

IMPROVING AID EFFECTIVENESS TO PROMOTE DEVELOPMENT

PRESENTATION BY:

**DR. SHAHID N. ZAHID
PRINCIPAL PLANNING AND POLICY ECONOMIST
STRATEGY AND POLICY DEPARTMENT
ASIAN DEVELOPMENT BANK**

Information for this document has been compiled from these sources:

Aid Effectiveness

<http://www.adb.org/Aid-Effectiveness/default.asp>

Paris Declaration

<http://www.oecd.org/dataoecd/11/41/34428351.pdf>

Accra High Level Forum

<http://www.accrahlif.net/WBSITE/EXTERNAL/ACCRAEXT/0,,menuPK:64861886~pagePK:4705384~piPK:4705403~theSitePK:4700791,00.html>

Accra Agenda for Action

<http://www.oecd.org/dataoecd/58/16/41202012.pdf>

2008 Survey on Monitoring the Paris Declaration

http://www.oecd.org/document/0/0,3343,en_2649_15577209_41203264_1_1_1_1,00.html

Aid Harmonization Website

<http://www.aidharmonization.org/>

OECD-DAC Working Party on Aid Effectiveness

http://www.oecd.org/department/0,3355,en_2649_3236398_1_1_1_1,00.html

MDG Report 2008

http://millenniumindicators.un.org/unsd/mdg/Resources/Static/Products/Progress2008/MDG_Report_2008_En.pdf?bcsi_scan_B90AE85AF6AB15C6=0&bcsi_scan_filename=MDG_Report_2008_En.pdf

The MDGs: Progress in Asia and the Pacific 2007

<http://www.adb.org/Documents/Reports/MDG-Update-2007/MDG-Update-2007.pdf>

Key Indicators for Asia and the Pacific 2008

http://www.adb.org/Documents/Books/Key_Indicators/2008/pdf/Key-Indicators-2008.pdf

A Future Within Reach 2008: Regional Partnerships for the MDGs in Asia and the Pacific

<http://www.adb.org/documents/Reports/MDG-Future-Reach-2008/MDG-Future-Within-Reach-2008.pdf>

Will “Emerging Donors” Change the Face of International Cooperation?

[http://www.odi.org.uk/events/apgood/international_development/9thmar/ODI%20Lecture%20\(2\).pdf](http://www.odi.org.uk/events/apgood/international_development/9thmar/ODI%20Lecture%20(2).pdf)

Development Aid

<http://siteresources.worldbank.org/EXTABOUTUS/Resources/DevelopmentAid2007.ppt#256,1>,
Development Aid

CONTENTS

	Page
I. Sources of Official Development Assistance	1
A. OECD-DAC Development Assistance	
B. Non-DAC and Nontraditional Development Assistance	
II. Rationale of Aid	6
A. The Millennium Development Goals	
B. Has Aid Been Effective in Reducing Poverty?	
C. Global Efforts to Make Aid Effective	
III. Rome High Level Forum on Harmonization (24-25 February 2003)	11
IV. From Rome HLF to Paris HLF-2	12
V. Second High Level Forum on Aid Effectiveness (28 February–2 March 2005)	12
VI. From Paris HLF-2 to Accra HLF-3	14
A. OECD Surveys on Monitoring the Paris Declaration	
B. OECD Evaluation Network	
C. Localization of the Paris Declaration	
VII. Third High Level Forum on Aid Effectiveness (2-4 September 2008)	16
VIII. ADB's Efforts in Enhancing Aid Effectiveness	18
IX. Conclusions	20

“Improving Aid Effectiveness to Promote Development”

**Lee Kuan Yew School of Public Policy
University of Singapore
4 November 2008**

I. SOURCES OF OFFICIAL DEVELOPMENT ASSISTANCE

A. OECD-DAC Development Assistance

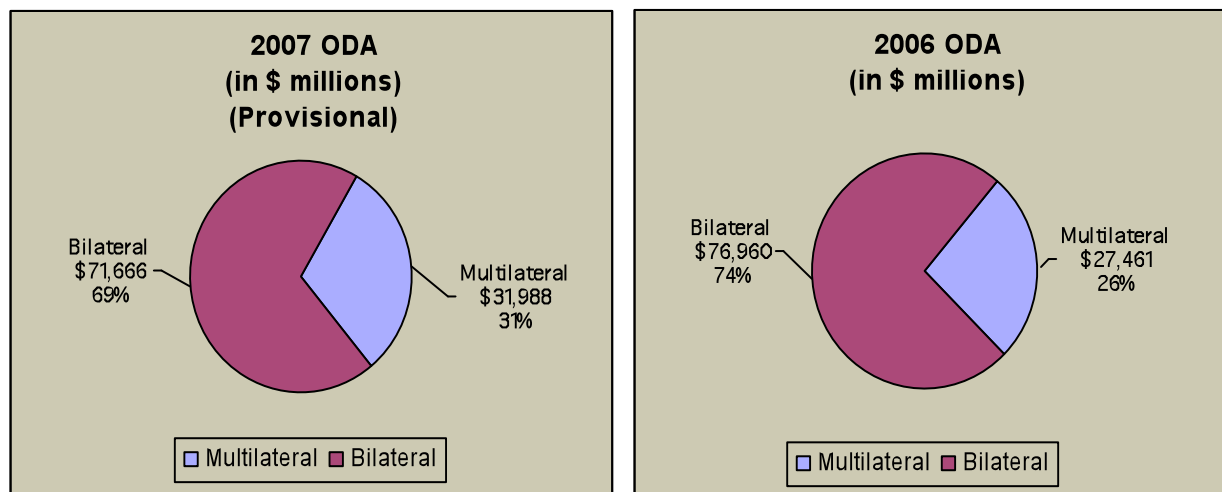
1. Official development assistance (ODA) is defined as government aid (made up of grants or concessional loans) to developing countries designed to promote the economic development and welfare of recipient countries. The aid may be provided bilaterally, from donor to recipient, or it may be channelled through a multilateral development agency such as the United Nations, the World Bank, or the Asian Development Bank (ADB). ODA is usually measured on a net basis, *i.e.* after subtracting loan repayments from the gross aid flows.

2. The promotion of economic and social development in non-member countries has been a principal objective of the Organization for Economic Cooperation and Development (OECD) since its foundation. The DAC, set up in 1960, is the Development Assistance Committee of the OECD. Its members are: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Japan, Luxembourg, the Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, Sweden, the UK, the US and the European Commission.

3. DAC data on ODA from donor countries measures the outflow of resources from donors and it splits this into two categories: bilateral and multilateral. Multilateral ODA comprises the contributions made to multilateral organizations that are completely unearmarked and can be used anywhere.¹ Therefore, by definition, the multilateral contributions from each donor are not disaggregated by country. Bilateral ODA includes all other activities that are eligible to be counted as ODA, including earmarked funding which is given to a multilateral organization. Donors report to the DAC on how much bilateral ODA goes to each region.

4. According to provisional data reported by members, total ODA from DAC members in 2007 stood at USD 103.7 billion (US\$71.7 bilateral, and US\$32.0 multilateral). The largest donors in 2007, by volume, were the United States, followed by Germany, France, the United Kingdom and Japan. In 2006, total ODA was US\$104,420.97 million, broken down into US\$27,461.03 million multilateral ODA and US\$76,959.93 million bilateral ODA. Total ODA to Asian Developing Countries in 2006 was US\$22,423.50 million (out of US\$76,960.11 total ODA to developing countries).

