries continue to make these commitments and to improve their processes for monitoring them, ONE looks forward to monitoring them as well.

## RESULTS-BASED FINANCE

In recent years, many donor countries have begun framing their development commitments around specific targets they hope to achieve. These targets can be outputs (such as delivering 10 million vaccines to developing countries), outcomes (immunising 10 million children) or impact (preventing 150,000 cases of TB).

Results-based finance (RBF) goes one step further by making the provision of financing (or in-kind resources for development programmes) contingent upon the achievement of specific, agreed upon performance goals. In some cases, RBF initiatives pay for programmes only once the desired results of these programmes have been achieved. In others, programmes may be required to demonstrate results in order for funding to be continued or expanded in subsequent years. RBF is an umbrella term that includes output-based aid, cash on delivery, performance-based financing, provider payment incentives, vouchers, contracting linked to particular targets, and conditional cash payments and transfers to households.

Though RBF is a relatively new concept, it has already been introduced by several development players. The World Bank pioneered 'output-based aid,' its version of RBF, with the launch of its Private Sector Development (PSD) strategy in 2002, which provides subsidies in exchange for delivery of health, education and other development services. Similarly, the Global Fund assesses the performance of its grants against time-bound output indicators (such as decreased morbidity and mortality), and adjusts the funding and organisation of its programmes based on these assessments. The Center for Global Development's 'cash on delivery' approach focuses on outcomes rather than outputs, with partner countries deciding how best to achieve the results that will be rewarded with funding. Developing countries can also incorporate RBF into domestic programmes, as Rwanda has with its healthcare system, which awards bonuses to health workers and facilities based on their performance against metrics such as the number of safe childbirths in the facility.

## MONITORING PROGRESS ON PARIS AND ACCRA

**2006:** Following the Paris meeting, the OECD DAC took a survey of selected donors and partner countries to establish a baseline by which to measure progress towards the five Paris Declaration principles, using 12 indicators as proxies – such as having operational country strategies, making sure aid that flows are recorded in recipient country budgets and donors having coordinated country studies and missions.

**2008:** At the Third High Level Forum on Aid Effectiveness in Accra, a second Paris Monitoring Survey assessed progress made on the Paris Declaration principles, evaluating a broader range of countries and including a qualitative Paris Declaration Evaluation to examine how the principles are implemented in countries. The Forum concluded that, although countries were making improvements across all indicators, results were uneven and there would need to be significant efforts from donors and partner countries to meet 2010 targets.

**2011:** Efforts are currently under way to collect data for the third Paris Monitoring Survey and the second phase of the Paris Declaration Evaluation. The results of these studies will assess whether or not the targets were achieved by countries in 2010 and will inform discussions at the Fourth High Level Forum on Aid Effectiveness in Busan at the end of 2011. These data will not be available until later in the year.

## PROGRESS TO DATE

In preparation for the Fourth High Level Forum on Aid Effectiveness in November 2011, a number of studies are under way by the DAC to document progress against the 2010 goals, including the third Paris Monitoring Survey and the second phase of the Paris Declaration Evaluation. However, these data sources will not be available until later this autumn.

As a result, this year's DATA Report continues to rely on data from the 2008 Paris Monitoring Report for many of the indicators measured. Where possible, the most recent 2009 data from the yearly DAC statistical reporting and associated DAC reports is reflected.<sup>1</sup> There are significant limitations in assessing progress towards the Paris and Accra commitments, given that most aid effectiveness data are not collected annually, there is at least a year's delay in the data that are reported annually and the latest Paris Monitoring Survey was conducted in only 55 recipient countries. Moreover, not all donors are present in all recipient countries, so the comparability of data varies from donor to donor. Nevertheless, it is important to use what data are available to hold participants accountable for their commitments and to show where progress is stalled.

Thus, in addition to the data gathered through the Paris Monitoring Surveys, the 2011 DATA Report also includes additional indicators from OECD reports and surveys of donors on forward spending, untying aid and fragmentation. Individual donor commitments and reforms made to improve aid effectiveness are also reflected in the country profiles that follow.