¹ Regional banks such as the ADB can disburse to only their regional borrowing member countries.



5. The scale of usage of the multilateral system – about a third of total ODA – reflects bilateral donors’ view of multilateral organizations as knowledgeable, neutral and generally effective development actors.

- The overarching aim of multilateral engagement is poverty reduction and achievement of the MDGs. Separately issues such as health, gender equality, climate change, and support for fragile states are stressed as multilateral priorities. Countries also emphasized effectiveness and efficiency in their engagement with multilaterals and see reform as a priority. The common reasons for, and advantages of, their engagement with multilateral institutions are economies of scale, know-how, political neutrality, providers of public goods, and a lower burden placed on donors and partner countries.
- Usually the Ministry of Finance manages core contributions and leads policy dialogue with the IMF, the World Bank Group and other major development banks; whereas the Ministry of Foreign Affairs and/or the Government’s development agency is responsible for relations with most other multilateral agencies.
- Multilateral organisations provide nearly two-thirds of their aid to sub-Saharan Africa and South and Central Asia, in contrast to just over a third for DAC bilateral aid.
- The principal categories of multilateral aid are the following:
 - (a) Multilateral development banks (MDBs), including the World Bank Group and its International Development Association (IDA), and the regional development banks and their soft loan windows;
 - (b) Agencies, funds and commissions of the United Nations (UN); and
 - (c) European Commission – EC (covering European Union Member States).

6. ODA has an important role to play in supporting and facilitating development, and in particular, in helping realize the shared goal of poverty reduction in the developing countries of each region. However, both at the recipient country level and among donors at the global level, there has been growing concern about the effectiveness of ODA. Evidence is compelling that while donors provide valuable financing and other assistance, their administrative and

procedural requirements can be burdensome on recipient countries and divert capacity from other important areas.

7. It is very important that scarce ODA resources are utilized efficiently. According to UN Millennium Project's 2005 report on "Investing in Development: A Practical Plan to Achieve the MDGs", the total cost of meeting the MDGs in all countries are on the order of \$121 billion in 2006, rising to \$189 billion in 2015. This means that the total amount of ODA is barely enough to cover the amount of development resources required by developing countries to achieve the MDGs. Thus, there is a need for donors to both align their activities with the recipient countries' national priorities, and to coordinate more closely and effectively among themselves, so as to maximize possible synergies of assistance and also to avoid unnecessary duplication.

8. In the 1970s and 1980s, aid from DAC countries rose steadily. In 1970, rich countries pledged to move toward an ODA/GNI target of 0.7 percent. After declining in the 1990s, aid is rising again. In 2002, countries adopted the Monterrey Consensus in which developed countries were urged to achieve the 0.7 target. In 2005, donors promised to double aid to SSA by 2010 and to provide an additional \$50 billion a year in aid to developing countries by 2010. By 2006, only 5 countries – Denmark, Luxembourg, Netherlands, Norway, Sweden – had achieved or gone beyond the ODA/GNI target of 0.7%. Most of the recent increase in aid is due to debt relief. Thus, the international community begins to acknowledge the importance of non-traditional donors or newly emerging donors such as Brazil, China, India, NGOs, foundations and other private donors.

B. Non-DAC and Nontraditional Development Assistance

9. Non-DAC or nontraditional donors are becoming increasingly important providers of development assistance. The emergence of a new group of official donors in the provision of humanitarian assistance challenges a number of perceptions. It can no longer be taken as read that OECD-DAC countries are the primary providers of humanitarian assistance to the non-Western world. Twenty-two OECD countries make up the DAC; however the UN Office for Coordination of Human Affairs (OCHA) records contributions from the governments of over 60 countries. Evidence suggests that Saudi Arabia, Iran, South Korea, India and China have emerged as significant actors, alongside a number of the new accession states in the European Union. These donors often operate in the same settings as OECD-DAC donors, including in the highly contested environments of Afghanistan and Iraq.

10. This leads to the question: Will the emergence of new donors change the landscape of the international development effort and may it undercut some of the important approaches put in place over the years to improve the quality of aid? We should recognize that most donors outside the DAC have a history as donors and many of them a good deal of experience. We should pay attention not just to their aid policies in the narrow sense but to the overall impact that they have on poor countries. In a world of rising aid, developing countries will have the benefit of more choices. The increases in aid from both DAC and other donors will make it all the more important for developing countries to manage their total use of donor resources effectively. They will find this easier the more all donors accept sustainable development and reduction of poverty as measured by the Millennium Development Goals as central objectives of development aid, but also of their wider policies that impact on poor developing countries. In that way, we could see a new development community that is not just more multipolar but also a real multiplier. There are currently many groups of nontraditional donors:

- One is the group of OECD members who are not members of the DAC – countries like Turkey, Korea, Mexico and several European countries. Almost all these countries have ambitious plans to scale up their aid. Some are already significant players. Korea reported \$423 million of ODA on DAC definitions for 2004 and Turkey \$339 million –figures already larger than two existing DAC members in absolute terms. Indeed Korea's would be larger still if it were not for the fact that it does not claim credit for its assistance to North Korea. In terms of country effort, Iceland reported flows of 0.18% of GNI in 2004 –also higher than two DAC members – and both the Czech Republic and Turkey 0.11%. The non-DAC OECD members of the EU (the Czech Republic, Hungary, Poland and Slovakia, all of course with a history as donors under the CMEA, some on a major scale) have commitments under the EU decisions last May to make their best endeavors to reach 0.17% of GNI by 2010 and 0.33% by 2015. Korea has announced that it is aiming to reach a program of \$1 billion by 2010, and, along with Poland and Turkey, has plans to join the DAC in the same timescale. All in all, one might expect the non-DAC OECD countries combined at least to double their current ODA of a little over \$1 billion by 2010.
- Another group, that of the new EU member states not members of the OECD, is similarly to make best endeavors to reach 0.17% of GNI by 2010 and 0.33% by 2015. The absolute amounts from this group will be small given the size of their economies.
- Then there is the Middle East and OPEC countries and funds. These donors form a rather cohesive group, from whom DAC members could indeed learn in terms of harmonization. It is routine for these agencies to consult each other on projects and use one another's documentation. Another positive feature is that they provide almost all aid on an untied basis. They have however been conservative in two respects, firstly by limiting themselves very largely to project finance, and secondly by providing most of this finance in loan (or Islamic banking) form. In a world where DAC donors – and more recently soft funds like IDA - have been increasingly providing grant financing, often on a more programmatic basis, poor and indebted countries have often preferred finance from these cheaper and more flexible sources, despite higher conditionality.
- There are also the non-OECD donors which provide aid but fall outside the second and third groups identified. Two of these report their aid against DAC norms. For Israel, this shows that, leaving on one side first year costs of refugees arriving in Israel, the program is in most years of the order of \$10-20 million. For Chinese Taipei, the figure for 2004 is \$421 million, of the same order of magnitude therefore as Korea.
- Other non-OECD countries:
 - In the Western Hemisphere, Venezuela has long had a role as an OPEC member, both bilaterally and through multilateral channels, including the OPEC Fund. It has been an important source of funding in some Caribbean and Latin American countries, and appears to be embarking on a broader range of cooperation with selected countries, based on clear political objectives.
 - Chile has developed the capacity to deliver a bilateral program, and has been prominent in discussions on innovative sources of finance.