To assess progress towards donors' commitments in Paris and Accra, this section looks at data in six areas:

1. **TRANSPARENCY AND REPORTING**
2. **PREDICTABILITY OF AID, INCLUDING COUNTRY PROGRAMMABLE AID**
3. **USE OF RECIPIENT COUNTRY SYSTEMS**
4. **GRANT/LOAN MIX OF ODA**
5. **UNTYING OF ODA AND LOCAL COMPETITIVE PROCUREMENT**
6. **FRAGMENTATION**

## 1. TRANSPARENCY AND REPORTING

Accurate and timely reporting of ODA flows greatly improves aid effectiveness by allowing developing countries to better manage and plan for development resources; it also allows citizens to hold their governments accountable for how aid resources are allocated and spent. The extent to which ODA is accurately recorded in developing countries' annual budgets is an important gauge of transparency and reporting.

FIGURE 1

### TOTAL BILATERAL ODA DISBURSED BY DONORS AS A PERCENTAGE RECORDED IN RECIPIENT GOVERNMENT'S BUDGET ESTIMATES

CANADA	37%
FRANCE	49%
GERMANY	54%
ITALY	39%
JAPAN	46%
UNITED KINGDOM	58%
UNITED STATES	28%

Source: OECD-DAC (2008), '2008 Survey on Monitoring the Paris Declaration: Making aid more effective by 2010'

## 2. PREDICTABILITY OF AID, INCLUDING COUNTRY PROGRAMMABLE AID

Predictable aid flows are essential for developing countries that rely on development assistance for a large proportion of their resources. It allows to effectively plan and budget their own expenditures and to coordinate with donors, which increases the impact of investments. Country programmable aid (CPA) is recognised as an especially important indicator to measure predictability because it specifically looks only at the parts of ODA that countries may use for programming and excludes unpredictable spending and ODA that does not flow to the recipient country.<sup>2</sup>

FIGURE 2

### PERCENTAGE OF BILATERAL ODA RECORDED AS BEING DISBURSED ON SCHEDULE

<b>CANADA</b>	44%
<b>FRANCE</b>	46%
<b>GERMANY</b>	51%
<b>ITALY</b>	30%
<b>JAPAN</b>	42%
<b>UNITED KINGDOM</b>	54%
<b>UNITED STATES</b>	32%

Source: OECD-DAC (2008), '2008 Survey on Monitoring the Paris Declaration: Making aid more effective by 2010'

FIGURE 3

### BILATERAL CPA AS A PERCENTAGE OF BILATERAL GROSS DISBURSEMENTS TO SUB-SAHARAN AFRICA

	2005	2006	2007	2008	2009
<b>CANADA</b>	70%	58%	81%	78%	70%
<b>FRANCE</b>	25%	35%	57%	59%	46%
<b>GERMANY</b>	26%	20%	43%	38%	67%
<b>ITALY</b>	23%	17%	74%	67%	46%
<b>JAPAN</b>	28%	19%	39%	73%	68%
<b>UNITED KINGDOM</b>	35%	29%	61%	73%	77%
<b>UNITED STATES</b>	41%	37%	57%	55%	61%
<b>G7</b>	<b>32%</b>	<b>30%</b>	<b>55%</b>	<b>58%</b>	<b>61%</b>
<b>DAC</b>	<b>39%</b>	<b>36%</b>	<b>57%</b>	<b>61%</b>	<b>63%</b>

Source: OECD-DAC online database. Accessed March 2011

FIGURE 4

### PREDICTABILITY RATIOS FOR 2009 CPA BILATERAL DISBURSEMENTS

	One-year predictability ratio of 2009 actual flows compared with what was programmed for 2009 in early 2009	Two-year predictability ratio of 2009 actual flows compared with what was programmed for 2009 in early 2008
<b>CANADA</b>	67%	97%
<b>FRANCE</b>	107%	68%
<b>GERMANY</b>	120%	140%
<b>ITALY</b>	60%	63%
<b>JAPAN</b>	N/A	N/A
<b>UNITED KINGDOM</b>	99%	86%
<b>UNITED STATES</b>	N/A	N/A
<b>DAC TOTAL (BILATERAL)</b>	<b>93%</b>	<b>94%</b>

Source: OECD (2010), '2010 OECD Report on aid predictability survey on donors' forward spending plans 2010-2012'

FIGURE 5

**PERCENTAGE OF BILATERAL ODA WHICH USES RECIPIENT COUNTRY SYSTEMS**

	<b>Public financial management systems</b>	<b>Procurement systems</b>
<b>CANADA</b>	65%	34%
<b>FRANCE</b>	56%	70%
<b>GERMANY</b>	39%	63%
<b>ITALY</b>	41%	66%
<b>JAPAN</b>	72%	71%
<b>UNITED KINGDOM</b>	66%	59%
<b>UNITED STATES</b>	5%	5%

Source: OECD-DAC (2008), '2008 Survey on Monitoring the Paris Declaration: Making aid more effective by 2010'

FIGURE 6

**BILATERAL GROSS LOANS AS A PERCENTAGE OF GROSS BILATERAL DISBURSEMENTS**

	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
<b>CANADA</b>	0.0%	0.0%	0.0%	0.0%	0.0%
<b>FRANCE</b>	6.7%	8.1%	12.4%	23.1%	23.4%
<b>GERMANY</b>	7.5%	12.2%	13.4%	15.0%	19.3%
<b>ITALY</b>	9.0%	8.8%	21.3%	7.5%	16.7%
<b>JAPAN</b>	38.6%	41.0%	48.6%	47.2%	58.8%
<b>UNITED KINGDOM</b>	3.1%	5.0%	10.9%	10.0%	11.1%
<b>UNITED STATES</b>	0.1%	0.2%	0.0%	0.0%	0.0%
<b>G7</b>	<b>10.0%</b>	<b>11.9%</b>	<b>15.6%</b>	<b>15.8%</b>	<b>17.1%</b>
<b>DAC</b>	<b>8.4%</b>	<b>9.7%</b>	<b>12.1%</b>	<b>12.6%</b>	<b>13.6%</b>

Source: OECD-DAC online database. Accessed April 2011

**3. USE OF RECIPIENT COUNTRY SYSTEMS**

Building sustainable development capacity can only be achieved as recipient governments begin to take greater ownership over resources, including planning and budgeting. Donors have committed to channelling more aid through recipient country systems, and recipient countries have committed to strengthening institutions and their public financial management systems.

**4. GRANT/LOAN MIX OF ODA**

ODA, by definition, must include aid that is concessional, and includes a grant element of at least 25%. Though there is no international consensus on the effectiveness of grants versus loans, since 1978 DAC guidelines have called for donors to pursue an average grant element of 86%. In 2000, an influential US commission examining the role of international financial institutions (IFIs) concluded that 'outright grants rather than loans provide a realistic vehicle for poverty alleviation'.<sup>3</sup>

## 5. UNTYING OF ODA AND LOCAL COMPETITIVE PROCUREMENT

'Tied aid' refers to legal or regulatory restrictions that require ODA to be spent on goods or services that are purchased from the donor country or from a limited list of countries selected by the donor. Since 2001 there has been a broad consensus among DAC members that untying aid is cost-effective and that it supports local capacity and markets. Although donors have made commitments to untie aid, both food aid and technical assistance remain largely outside these commitments and targets. Moreover, donors need to do a much better job of reporting their aid tying status and preferential procurement practices.<sup>4</sup>

FIGURE 7

### PERCENTAGE OF BILATERAL ODA REPORTED AS TIED AID (EXCLUDES ADMINISTRATIVE COSTS, INCLUDES FOOD AID AND TECHNICAL ASSISTANCE)

	2008	2009
<b>CANADA</b>	20%	7%
<b>FRANCE</b>	15%	11%
<b>GERMANY</b>	23%	27%
<b>ITALY</b>	21%	38%
<b>JAPAN</b>	3%	4%
<b>UNITED KINGDOM</b>	0%	0%
<b>UNITED STATES</b>	27%	32%
<b>TOTAL DAC</b>	<b>15%</b>	<b>17%</b>

Source: OECD-DAC (2011), 'Implementing the 2001 DAC recommendations on untying aid: 2010-2011 review'

FIGURE 8

### CONTRACTS AWARDED WITHIN THE DONOR'S COUNTRY VERSUS WITHIN DEVELOPING COUNTRIES

	Total volume (\$ millions)	Within donor country	Within other OECD and non-DAC countries	Within developing countries	Within LDCs and non-LDC HIPCs
		%	%	%	%
<b>CANADA</b>	N/A	N/A	N/A	N/A	N/A
<b>FRANCE</b>	654.2	23	5	57	15
<b>GERMANY</b>	188.2	37	26	5	32
<b>ITALY</b>	N/A	N/A	N/A	N/A	N/A
<b>JAPAN</b>	3,897.9	23	8	69	0
<b>UNITED KINGDOM</b>	592.3	65	4	30	0
<b>UNITED STATES</b>	2,771.5	89	4	1	6