- Brazil of course plays a major role both bilaterally and multilaterally, including within the Lusophone Commonwealth, and has also been prominent in discussions of innovative finance.
 - South Africa has only a modest bilateral program, but its economic weight in its region gives it considerable influence in the development of its neighbors over a wide area.
 - Russia continues to be a prime source of assistance to some countries of the Commonwealth of Independent States, and is considering a more formal structure for delivering aid. It clearly has the financial capacity to play a growing role.
 - In Asia, countries like Malaysia and Thailand have shown particular interest in relations with the DAC, and are beginning to develop bilateral programs going beyond Colombo Plan training and technical assistance.
- Finally, the two “heavyweights” which are much discussed at present are India and China.² Both have long been donors and – on a much larger scale – aid recipients. China’s commitments at the Millennium Review Summit show the variety of channels envisaged for China’s contribution to the development process. They include:
 - Zero tariff treatment to certain products from all the 39 least-developed countries (LDCs) which have diplomatic relations with China, covering most of the China-bound exports from these countries.
 - Expansion of aid to the Heavily Indebted Poor Countries (HIPC) and LDCs and a commitment to write off or forgive in other ways, within the next two years, all the overdue parts as of the end of 2004 of the interest-free and low-interest governmental loans owed by HIPC countries having diplomatic relations with China.
 - Within the next three years, provision of \$10 billion in concessional loans and preferential export buyer’s credit to developing countries to improve their infrastructure and promote cooperation between enterprises on both sides.
 - Also in the next three years, increased assistance in the form of anti-malaria drugs and other medicines, helping set up and improve medical facilities and training medical staff.
 - Training 30,000 personnel of various professions for developing countries within the next three years so as to help relevant countries to speed up their human resources development.
 - India’s own plans similarly combine a variety of instruments, going well beyond its traditionally strong role in training and technical assistance and highly concessional aid to its neighbors. Its proposed Indian Development Initiative, puts emphasis on a new lending instrument, under which India would borrow on the international capital markets and then on-lend on concessional terms to less credit-worthy countries in sub-Saharan Africa and elsewhere. At least 85% of the value of such loans would be tied to Indian procurement, and India plans to scale up to annual provision of perhaps \$300-400 million to Africa, roughly ten times the level of 2004/05. In

² A recent UNDP report notes that China, together with the IBSA Group (India, Brazil and South Africa) provides significant development assistance to other developing countries. For instance, in 2006, China disbursed \$5 billion in preferential loans to encourage Chinese enterprises to invest in ASEAN countries, and is creating a \$5 billion China-Africa Development Fund to stimulate Chinese investment in Africa. China also cancelled RMB 10.9 billion (\$1.47 billion) of African debt and promised to double its assistance to Africa. Similarly, India has extended \$1.4 billion of concessional lines of credit to other developing countries since 2004 and wrote off debts owed by African countries under the Heavily Indebted Poor Countries (HIPC) Initiative. (Source: UN. 2008. World Economic Situation and Prospects 2008)

addition, India has offered \$200 million for regional programmes under NePAD and \$500 million in Exim Bank lines of credit to West African countries under its Techno-Economic Approach for Africa-Indian Movement, or “TEAM-9”. The latter funds, presumably non-concessional, would help finance setting up of various projects by Indian companies in the countries concerned.

11. We are seeing not so much a sudden or unprecedented fall in the DAC share of aid, but rather the consequences of the much increased range of options that many developing countries now have to finance their development. This has been evident for years in the case of the stronger Middle Income Countries, mainly as a result of increased access to private capital. Indeed, not only is the contribution of official development assistance to most of these countries now very small indeed in relation to their economies (the fact that Thailand and India dealt with the cost of the Tsunami without recourse to any bilateral aid is just one illustration of this), but the International Financial Institutions themselves are now only marginal players except at times of crisis.

12. In addition, we should encourage a more prominent role by non-DAC donors in multilateral finance. As an example, the non-DAC share of donor contributions to the latest IDA Replenishment was extraordinarily low. It was particularly notable that OPEC countries, which had accounted for nearly 8% of IDA in the mid-1970s, provided less than half a percent, far below their share of total aid. Non-DAC OECD countries provided 1.25%, most of it from Korea. Other emerging donors provided a similar total, more than half of it from Brazil, followed by Russia and Singapore. (Countries like India and China are not yet donors to IDA, but China is repaying over \$200 million a year and India approaching \$600 million a year: between them they account for around 40% of all IDA reflows from past lending.) A stronger role for non-DAC donors in the whole multilateral system – which must be matched by a stronger voice - is highly desirable.

II. RATIONALE OF AID

A. The Millennium Development Goals

13. At the Millennium Summit in September 2000, the largest gathering of world leaders in history adopted the United Nations Millennium Declaration, committing their nations to a new global partnership to reduce extreme poverty and setting out a series of targets, with a deadline of 2015. These have become known as the **Millennium Development Goals (MDGs)**. The first MDG targets the poor directly—those living on less than \$1 a day—while the next six focus on the underlying causes of poverty, such as lack of access to education, health care, and employment; gender inequality; poor housing conditions; and environmental degradation. The eighth goal is to develop a global partnership for development, and focuses on how the industrialized countries can work with the poorer countries to enhance the latter’s standard of living.

a. Goal 1. Eradicate Extreme Poverty and Hunger

14. In 15 economies of the Asia and Pacific region, including some of the most populous, more than 10% of the population live on less than **\$1 a day**. In 20 economies, again including some of the most populous, more than 10% of the population are **malnourished**. In around two thirds of economies for which data are available, 10% or more of children under 5 years of age are **underweight**.

- At the start of this century, poverty remains a global problem of huge proportions. Of the world's 6.0 billion people, 2.8 billion live on less than \$2 a day and 1.2 billion on less than \$1 a day (World Bank 2000). **In the Asia and Pacific region, for instance, about 1.9 billion people still live on less than \$2 a day, and over 620 million survive on less than even \$1 a day (from 947.5 million in 1990).** The good news is that most of ADB's developing member countries (DMCs) are on track to achieve the MDG No. 1: Halving poverty by 2015. This, however, means that the poverty rate for the DMCs in 2015 would still be around 17 percent, as the starting point of their poverty rate in 1990 was about 34 percent. (ADB. 2007. *Poverty Impact Analysis: Selected Tools and Applications*)

b. Goal 2. Achieve Universal Primary Education

15. In a few economies in the region, total net enrollment ratios in **primary education** are below 80%. More than 10 economies have achieved the target for primary education expected **completion rates**. In slightly over half of the economies for which data are available, over 95% of both male and female youth populations are **literate**. In economies with much lower literacy rates, women are more likely to be illiterate than men.

- Globally, the total number of children of primary school age who were out of school fell from 103 million in 1999 to 75 million in 2006, despite an overall increase in the number of children in this age group. In Southern Asia, the enrolment ratio has climbed to 90 per cent, yet **more than 18 million children of primary school age are not enrolled**.
(<http://www.un.org/millenniumgoals/2008highlevel/pdf/newsroom/Goal%202%20FINAL.pdf>)

c. Goal 3. Promote Gender Equality and Empower Women

16. Most economies have already achieved the target for gender equality in primary school enrollment. A slightly lower number have done so in secondary school enrollment, while fewer have done so in tertiary education enrollment. In Afghanistan, Lao PDR, Timor-Leste, and Viet Nam, women hold more than 25% of the national parliamentary seats, but in 12 economies, women hold less than 5%.

d. Goal 4. Reduce Child Mortality

17. In more than a third of the economies, **child deaths** are 30 or less per 1,000 live births, but many of the others, including some of the most populous economies in the region, have much higher death rates. Ten economies are expected to achieve the **target for child mortality** by 2015 but 15, including two of the most populous, are unlikely to do so. **Measles vaccination rates** for children are rising in the region. In 1990 only six economies had measles vaccination percentages of 95% or better, but by 2006 the number had more than tripled.

e. Goal 5. Improve Maternal Health

18. In the Asia and Pacific region, **maternal mortality** can range from as low as 1 in Hong Kong, China to as high as 1,800 in Afghanistan per 100,000 live births; in many other economies, less than 150 women die in childbirth. There is fairly strong evidence that maternal mortality ratios are reduced when a **trained health worker is present**. In around 60% of the

economies for which data are available, the percentage of married women practicing **contraception** has increased.

- Maternal mortality remains unacceptably high across much of the developing world. In 2005, more than 500,000 women died during pregnancy, childbirth or in the six weeks after delivery. Ninety-nine per cent of these deaths occurred in the developing regions, with sub-Saharan Africa and Southern Asia accounting for 86 per cent of them. (http://www.undp.org/mdg/basics_ontrack.shtml)

f. Goal 6. Combat HIV/AIDS, Malaria and other diseases

19. In most economies for which data are available, less than 1% of the population is reported as suffering from **HIV**, although this may be due mainly to poor detection methods in some economies. **Malaria** is highly prevalent in a few Pacific economies. With regard to **tuberculosis**, most economies have been successful in reducing the spread of this disease but infection rates are rising in seven Central and West Asian economies.

g. Goal 7. Ensure Environmental Sustainability

20. Between 1990 and 2005, at least 50,000 sq km of **forest area** were lost to other uses, and economies that are major producers of tropical hardwoods reported losses of between 10% and 40% in forest areas. Per capita emissions of **carbon dioxide** are rising in most economies of the region including the five most populous economies. Slightly over half of the economies for which data are available have reached the target of providing urban households with **improved water sources**.

- Asia and the Pacific accounts for 75 per cent of the world's rural population and 63 percent of the urban population who do not have access to safe sanitation – 1.9 billion in total. (<http://www.unescap.org/stat/mdg/03.Executive-summary-MDGreport2007-P1-2.pdf>)

h. Goal 8. Develop a Global Partnership for Development

21. ODA continued to drop from an all-time high of \$107.1 billion in 2005, to \$103.7 billion in 2007. The relative weight of debt service has been falling since 1990 in most economies for which data are available. The MDG target to make available the benefits of new technologies, especially information and communications technologies, in cooperation with the private sector, has seen rapid progress in bridging the gap on the mobile phone sector, but large gaps remain in improving access to key technologies (internet with broadband access is a good example) that are essential to increase productivity, sustain economic growth and improve service delivery in areas like health and education.

B. Has Aid Been Effective in Reducing Poverty?

22. Many claim that just rapidly scaling up aid would make all the difference in reducing world poverty. They operate under the assumption that money is sufficient to make a positive difference.

23. On the opposite side of the spectrum, some aid experts claim that aid rarely does any good, with ineffective bureaucracies giving aid to consultants and corrupt governments rather

than to those that could use it well. Some of the weaknesses of aid that have been pointed out are as follows:

- ◆ It is a fallacy to think that overall poverty can be ended by a comprehensive package of “things” like malaria medicines and clean water.
- ◆ Large aid increases to launch countries out of poverty remains a popular idea despite fifty years and \$2.3 trillion worth of failed assistance. Top-down planning by experts remains a favorite approach, as embodied in country strategies—despite years of experience that shows planners at the top don’t have enough feedback from the poor, incentives for implementation, or accountability for results to make the plans work.
- ◆ The MDGs lead to such efforts as the UN Millennium Project’s 449-step comprehensive strategy to reach the MDGs and the World Bank’s elaborate costing exercise as to how much more aid is needed to reach the MDGs. All such exercises are seemingly oblivious to the much documented weak link between spending and results, such as the 30 percent to 70 percent of government-provided medicines that disappeared before reaching patients in surveys of low-income aid recipients.
- ◆ In the bureaucratic hall of mirrors that is foreign aid, nobody is individually responsible for any one result. So despite \$100 billion in foreign aid in 2005, one million children died from diarrhea due to lack of ten-cent oral rehydration salts and more than one million died from malaria due to lack of medicine that costs twelve cents a dose—and nobody is held accountable for these failures. In the aid world we actually have, genial complacency is not the right response. The right response is to demand accountability from aid agencies for whether aid money actually reaches the poor. The right response is to demand independent evaluation of aid agencies. The right response is to shift the paradigm and the money away from top-down plans by “experts” to bottom-up searchers who keep experimenting until they find something that works for the poor on the ground. The right response is to get tough on foreign aid, not to eliminate it, but to see that more of the next \$2.3 trillion does reach the poor.

C. Global Efforts to Make Aid Effective

24. At the global level, the international community had become very much aware that the task of achieving the MDGs is a very daunting one, because of the need to integrate not just the provision of funding, but also trade and global policies in a way that is likely to give them a chance to be effective. Furthermore, there is a gap in terms of the availability of resources that are needed to achieve these MDGs and the funding that is already in sight. Before 2003, international organizations/aid agencies were operating at a level of \$50 billion or so a year, but the need was probably somewhere between \$100 and \$150 billion at that time.³ International aid organizations were being told that there was no way that more funding was going to be provided, unless they can demonstrate that the funds that were already being used were being used effectively. They must ensure that each dollar spent gets its full value and contributes to long-term development goals.

³ By 2006, the level of aid has doubled to \$100 billion, however, this was still not sufficient to meet the costs of achieving the MDGs.

25. For the period 1992-2002, there were more than 400,000 projects undertaken by the collective international community, and by early 2003, about 80,000 projects were still ongoing. It was becoming very obvious that the donor community were not cooperating, not coordinating, and not learning from each other's experience, and in some cases not even learning from their own experience.

26. Given the challenges and problems in achieving the MDGs, it was recognized that there was a huge need for consistency and time in order to be able to reach these goals. Thus, the issue of management, the issue of bringing all of this together, and the issue of harmonization became central because of the realization that (i) nobody can do this alone, (ii) achieving the MDGs, dependent as it is on each of the countries, is a mutual accountability between and among development partners, and (iii) as a matter of course, understanding what others were doing, both in the multilateral sector, in the bilateral sector, in civil society and private sector, was an essential prerequisite to effective development.

27. There was growing evidence that, over time, the totality and wide variety of donor requirements, practices and procedures for preparing, delivering, and monitoring development assistance are generating unproductive transaction costs for, and drawing down the limited capacity of, partner countries. There were concerns that donors' practices do not always fit well with national development priorities and systems, including their budget, program, and project planning cycles and public expenditure and financial management systems. It was recognized that these issues require urgent, coordinated, and sustained action to improve the effectiveness of aid.