Source: OECD-DAC (2011), 'Implementing the 2001 DAC recommendations on untying aid: 2010-2011 review'

## 6. FRAGMENTATION

Harmonisation is one of the Paris Declaration principles, dictating that donors should coordinate development assistance more closely at the country and sector levels. Coordination helps achieve greater scale through combined resources and can increase the scope of activities undertaken in a larger number of countries through appropriate division of labour. On the other hand, 'fragmentation' occurs in a country when a large number of donors are working on multiple and disparate projects, which can increase transaction costs and the burden on the developing country to plan and manage resources. Donors also bear an increased burden and higher costs when trying to spread development resources across a greater number of countries and projects. As more countries and other actors enter the development assistance sphere, division of labour is gaining greater attention as a core feature of aid effectiveness.

For the first time, this year's DATA Report looks at the concentration of core bilateral aid in the 'significant' and 'insignificant' relationships that donors have with developing countries. 'Significant' refers to a relationship where the donor gives more aid to a recipient than its global share of aid or where the donor is among the larger donors in a recipient country that cumulatively account for at least 90% of the recipient's aid. Thus significance is measured either from the point of view of the donor or of the recipient.

FIGURE 9

### PERCENTAGE OF TOTAL RELATIONSHIPS WHICH ARE SIGNIFICANT IN 2009

	Concentration ratio
<b>CANADA</b>	35%
<b>FRANCE</b>	53%
<b>GERMANY</b>	81%
<b>ITALY</b>	42%
<b>JAPAN</b>	79%
<b>UNITED KINGDOM</b>	47%
<b>UNITED STATES</b>	84%
<b>G7</b>	<b>62%</b>
<b>EU15</b>	<b>50%</b>
<b>DAC</b>	<b>54%</b>

Source: OECD-DAC data

FIGURE 10

**THE G7'S CURRENT RESULTS-ORIENTED DEVELOPMENT COMMITMENTS**

<b>CANADA</b>	Prevent 64,000 maternal deaths (2015)
	Prevent the deaths of 1.3m children under five (2015)
<b>UK</b>	Double support for polio eradication, vaccinating an additional 45m children by 2013
	Prevent 50,000 maternal and 250,000 child deaths from childbirth, enable 10m women to use modern contraception, prevent 5m unintended pregnancies, and support 2m safe deliveries (2015)
	Provide more than 50m people with the means to help work their way out of poverty, secure rights to land and property for 6m people, help more than 6m people escape extreme poverty, stop 10m more children going hungry, ensure that another 4m people have enough food throughout the year
	Educate 11m children (9m in primary school and 2m in secondary school), and train 190,000 teachers
	Help immunise more than 55m children against preventable diseases, help halve malaria deaths in ten of the worst affected countries
	Give 15m people access to clean drinking water, improve access to sanitation for 25m people, improve hygiene for 15m people to help reduce disease
	Focus 30% of aid on fragile states (2014), help 10m women access justice through legal assistance, help 40m people hold authorities to account
<b>US</b>	Improve the reading skills of 100m primary school children, give access to 15m learners in crisis and conflict environments, improve development programmes to generate workforce skills relevant to a country's development goals (2015)
	Reduce child undernutrition by 30% in food-insecure countries
	Prevent 12m HIV infections, treat HIV in 4m people and support care for 12m people, including 5m orphans and vulnerable children, halve the burden of malaria for 450m people, help decrease TB deaths and disease burden by 50% (from 1990 levels), contribute to treatment of 2.6m TB cases and 57,200 multi-drug-resistant cases, cut maternal deaths by 30% in assisted countries, prevent 54m unintended pregnancies, reduce under-five mortality rates by 35% in assisted countries, reduce child undernutrition by 30% in assisted food-insecure countries, reduce prevalence of seven neglected tropical diseases by 50% among 70% of affected populations (2016)
	Provide affordable and equitable access to safe water and sanitation in developing countries

## DONOR PROGRESS

The latest available data show that the G7 countries lag far behind 2010 targets in meeting their Paris Declaration commitments, especially in using country systems and concentrating assistance in specific countries to avoid fragmentation. While this is concerning, there are some reasons for optimism. Overall, the G7 (excluding Japan and the US, two donors that did not provide data to the DAC forward spending survey) have made significant progress in providing forward programme information for a large percentage of core aid, although the accuracy of that forward planning information varies. Country programmable aid on the whole was increasing to sub-Saharan Africa up to 2009, although future estimates suggest that that rate of growth will slow significantly.<sup>5</sup> G7 donors have almost fully met their 2001 commitments to untie aid to the HIPC countries. However, considering all forms of ODA beyond the 2001 recommendation to untie aid, including food aid and technical assistance, there is still a considerable amount of tied assistance both in policy and practice.<sup>6</sup>

## CANADA

Canada has taken firm steps towards becoming more effective and accountable with its development assistance. In 2008 it passed the Official Development Assistance Accountability Act to make its aid programmes more transparent. By law, the Canadian International Development Agency (CIDA) produces an annual report to Parliament on programmatic spending and the results of its aid. Following Accra, Canada also created an Action Plan for Aid Effectiveness, which was to go into effect in 2009. This sets clear goals for Canada to fully untie development assistance by 2012–13; to concentrate 80% of bilateral aid in 20 focus countries; to conduct a greater number of country joint missions and analytic work; to publish forward funding country programme estimates for the next three years; and to more fully monitor and evaluate assistance. Canada also made commitments to channel at least 50% of its aid through country systems and to direct at least 50% of technical assistance through coordinated programmes by 2012–13.

Although lags in data make it difficult to measure progress against these goals, the latest available results show progress in many areas and room for improvement in others. Between 2007 to 2009, Canadian CPA to sub-Saharan Africa as a percentage of gross bilateral disbursements declined from 81% to 70%. Canada has mixed progress on predictability of CPA, with only 67% of planned CPA disbursed in 2009. However, 97% of CPA was disbursed in 2009 compared with the level that was forecast in early 2008. Canada has untied 100% of its food aid and has significantly lowered its overall level of tied aid, but it did not report any of its contract disbursements information to the DAC. According to the DAC's measure of fragmentation, Canada had the highest level of fragmentation among the G7 in 2009, showing that bilateral core aid was spread across too many recipients. However, Canada has reduced its number of priority countries to 20, and in 2009–10 it channelled 83% of bilateral CPA to those countries.<sup>7</sup>

Canada has been a leader in setting results-oriented development targets. As host of the 2010 G8 Summit, it urged a focus on maternal and child health and the Muskoka Initiative commitments are designed to prevent 1.3 million deaths of children under the age of five and 64,000 maternal deaths over the next five years. Canada has also set individual results targets in each of its focus countries.

## FRANCE

In 2007 France created an Action Plan on Aid Effectiveness to incorporate Paris Declaration principles into its operations. The action plan was updated in 2009 when its Interministerial Committee on International Co-operation and Development (CICID) issued a series of recommendations to align with European and international aid effectiveness commitments, including a pledge to improve the concentration of its aid and to pursue a better division of labour through coordination with its EU partners.

After regular improvements, in 2009 France saw deterioration on several aid effectiveness indicators. French bilateral CPA levels to sub-Saharan Africa in 2009 were at their lowest in volume terms since 2005: CPA to the region as a percentage of total bilateral ODA fell to 46%, down from 59% in 2008. In terms of predictability, France disbursed 107% of CPA it programmed for a year earlier, but only 68% of what it had forecast two years earlier. It decreased its tied aid from 15% to 11%. It is encouraging that France (together with Japan) has the lowest percentage of contracts awarded within its own country: 57% of French contracts are awarded to developing countries.

France's concentration ratio in 2009 was 53%, below average for the G7, meaning that just under half of the total number of developing countries France provided aid to were not significant. The strategic document released in 2011 ('Co-operation and Development: A French Vision') aims to better concentrate aid, setting an objective of 50% of French grants to focus on 14 African countries, in addition to the previous target for 60% of French bilateral budgetary efforts to go to sub-Saharan Africa.

Together with the UK, France set a target of increasing the number of children enrolled in school in Africa by 16 million by 2010 each committing to contribute to the enrolment of 8 million children, and to increase enrolment of all children by 2015. They also committed to partner with other countries in order to recruit and train 3.8 million additional teachers needed to achieve the objective of universal primary education in sub-Saharan Africa by 2015.<sup>8</sup>

## GERMANY

In late 2010, the German government decided to merge three of its aid agencies into one large entity. This ongoing process will streamline bureaucracy and is a significant step towards improving aid efficiency. Other steps that need to follow were detailed in the 2010 DAC peer review. This report recommended that Germany concentrate ODA in focus countries, ramp up its use of country systems and joint missions and untie technical cooperation and humanitarian assistance. It also criticised the German cap on multilateral contributions as not being evidence-based.