28. As aid funds shrank, the donors themselves realized that their many processes and procedures tended to detract from development impact. Amid concerns of multiplicity of donor operational rules straining partner administrative capacity, undermining partner capacity building, and reducing aid effectiveness, the international development community started asking, *Are resources being used efficiently to reduce poverty?*

29. In the late 1990s, awareness of the costs of aid impelled the development community to give much greater attention to finding ways to work more effectively together. In particular, representatives of the bilateral donors, the MDBs, and partner countries worked in technical groups to define sets of policies and procedures that all could agree on as good practice standards or principles. This work covered a range of areas: donor cooperation, country analysis, financial management, procurement, and environmental assessment. The aim was for donors and partner countries alike to use these good practices as a basis for harmonizing their own policies and procedures. For example, the Heads of Procurement and the Multilateral Financial Institutions Working Group on Environment began to meet regularly to discuss coordination and streamlining. The Heads of Procurement Group started their work on master bidding documents, which would lead to harmonization of standard bidding documents. Meanwhile, in a number of countries—among them, Bangladesh and the Philippines—donors and partner governments took steps to improve aid coordination.

30. Harmonization has the potential to not only reduce the costs of aid, but to increase the benefits of aid, indeed to increase the impact of all government expenditures. The cumulative effect could change the way development business gets done in the 21st century. At the 2002 International Conference on Financing for Development in Monterrey, Mexico, the international community agreed that it would be important to provide more financing for development—but more money alone was not enough. Donors and partner countries alike wanted to know that aid would be used as effectively as possible.

31. By early 2002, the DAC/OECD and the MDB technical groups had worked to broaden and deepen the consensus about what constituted good practices in a variety of subject areas that are vital to development. The challenge—for partner countries and donors more broadly—was learning how to implement harmonization more broadly at the country level: how could donors work together at that level, what supporting documentation and technical products would need to be developed, how would governments lead the effort, what changes would be required in levels of authority delegated by headquarters of donor agencies to their country offices, what unique challenges might arise? Thus it was decided to test the broader harmonization approach at the country level in a series of pilot activities through which these implementation issues could be better understood and areas requiring additional work could be identified.

32. In April 2002, the World Bank began exploring with governments their interest in initiating or broadening implementation, and it also followed up with key donors to ascertain their interest in collaborating in such efforts. Pilots were initiated in Vietnam, Ethiopia, and Jamaica—countries where the government was interested, there was a critical mass of supportive donors, and there would be opportunities for learning. In all three cases, the government engaged with the donors but determined the final composition of the issues for piloting harmonization.

- ◆ In Vietnam, the period since 1998 has seen a drive to work in partnerships that has led to a focus on the harmonization of strategies and technical issues. In mid-2002, at the request of the Government, the Japan Bank for International Cooperation, the Asian Development Bank, and the World Bank started developing products for harmonizing financial management reporting, common procurement thresholds for national competitive bidding, and a common approach to environmental assessment, and they began working on a joint portfolio review with the government to reduce transaction costs.
- ◆ By late January 2003, the government of the Philippines, where in-country harmonization processes had already been in train for some years, also decided to associate itself with a more organized process to broaden in-country harmonization with their key donors.
- ◆ Discussions on organizing similar activities had also begun to take place in other countries, including Bangladesh and Papua New Guinea. And, as part of the preparations for the Rome High-Level Forum, a number of countries—including Cambodia — expressed their interest in launching such a harmonization process.

III. ROME HIGH LEVEL FORUM ON HARMONIZATION (24-25 FEBRUARY 2003)

33. In February 2003, leaders of the major multilateral development banks and international and bilateral organizations, and donor and recipient country representatives gathered in Rome for the High-Level Forum on Harmonization. They committed to take action to improve the management and effectiveness of aid and to take stock of concrete progress, and thereby contribute to meeting the MDGs.

34. The challenge for the multilateral and bilateral donors, as well as partner countries, was to harmonize their operational policies, procedures, and practices and to align their support with country-owned poverty reduction strategies or other development frameworks. The work involves group efforts to identify those elements that all agree are good practices, and then individual efforts by each institution or country to align their policies and procedures as close to

those good practices as they can, with much more attention to enhancing country systems for all development expenditures. This practical reform agenda covers a broad range of activities: country strategies, analytic work, technical assistance, operations, and regional and global activities.

35. The Rome Declaration on Harmonization set out an ambitious program of activities:
- ◆ To ensure that harmonization efforts are adapted to the country context and that donor assistance is aligned with the development recipient's priorities.
 - ◆ To expand country-led efforts to streamline donor procedures and practices.
 - ◆ To review and identify ways to adapt institutions' and countries' policies, procedures, and practices to facilitate harmonization.
 - ◆ To implement the good practices principles and standards formulated by the development community as the foundation for harmonization.

IV. FROM ROME HLF TO PARIS HLF-2

36. To facilitate, support, and monitor progress on harmonization and alignment, in May 2003, the DAC created the Working Party on Aid Effectiveness and Donor Practices (WP-EFF). In addition to the bilateral agencies and the International Monetary Fund (IMF), United Nations Development Programme (UNDP), and World Bank, which were already participating actively as observers, the WP-EFF had several new participants: the African Development Bank (AfDB), the Asian Development Bank (ADB), European Bank for Reconstruction and Development (EBRD), Inter-American Development Bank (IDB), and Strategic Partnership with Africa (SPA). While retaining the importance of bilateral partnerships, this new configuration of the Working Party was designed to be inclusive, and to enable the WP-EFF to serve as the locus for maintaining the overview on the different strands of the harmonization and alignment agenda, establishing priorities, and carrying out cross-cutting work.

37. The multilateral development bank (MDB) working groups agreed to specific and well-focused work programs. Existing collaborative structures (e.g., MDB Heads of Procurement) were adapted to advance technical work on financial management, procurement, environment assessments, and analytic work, and to focus on implementation. The membership in the various groups started expanding. Also, the MDB Roundtable on Harmonization, which started meeting twice a year to discuss and coordinate harmonization efforts, began inviting the European Investment Bank, the International Fund for Agricultural Development, the Islamic Development Bank, and the United Nations Development Group (UNDG) to participate in its work.

V. SECOND HIGH LEVEL FORUM ON AID EFFECTIVENESS – PARIS, FRANCE (28 FEBRUARY – 2 MARCH 2005)

38. In 2005 the international community came together again at the Paris High-Level Forum, where over 100 signatories—from partner governments, bilateral and multilateral donor agencies, regional development banks, and international agencies—endorsed the Paris Declaration on Aid Effectiveness. In signing the Paris Declaration, they committed to specific actions that would promote the effective use of aid funds.

39. The Paris Declaration, endorsed on 2 March 2005, is an international agreement to which over one hundred Ministers, Heads of Agencies and other Senior Officials adhered and committed their countries and organizations to continue to increase efforts in ownership, alignment, harmonization, managing for results, and mutual accountability, all of which are to be interpreted in the light of the specific situation of each partner country. Compliance in meeting these commitments are to be internationally monitored through 12 indicators. The Paris Declaration defines the principles and commitments by which donors and partner governments intend to ensure that aid is as effective as possible in contributing to the MDGs and other internationally agreed goals. It builds on lessons learned over many years about what works, committing donors and partners to adopt best principles and practices in aid management and to avoid weaknesses, some of which have persisted for decades. The Declaration itself takes forward a great deal of prior work, including agreements reached at Monterrey (2002), Rome (2003) and Marrakech (2004).