In March 2009, Germany presented a Plan of Operations for implementing the Accra Agenda for Action. This plan makes broad commitments to adhere to aid effectiveness principles, but also commits to providing 3–5-year rolling budget and programme plans to developing countries, actively participating in the International Aid Transparency Initiative (IATI), working towards delivering at least 50% of ODA through country systems and generating a plan to further untie aid. After initial delays, the current coalition government has confirmed that the Plan of Operations remains in force and has said that it will publish the results of its implementation before the Fourth High Level Forum on Aid Effectiveness in Busan.

Germany has signed on as a member of IATI but has yet to fulfil its commitment to publish its data, citing a current lack of resources.<sup>9</sup> Other aid effectiveness indicators show areas for improvement in line with the DAC peer review. Since 2005, the percentage of German CPA disbursed in sub-Saharan Africa has increased fairly steadily. In terms of predictability, Germany disbursed 20% more CPA in 2009 than was programmed one year earlier, and 40% more than was programmed two years before. It is promising that Germany's concentration levels are improving: they were the second highest among the G7 in 2009; 81% of the number of developing countries that Germany gives ODA to were significant partnerships. The total proportion of Germany's bilateral ODA which is tied increased from 23% in 2008 to 27% in 2009. However, Germany awards the highest percentage of contracts to LDCs of any G7 country.

Germany has not set any results-oriented targets.

## ITALY

Italy's development cooperation has suffered from declining resources in the past few years, which severely limits its ability to meet its Gleneagles commitments.<sup>10</sup> Italy currently has the lowest ODA as a percentage of GNI among the G7 and is the only country to have actually made negative progress against its goals.

In 2010 the Italian Directorate General for Development Cooperation released Programming Guidelines and Directions for 2010–12, in which the government acknowledged that development assistance would continue to decrease for the next three years as a result of the country's economic situation. To maximise its scarce resources, Italy has committed to focusing on a limited number of priority sectors and geographical areas, concentrating half of its aid in Africa. The Italian government is also committed to distributing a majority of its resources as grants and to focusing more on using country systems and general budget support and on untying aid. This is in line with its Aid Effectiveness Action Plan, which was developed in 2009 to propose objectives and actions to meet the Paris Declaration principles. Italy carried out a review of progress against this plan in December 2010 and published a revised action plan in January 2011.

The latest DAC data show a poor performance for Italy on aid effectiveness indicators. In 2007, its bilateral CPA as a percentage of bilateral disbursements to sub-Saharan Africa was at its highest level (74%) but this has since decreased to 46%, second to last among the G7. It is hoped that this situation will turn around with its renewed focus on sub-Saharan Africa. The latest predictability measures of core aid funding are also fairly poor, with only 60% of CPA actually disbursed in the same year as predicted, and 63% of aid disbursed on time as programmed from two years earlier. Italy's percentage of tied aid has almost doubled since 2008 and is the highest in the G7. The country disburses 16.7% of its global ODA as loans, one of the highest rates in the G7. It also has the second lowest ratio of concentration in the G7, indicating a high level of fragmentation.

As this report was going to print, Italy was due to vote on parliamentary motions on improving aid transparency and joining the International Aid Transparency Initiative. ONE hopes that the Italian parliament will take the important step of passing these motions.

Italy has not made any results-oriented commitments.

## JAPAN

In 2008 the Japan International Cooperation Agency (JICA) consolidated ODA functions from the Japan Bank for International Cooperation to better integrate development assistance policies and strategies and create a more streamlined approach, which it has been working on over the past several years. In 2010 Japan underwent a DAC peer review that recognised some of the gains from its reforms, but pushed for better overall policy coherence for development, increased volumes of ODA, better strategy concerning NGO partnerships and further progress on untying aid and increasing budget support.

Despite a large proportion (68%) of the total ODA disbursed to sub-Saharan Africa being in the form of CPA in 2009, this was lower than 2008 levels, when it was 73%. Nor did Japan contribute any information to the latest DAC forward spending survey – a disconcerting sign for transparency and predictability.

It is encouraging that in 2009 Japan maintained a low proportion of its bilateral ODA being in the form of tied aid (4%). Japan also leads the G7 in the percentage of contracts awarded to developing countries, at 69% of the total contract amounts. However, the proportion of total bilateral ODA disbursed in the form of loans in 2009 was 58.8% (up from 47.2% in 2008). In 2009 Japan had the largest number of partner countries among all DAC donors, the majority of which were significant (79%).