40. The reasons why the Paris Declaration will make a difference significantly increasing the impact of aid:

- ◆ **The Paris Declaration goes beyond previous agreements.** More than a statement of general principles, the Paris Declaration lays down a practical, action-orientated roadmap to improve the quality of aid and its impact on development. The 56 partnership commitments are organised around the five key principles: ownership, alignment, harmonisation, managing for results, and mutual accountability.
- ◆ **Twelve indicators to monitor progress in achieving results.** 12 indicators of aid effectiveness were developed as a way of tracking and encouraging progress against the broader set of partnership commitments. Targets for the year 2010 have been set for 11 of the indicators and are designed to encourage progress at the global level among the countries and organisations adhering to the Paris Declaration.
- ◆ **The Paris Declaration creates stronger mechanisms for accountability.** The Paris Declaration promotes a model of partnership that improves transparency and accountability on the use of development resources. It recognises that for aid to become truly effective, stronger and more balanced, accountability mechanisms are required at different levels. At the international level, the Paris Declaration constitutes a mechanism which donors and recipients of aid are held mutually accountable to each other and compliance in meeting the commitments will be publicly monitored. At the country level, the Paris Declaration encourages donors and partners to jointly assess mutual progress in implementing agreed commitments on aid effectiveness by making best use of local mechanisms. At present accountability requirements are often harder on developing countries than donors, yet aid is more effective when partner countries exercise strong and effective leadership over their development policies and strategies. This is why ownership -developing countries exercising strong and effective leadership over their development policies and strategies - is the fundamental tenet underpinning the Paris Declaration.

VI. FROM PARIS HLF-2 TO ACCRA HLF-3

A. OECD Surveys on Monitoring the Paris Declaration

41. In the Paris Declaration, donors and partners also committed to monitoring their progress in improving aid effectiveness against 56 specific actions, from which 12 indicators were established and targets set for 2010. To this end, under the aegis of the DAC Working Party on Aid Effectiveness, the first round of monitoring was conducted in 2006 on the basis of activities undertaken in 2005. The conclusions of this survey clearly show that *in half of the developing countries signing on to the Paris Declaration, partners and donors have a long road ahead to meet the commitments they have undertaken.*

42. For the second round of monitoring undertaken in 2008, 54 partner countries volunteered to organise the survey in their own countries — a marked increase compared with the 34 countries in the 2006 Baseline Survey. Broader participation means that the findings of the survey are based on a more reliable and representative set of data: more than one-half of all aid that was delivered to aid recipient countries in 2007 — nearly USD 45 billion — is recorded in the 2008 Survey. Significant findings include the following:

- Progress is being made across all indicators.
- Real change is possible when there are joint efforts between partner countries and donors.
- A considerable acceleration of change in the majority of countries will be needed to achieve the targets set for 2010.

43. Three high-level policy recommendations were made that will help accelerate progress in the near future and transform the aid relationship into a full partnership:

- Systematically step up efforts to use and strengthen country systems as a way of reinforcing country ownership
- Strengthen accountability over development resources
- Cost-effective aid management

44. The message from the surveys is clear: **we will have to accelerate change considerably if we are to achieve the targets set for 2010.** This means more than just putting more pressure on the gas pedal. It requires shifting gears. More determined and consistent efforts in turning principles into actions are called for. Overall, the survey results should serve as a wake-up call. They tell us quite clearly that “more of the same” is unlikely to be enough to deliver the transformation envisaged by the Paris Declaration.

B. OECD Evaluation Network

45. A two-phase independent evaluation of the implementation of the Paris Declaration commitments was led by the DAC Development Evaluation Network and is being commissioned and overseen by an international reference group comprising partner country members of the Working Party on Aid Effectiveness, members of the DAC Evaluation Network and representatives of civil society. The overall purpose of the evaluation is to assess the relevance and effectiveness of the Paris Declaration and its contribution to aid effectiveness and ultimately to development effectiveness. In order to provide a proper basis for assessment, the evaluation is being carried out in two phases:

- *Phase One* has been conducted with the purpose of strengthening aid effectiveness by assessing changes of behavior and identifying better practices for partners and donors in implementing the Paris commitments.

- *Phase Two* will be conducted with the purpose of assessing the Declaration's contribution to aid effectiveness and development results.

46. The first phase of the evaluation is now completed. The key recommendations are derived directly from the synthesized findings and conclusions of the first phase of the evaluation, building on examples of both good practice and revealed weaknesses in the different countries and development partner programs evaluated. They are set at a strategic level, and are likely to be applicable to a much wider range of countries and donor agencies than those directly evaluated, a number of which are already at the forefront of reform. The second phase is planned to start in early 2009 and to be completed in time for the 4th High Level Forum in 2011.

C. Localization of the Paris Declaration

47. ADB's partner countries in Asia and the Pacific region have been working to guarantee an effective process of localizing the Paris Declaration. In each partner country different means and methods are being employed to translate the Paris Principles into local actions.

48. One interesting effort has been the development of agreements between development partners and national governments representing localized versions of the Paris Declaration.

- The Government of **Viet Nam** and its development partners localized the PD into the Hanoi Core Statement (HCS) in mid-2005. In an effort to operationalize the HCS, the Partnership Group for Aid Effectiveness (PGAE), comprising representatives from both the Government and development partners, was set up. Specific thematic groups were created under the PGAE including: procurement, public financial management, environmental impact assessment, social impact assessment, ODA-on-budget, and cost norms. Reflecting the spirit of the HCS, Viet Nam's Socio Economic Development Plan 2006-2010 was prepared through an open, consultative manner, and with its result-based approach and orientation, it is accepted as Viet Nam's Poverty Reduction Strategy Paper and is used as the main reference for all the development partners' assistance strategies.
- The Royal Government of **Cambodia** and its development partners (including ADB) signed the Cambodia Declaration on Enhancing Aid Effectiveness in October 2006. This Declaration represented the formalization of the activities included in the Government's Harmonization, Alignment and Results Action Plan, which had also been approved in 2006. Together, these two documents comprise a single framework of commitments for joint government and development partners' actions directed at promoting aid effectiveness in Cambodia.
- The Vientiane Declaration on Aid Effectiveness was endorsed by the Government of **Lao PDR** and 24 development partners (DPs) in November 2006. Its associated country action plan (CAP) specifying 72 measurable actions, was endorsed by the Government and 24 DPs on 31 May 2007. To facilitate the implementation process, the CAP identifies Government Lead Agencies and DP Focal Points and established Sector Working Groups for discussion. The CAP is reviewed and updated annually for discussions at the annual Roundtable Implementation Meetings between the Government and DPs.
- The *Pacific Principles on Aid Effectiveness*, adopted by **Pacific Island countries** and Development Partners in July 2007, is a result of efforts to translate the Paris

Declaration to reflect the Pacific's situation. The Pacific Principles provide a guide to more effective aid management practices, and together with the associated indicators allow the Pacific Island Countries to monitor their performance and that of development partners in ensuring better outcomes at both the national and regional levels. ADB co-sponsored a Pacific regional workshop in April 2008 which reviewed how the Pacific Principles have been applied and implemented in selected Pacific countries.