In 2010 the Japanese Ministry of Foreign Affairs (MOFA) also released its own review of ODA and laid out clear plans for improving the efficiency and impact of its development assistance.<sup>11</sup> The review laid out reforms that JICA and MOFA will undertake to better support country ownership; better establish coordinated country plans; increase evaluations and focus on results; expand field staff expertise; and develop greater dialogue and consultations with partners such as NGOs and the private sector. Japan will create rolling plans with partner countries that lay out country-specific priority areas and estimated funding for five years, which should improve the predictability of aid.

However, the country should go further in strengthening transparency and predictability by reporting forward spending information to the DAC and by publishing all disbursement and commitment flows on a regular basis, for all countries and projects. ONE hopes that subsequent DATA Reports will show distinct progress in aid transparency, effectiveness and impact due to recent reforms.

Japan has not made any results-oriented commitments.

## UNITED KINGDOM

Based on available data, the UK has consistently led the G7 in most indicators of aid effectiveness. In terms of aid transparency, it is a fully participating member of IATI and was the first member to publish its aid flows in the IATI database. Its new Aid Transparency Guarantee and Independent Commission for Aid Impact are designed to improve aid effectiveness and accountability to Parliament. In terms of predictability, the latest forward spending survey shows that the UK disbursed 99% of its planned CPA for that year, and 86% of the CPA it had programmed from two years prior. The UK also continues to maintain 100% of aid untied, performing best among the G7. However, in 2009, 65% of contracts were awarded within the UK, with only an insignificant proportion being awarded to LDCs.

The UK government has committed to spend 0.7% of GNI on ODA by 2013 and is currently seeking to pass legislation which would ensure that consistent spending at this level is maintained, despite severe budgetary constraints. In 2009 a DAC review of fragmentation found that the UK performed below the G7 average in terms of concentration of resources in recipient countries, spreading aid too thinly across too many partners. However, the UK's bilateral, multilateral and humanitarian aid reviews in March 2011 included a focus on improving the effectiveness and efficiency of aid. These reviews recognised the need to streamline spending, and will see the number of countries receiving aid from the UK decrease from 44 to 27 (18 of which are in Africa). It will also lead to reallocating funding to higher-performing multilateral agencies. In keeping with the UK's results-focused approach, its Business Plan for 2011–15 outlines clear objectives and milestones for achieving development assistance goals.

The UK has been a leader in the trend to reorient aid targets towards results outcomes. In terms of health outcomes, it remains committed to halving malaria deaths in at least ten countries by 2014–15 and has also taken on new commitments focused on maternal and child health, such as preventing 50,000 maternal and 250,000 child deaths from childbirth, extending the provision of modern contraception to an additional 10 million women and supporting 2 million safe deliveries.

## UNITED STATES

Despite being the world's largest donor in terms of development assistance volume, the US has previously not achieved a great deal of progress in improving its aid effectiveness, especially in terms of transparency and reporting measures, which makes it more difficult to monitor the aid that is being disbursed. Important policy developments in the past year, however, indicate that the effectiveness of US development assistance is set to improve. The release of the Presidential Policy on Development and the Quadrennial Diplomacy and Development Review in late 2010 signalled significant changes in the administration of foreign assistance, which, if implemented effectively, could lead to cost savings and better development outcomes. USAID has instituted a series of reforms referred to as 'USAID Forward', which aim to reform its procurement system to be more competitive and to expand the use of country development cooperation strategies with partner countries; USAID has also introduced a new monitoring and evaluation system. The US has not yet signed on to IATI, but has made improvements in its reporting by instituting a foreign aid 'dashboard'<sup>12</sup> through which the government reports all commitments and disbursements from year to year.

The US has steadily been increasing the proportion of total ODA disbursed to sub-Saharan Africa in the form of CPA since 2006; in 2009 it was 61%. The US did not report any information to the DAC 2010 forward spending survey, so ONE cannot currently assess predictability.