- ADB has supported the Government of the **Philippines** in the implementation of the Paris Declaration through a Technical Assistance (TA) Project. The TA supported coordination and monitoring mechanisms to assess progress of the identified country-level indicators; the harmonization of development partners' procurement, financial management & audit procedures and their alignment with Government procedures; and the strengthening of the results orientation of government agencies. The Government of the Philippines has established an institutional framework under the Harmonization Committee, chaired by the Department of Finance with members from the National Economic Development Authority, the Department of Budget Management and the Commission on Audit.
- The Joint Country Support Strategy (JCSS) for the **Kyrgyz Republic** has been formulated in the spirit of the Paris Declaration on Aid Effectiveness. The strategy is a joint effort of the ADB, Swiss Development Cooperation, United Kingdom Department for International Development (DFID), United Nations Agencies, and World Bank. The JCSS will help support the Government's development agenda for the period 2007–2010; reduce transaction costs; and ensure a coherent, well-coordinated response to support the implementation of the CDS.

VII. THIRD HIGH LEVEL FORUM ON AID EFFECTIVENESS – ACCRA, GHANA (2-4 SEPTEMBER 2008)

49. Developed and developing countries agreed to take bold steps to reform the way aid is given and spent. Building on the legacy of the previous meetings, representatives of partner country governments, donor agencies and development banks, international agencies, emerging donors, private foundations and civil society met to take stock of progress in implementing the Paris Declaration and plan continued and intensified efforts. After three days of intense negotiations during the Third High Level Forum on Aid Effectiveness (HLF-3) in Accra, Ghana on 2-4 September 2008, they endorsed the Accra Agenda for Action. Developing countries are committing to take control of their own futures, donors to co-ordinating better amongst themselves, and both parties to the Agenda are pledging to account to each other and their citizens.

50. Key outcomes of HLF-3 are as follows:

- ◆ First and foremost there was reaffirmation from the entire development community of the efficacy of the Paris Declaration and its principles. While acknowledging the progress made by the development community as demonstrated by the OECD Monitoring Survey and the international evaluation of the Paris Declaration there was agreement that some weaknesses exist and more effort needs to be made to improve aid effectiveness and achieve the Paris targets by 2010.

- ◆ In addition the HLF-3 acknowledged and discussed the expanded aid effectiveness agenda through a series of roundtables during the first two days of the event. Other than in-depth discussions of the five pillars of the Paris Declaration, the roundtables covered the role of civil society in aid effectiveness, aid management in fragile and conflict situations, and the evolving aid architecture including the role of new and non-traditional donors.
- ◆ Further, the political economy dimensions of the aid effectiveness agenda, namely gender equality, respect for human rights, and environmental sustainability featured prominently in all the discussions.
- ◆ The main outcomes of the Forum are reflected in the Accra Agenda for Action (the AAA) which spells out the measures necessary to further advance the Paris principles and actions required to incorporate changes in the aid architecture into the aid effectiveness agenda.
 - a. The actions being advocated in the AAA are intended to provide a guideline for future activities and further work will be done in the coming months to specify how these actions will be undertaken. The AAA focuses on several areas. First, it provides a reaffirmation of and recommitment to the Paris Declaration on the part of the development community. Second, the AAA states that progress has been made on the Paris principles and cites evidence from the evaluation and monitoring surveys that shows where progress has been identified and where problems remain. The AAA acknowledges explicitly that while progress has been good overall it has not been enough and that partner countries and development partners need to work together if they are to improve the quality of aid, improve aid management and achieve the Paris targets by 2010.
 - b. The AAA identifies three major challenges to accelerating progress on aid effectiveness. These are (i) enhanced country ownership, (ii) building more effective and inclusive partnerships, and (iii) achieving development results and being accountable for them. The AAA also incorporates the impact of the changing aid architecture on the aid effectiveness agenda. The actions going forward as identified by the AAA include enhancing the role of CSOs, the private sector and other stakeholders in the development process. South-south cooperation is an area that has been identified as very important going forward and triangular cooperation, whereby organizations such as ADB can facilitate south-south cooperation, is to be encouraged. It will also be necessary to develop capacity in partner countries to ensure leadership of the development agenda and adequate use of country systems. In addition better division of labor between development partners is necessary to avoid duplication of effort and increase aid's value for money, including partnerships with civil society, the private sector and other players. Good practices on international engagement in fragile and conflict situations have been agreed and these are to be followed by all partners. Most importantly delivering and accounting for results will be a major focus going forward.

VIII. ADB'S EFFORTS IN ENHANCING AID EFFECTIVENESS

51. ADB's **action plan on harmonization, alignment and ownership** (since 2005) comprises institutional level and country-level actions. At the institutional level, ADB participates

in the activities of the Operational Policy MDB Roundtable and MDB working groups; organizes and supports regional activities and workshops on donor harmonization and alignment; participates in joint activities with OECD-DAC; builds and increases support among ADB staff for harmonization activities, particularly those at the operations departments and the resident missions; actively participates in information sharing through the MDB website; and supports and monitors the design of country action plans. At the country level, ADB collaborates and coordinates with development partners in a range of activities, including support for national strategy development and implementation, country programming, and harmonization activities.

52. ADB's **Managing for Development Results (MfDR) action plan** is to mainstream managing for results in ADB. The first action plan was prepared in 2004 and was then revised in 2006. While it includes a results framework and implementation arrangements, and describes potential resource implications, the plan is based on the following:

- ◆ **Supporting Partner Countries for MfDR:** supporting the capacity of developing member countries to manage for development results is one of the key pillars of this initiative. With the **introduction of results-based country partnership strategies**, ADB's regional departments have enhanced national dialogue on MfDR, with particular attention to country systems and capacity to manage for outcomes. Technical assistance in support of national MfDR agendas, including pilot initiatives financed from the MfDR Cooperation Fund, continued. In parallel, ADB's Economics and Research Department is pursuing a new approach to **statistical capacity building (SCB)**, paying closer attention to weak developing member countries (DMCs), as well as identifying longer-term financing for SCB via the Fund for Asia-Pacific Statistical Capacity Building. The **Community of Practice on Managing for Development Results (CoP-MfDR)**, established in March 2006 with ADB sponsorship, has emerged as an important initiative to build sustainable partnerships and networks in participating DMCs. The CoP-MfDR now comprises more than 80 active members from 18 DMCs, development partners, private sector and civil society organizations, and over 200 peripheral members.
- ◆ **Enhancing ADB's results orientation and institutional effectiveness:** ADB is also continuing to implement the managing for development results (MfDR) initiative as the cornerstone of its reform agenda. In this regard, **results-based operational tools are now in place and widely used across ADB**. The country programming and related business processes have been strengthened with revised guidelines, the design and monitoring frameworks for results-based projects and country partnership strategies have improved, and results are increasingly monitored and discussed with governments during country portfolio reviews, now more often held jointly with other development partners. The results orientation was further enhanced in institution-wide reports and planning documents, including the annual report on the implementation of the poverty reduction strategy, the reform agenda, and the progress report on the MfDR Action Plan. In the interest of greater clarity and simplicity, starting in 2008, ADB will consolidate these reports into a single review on development effectiveness.
- ◆ **Mainstreaming MfDR**
 - The international development community is committed to improving aid effectiveness. ADB has mainstreamed Management for Development Results (MfDR) at project and strategy level.