The US increased its percentage of tied aid in 2009 to 32%, the second highest amongst the G7. It also performed the worst among donors on contract distribution, awarding almost 90% of contracts domestically, although ongoing reforms aim to increase the number of competitive contracts and reduce the volume of contracts to improve the possibilities for local bidding. On a positive note, the US disburses all of its ODA as grants, not loans, leading the G7 (along with Canada) in this area. It also has the highest level of ODA concentration among all the DAC donors, at 84%. ONE expects that with implementation of the aid reforms over the coming years there will be significant improvements on aid effectiveness indicators.

The US has also been a key leader in the creation of results-oriented targets and goal setting. In the area of global

agriculture, it has established the Feed the Future initiative, through which it intends to reduce child undernutrition by 30% in food-insecure countries, reaching approximately 7 million children, and to increase the purchasing power of 18 million people (which represents a 68% income increase for those below the poverty line).

President Obama's Global Health Initiative intends to avert 3 million child deaths (1.5 million of which will be newborns) and thereby reach a 35% reduction in mortality in assisted countries, while also averting 360,000 maternal deaths (reaching a 30% reduction in mortality in assisted countries). The initiative also sets out to prevent 54 million unintended pregnancies, prevent 12 million HIV infections, care for 12 million people living with HIV including 5 million orphans and vulnerable children, and ensure that 80% of pregnant women receive an HIV test and that 85% of HIV-

positive women in partner countries receive ARV prophylaxis and treatment. In addition, the initiative aims to treat 2.6 million people for TB, thereby averting 1.3 million deaths, reduce the malaria burden by 50% for 450 million people and the prevalence of seven neglected tropical diseases (NTDs) by 50%, eliminate onchocerciasis (river blindness) in Latin America and eliminate lymphatic filariasis (LF, also known as elephantiasis) globally. An overarching target for the initiative is to train 140,000 new healthcare workers.

In terms of education targets, the new USAID education strategy intends to improve reading skills for 100 million children by 2015, increase equitable access to education in crisis and conflict environments for 15 million learners and ensure that workforce development programmes generate the skills necessary to countries' development goals.

## LOOKING AHEAD

Between 29 November and 1 December 2011, donors and developing countries will come together at the Fourth High Level Forum on Aid Effectiveness in Busan, South Korea, to review progress towards the Paris Declaration targets. As it looks likely that many targets were not achieved by 2010, the task for participants in Busan will be to build on existing progress, but also to sharpen the focus of the aid effectiveness agenda with additional, monitorable commitments to better support developing countries to meet the MDGs in 2015.

Although the latest Paris Monitoring Survey results will not be available until later in 2011, the most recent data show that donors need to continue efforts to better align ODA with country priorities, building capacity in and work through country systems, further untie aid and increase competitive procurement, and improve selectivity and division of labour among donors. Countries should reaffirm their commitments to the existing Paris and Accra principles and should continue to be monitored regularly. However, it will be important for participants to think broadly about how these aid effectiveness principles and efforts are translating into real development results and progress towards the MDG. ONE hopes that transparency, results and accountability will be the focus at Busan, and that broad consensus can be achieved in the following areas, along with clear, monitorable commitments to track progress:

### TRANSPARENCY

Aid transparency by donors and aid agencies, coupled with budget transparency by recipients, is a critical step in enabling coordination, effective management of resources and accountability. There have been broad efforts to increase aid transparency and to create international standards for publishing data, and buy-in and agreement appear to be increasing in the run-up to the Fourth High Level Forum.

### FOCUS ON RESULTS

Transparency in aid and other resources is crucial, but transparency about results is the essential foundation for effective accountability. Managing for results would entail donors and developing countries working closely together to set clear, measurable targets and to coordinate development assistance and domestic resources within countries to meet those goals. Clear standards for monitoring and evaluation, combined with internationally comparable data collection and analysis, would facilitate transparent reporting, improve mutual accountability between donors and recipients and provide feedback for future decisions on programming.

### ACCOUNTABILITY AND COUNTRY OWNERSHIP

Development relies on a broad range of stakeholders, including (but not limited to) donor governments, recipient governments, multilaterals, NGOs, civil society and the private sector. All relevant actors should be involved in any efforts to meet development outcomes and to ensure the effectiveness and accountability of resource flows. New donors and other actors which do not report to the DAC need to maintain their progress on transparency and predictability of aid, by reporting ODA flows to the DAC and participating in regular monitoring and evaluation. And to build on the foundations of transparency and to provide a sharper focus on results, donors need to support key players in developing countries – parliaments, audit institutions, CSOs and others – so that they can use information about aid flows and development results to demand accountability and generate real country ownership.