- Country partnership and strategies are now being formulated under a result based approach. Sector road maps show ADB's contribution to sector outputs and broader development outcomes of partner countries.
- At the project level, the design and monitoring framework and the project classification explain ADB contribution to the partner country's development results, including their poverty reduction, MDG and other strategic development goals.
- To further enhance aid effectiveness (as part of MDG 8), ADB has introduced innovative financing mechanisms including Poverty Funds and partnerships with other donors, private sector, and NGOs to accelerate support to poverty reduction.
- While aligning to partner countries' poverty reduction priorities, ADB is also harmonizing its cooperation with other donors, both bilateral and multilateral, as well as non-government organizations (NGOs) and private sector foundations. Coordination agreements with the World Bank and the European Bank for Reconstruction and Development (EBRD) on poverty strategy formulation and at sector level ensure good development results.

53. As in the Rome and Paris High Level Forums, ADB was one of the co-sponsors of the HLF-3 and was closely involved in the organization and preparations for the event. These covered several activities including i) a training seminar for partner countries from the region for the OECD-DAC led 2008 Monitoring Survey of the Paris Declaration, ii) participation in the first phase international evaluation of the implementation of the Paris Declaration, iii) four subregional consultations across the Asia and Pacific region, iv) preparation of a summary perspective report of these consultations to ensure that the region's views were brought to HLF-3, v) inputs into the preparation of the AAA, vi) financial and logistical support for a DMC-led Community of Practice on Managing for Development Results(MfDR), and vii) financial support to delegates from the region including members of the MfDR CoP to participate in the event.

54. ADB has strived to incorporate the principles of the Paris Declaration within both its operations and its strategic planning. A key interest of ADB and its partner countries has been related to the crucial aspect of **adapting the Paris Principles to local needs and requirements within the country context** (as discussed in Section VI-C). ADB has also been putting a lot of effort in assisting partner countries to adopt localized **Management for Development Results** (MfDR) approaches. In **Nepal**, ADB has taken a lead role in involving other development partners and working to harmonize capacity development support for institutions to improve aid absorption. The Government's ownership of MfDR is encouraged through extensive dialogue, joint working arrangements, and advisory technical assistance. Furthermore, ADB has been actively involved in **implementing the Paris Principles at the sector level**. ADB has supported Sector Wide Approaches (SWAs) among its DMCs. In **Bangladesh**, ADB took the lead in 2005 of a SWAp in primary education with some very positive results. Similarly, in mid-2007, at the request of the national government, ADB has supported a technical assistance (TA) project for the development of a SWAp in Education in **Mongolia**. Under this TA, the Government has made strong progress in developing an effective approach to sector-wide planning. Donor coordination in the Mongolian education sector is being viewed as a model by other sectors in the country. ADB has also worked with the Government of **Pakistan** to improve social sector outcomes at provincial and local levels.

55. ADB is currently completing a second phase of its own monitoring survey on the implementation of the Paris Declaration, with the number of countries expanded to 17 (the first phase was conducted in 2007 covering thirteen ADF countries).

56. ADB volunteered to take part in the two-phase independent evaluation of the implementation of the Paris Declaration commitments which was led by the DAC Development Evaluation Network. Recommendations for ADB include (i) regular communication of ADB's commitment to the Paris Declaration with visible demonstration of support by ADB Management, (ii) designation of a focal unit to provide overall guidance, knowledge management, monitoring and reporting on the Paris Declaration, (iii) development of a consolidated implementation and monitoring framework including ADB's planned actions to meet the commitments under the five pillars of the Paris Declaration, (iv) better guidance and staff capacity development to facilitate implementation and monitoring and reporting on the progress of implementation, and (v) resource allocation and prioritization of activities to meet its Paris Declaration commitments.

57. The Development Effectiveness Review is an important milestone in ADB's continuing efforts at strengthening its results orientation and improving the effectiveness of its operations. Beginning this year, the Review will annually assess progress being made by ADB to more effectively support its developing member countries in their development efforts and in realizing its vision of an Asia and Pacific region free of poverty by 2020.

IX. CONCLUSIONS

58. A changing global environment and our evolving knowledge of what works is reshaping the global aid framework and transforming the way that aid is provided and used. A proliferation of aid channels are increasing the complexity of the global aid architecture; a more coherent aid architecture calls for closer coordination among a wide donor community, as well as greater harmonization and less fragmentation. The new aid framework of development assistance places an increased focus on aid effectiveness – recognizing that the quality of aid is as important as its volume and that aid effectiveness is central to the development agenda. The focus on aid effectiveness calls for careful monitoring of how aid is allocated, delivered, and spent, and of the impact of aid on outcomes. It also calls for greater coherence in developed countries' policies in terms of the impact on development.

59. The accumulated evidence suggests that overall aid has done a fair amount of good in many countries despite its failures in others, and that increased aid can do more if we improve how we give it. Characterizing past aid efforts as failed efforts isn't accurate, for two reasons. First, aid amounts have not been that big - \$2.3 trillion over fifty years sounds huge, but it translates to \$46 billion a year, a modest amount for any global capital flow. Second, while the record on aid is not a huge success, it is not a complete failure, either. Millions of people were lifted out of poverty in large aid recipients such as South Korea and Indonesia. While it is true that millions still die from disease, the fact is that millions of lives have been saved through large-scale health interventions, many of them supported by aid programs. Routine immunizations save three million lives every year, small pox was eradicated, polio has been nearly eradicated, and there has been enormous progress in fighting river blindness, guinea worm, diarrheal diseases, and others. Life expectancy has gone up around the world. Aid has also been effective at transferring skills and capacity to developing countries. On economic growth, despite popular misconceptions, the vast bulk of research over the last decade has found that while aid is not the most important ingredient in stimulating growth, overall it has had a modest positive impact. Going forward, the real challenges are to find hardheaded solutions to make aid more effective and to get more of it to those that can use it well.

60. We need to criticize where aid has failed, but we also need to build on rather than just dismiss where it has succeeded, and where new initiatives show promise. Going forward, we must embrace and learn from the successes. We need to allocate more aid to countries that are implementing sensible development strategies. We must get more money directly to the people that need it most, and give more local control to development funding. Broader planning and strategies have their role as well. Aid agencies need to better allocate funds to countries that are seriously committed to development. They need to move away from one-size-fits-all approaches, and work differently across countries. Aid agencies need to set clear goals for their projects and programs, announce these publicly, and be evaluated independently on their progress. Only then will we create the right incentives for success, and learn better what works, what doesn't work, and why.

61. The complex poverty of low-income societies will slowly give way to prosperity the same way it happened in rich countries, through the gradual homegrown rise of political and economic freedom. This is not an easy quick fix—"democracy" and "free markets" evolve from below with a lot of supporting social norms and institutions. They cannot be imposed from the top by the IMF or World Bank or other aid agencies. But there is good news—such evolution of freedom from below, and the concomitant decline of poverty, is already happening in many places. And until the benefits of freedom arrive for the poorest people in the world, the aid agencies have to be held accountable for seeing that the \$100 billion in annual development assistance does finally help the poor.