

## **Preparing for the Third High-Level Forum on Aid Effectiveness: Kigali Consultations Workshop – A Synthesis Note**

As part of the preparation for the HLF3 in Accra, the African Development Bank and its cosponsors—the UK Department for International Development, the OECD-DAC, UNDP, and the World Bank—organized the Accra HLF Africa Region Preparatory Consultation Workshop in Kigali, Rwanda, on April 29 and 30. Over 180 representatives—from 35 African countries, civil society, regional parliamentary networks, and donors, including the sponsoring agencies—participated. The key objectives for the workshop were to

- (a) Facilitate discussion aimed at building consensus on key matters of critical interest to African countries to improve aid effectiveness and development impact;
- (b) Prepare African countries' input to the Roundtable discussions at the Accra HLF; and
- (c) Provide adequate space and opportunity for African countries to discuss and provide input into the Accra Agenda for Action.

The most intense discussions took place in six groups, organized and chaired by partner country representatives, which covered country ownership, development results and mutual accountability, harmonization and alignment, aid effectiveness in fragile and conflict situations, sectoral applications of the Paris Declaration, and the implications of the new aid architecture on aid effectiveness. This synthesis note is based on the group discussions; the rapporteurs' summaries of the discussions and the Chair's summary (delivered by Mr. Philibert Afrika, African Development Bank), attached to this note, provide greater detail.

In the cosponsors' view, ownership, partnership, alignment and mutual accountability were really the overarching themes of the workshop. Also striking was the recognition of important role being played by new and non-traditional donors and global vertical funds in the development financing of the countries in the region. With this increasingly complex aid architecture, countries are eager to move from partnership arrangements towards full ownership of their development process, with greater emphasis on mutual accountability. Many of their concerns related to this—for example, misalignment of aid across sectors, use of country systems, conditionality, donor division of labor, tied aid, and capacity building are all areas with immediate application to the theme. This is evident throughout the summaries of the individual groups.

### **Ownership**

Country ownership of development programs must encompass a broad range of stakeholders, including government, parliament, civil society, decentralized authorities, and also donors. The distinctive role of the parliament-- to provide oversight for probity of national budgets as well as to be guardians of national interest-- was stressed. Stakeholders need to be involved not only in the preparation of national development

strategies, but also in their implementation and monitoring and evaluation. The reality is that there is no genuine ownership for most partner countries, except for those that are not aid dependent. For most, the relationship is better characterized as partnership with varying degrees of ownership. There is a need to strike a better balance between ownership and partnership, especially in aid-dependent countries. This needs to be addressed by strengthening capacity development as well as addressing aid delivery and management processes that weaken country ownership. Political leadership and capacity are critical for strong country ownership; and leadership capacity--executive as well as legislative--must be enhanced.

A key challenge is to enhance the capacity to operationalize countries' development strategies through their national planning and budgets. To this end, all aid flows must be reported on the national budget and the medium-term expenditure framework, including flows that are channeled through civil society organizations (CSOs). Accountability frameworks need to be developed for civil society to define their roles and responsibilities transparently. Ownership and alignment are strongly linked. To improve alignment, partner countries need to develop clear aid management structures, so that leadership can be articulated for division of labor that supports national, not donor, priorities. A point of emphasis was that rational donor division of labour needs to work in practice as well as in concept. To encourage alignment, donors need to devolve decision-making to enable their country offices with capacity and authority to respond and align flexibly as national priorities and systems evolve, and address emerging national issues. In line with strengthening partnerships and country ownership, conditionality should be viewed as "mutually agreed actions", to meet agreed objectives within a framework of mutual accountability, and the number of such actions reduced over time.

### **Managing for Development Results and Mutual Accountability**

MfDR fosters evidence-based decision-making to improve aid effectiveness. It should be seen as a strategy that applies to the management of all development resources in a country, including aid. Institutional strengthening—which includes multiyear planning, results-based budgeting, evaluation function, statistical capacity, public accounting, control mechanisms, and the capacity of civil society organizations—must be considered a critical parameter. Countries need improved capacity to link the annual reviews of development strategies and programs to budgets; in this area there is an important role for Parliaments and for public access to information. With respect to mutual accountability, it was noted that confidence, commitment, and mutual trust are needed for success. Among the issues discussed, attention was drawn to frequent turnover of donors' field-based staff which results in loss of local institutional memory. There is a power imbalance between donors and countries: partner governments have little influence over donor policies and decisions, and there are few mechanisms for monitoring donor performance or enforcing donor compliance.

There were a number of key messages for Accra. Donors should commit more to strengthen local monitoring and evaluation capacities, including increasing the use of local resources. Further, they should provide harmonized support for the development of MfDR in partner countries, particularly for strengthening domestic accountability mechanisms (such as Parliament and the media), including assessment of donors' performance on their commitments. Donors and partner countries should jointly identify gaps in country systems and work to fill them; and such an approach would constitute donors' firm commitment to use the systems once they had been strengthened. The value of communities of practice, which allow practitioners to exchange information and help build capacity, was recognized. Assessment of country capacity must include capacity to address such specific issues as gender equality, human rights perspectives, and role of Parliament. More attention to and efforts in strengthening statistical capacity were needed. Specifically, it was recommended that indicators developed by UNIFEM be considered for inclusion in performance assessment frameworks

### **Harmonization and Alignment**

Donors need to do more to simplify and harmonize their procedures to reduce the transaction costs of aid delivery. Country partners need to undertake necessary reforms to strengthen their procurement and financial management systems. Donors should coordinate technical assistance programs to address long-term capacity development issues at the institutional and staffing level. Non-state actors need to be included in the harmonization process.

A key message was for donors to honor and deliver on their commitments to harmonize their procedures, increase their reliance on strengthened government systems and procedures, and not shift goal posts. When harmonization does not lead toward greater use of the country's system and donors continue to use parallel systems, it weakens country systems and procedures and undermines the principles of ownership. Alignment is also hindered by tied aid, which often increases transaction costs and reduces the value of aid, especially in technical assistance programs.

Ownership and alignment to country priorities are complementary. Support of national priorities must be accompanied by use of country systems. Important measures of alignment are increased predictability of aid flows, including multiyear aid; transparency and sharing of information about aid; and alignment to government budget cycles. The AAA should include a call for donors to align to government policies and programs and for donor coordination to take place within a common policy framework. General budget support is the preferred mode of financing as it has a stronger influence on the policy environment, superior ownership properties, and greater aggregate coherence.

### **Aid Effectiveness in Fragile Situations**

The areas discussed included the implementation of the international principles of engagement in fragile states, including joint frameworks, international objectives, and common financing mechanisms. Among the issues raised were the need to have a better

understanding of the causes of conflict and fragility to make aid effective in these situations; in particular, it is important to recognize when countries are sliding into conflict or experiencing deteriorating governance. It was noted that natural resources issues are frequently at the heart of conflict and that climate change challenges are likely to worsen conflict situations. On designing assistance programs for these situations, the need for donor coordination, especially across the UN agencies and the multilateral and bilateral actors, was recognized. In this regard, a key issue is to ensure that the gap between humanitarian, and development activities is adequately bridged. It was noted that post-conflict and fragile situations are often underfunded, and that donor conditionality can aggravate fragility. The needs of women and children (who are the main victims of conflict) should be taken into account in peace efforts.

A number of key messages emerged from the discussion. It is important to better understand the causes of conflict and to take action to prevent it. Donors and diplomatic and senior government officials need to coordinate very closely in fragile/conflict situations. The coordination should focus on ensuring that activities spanning humanitarian, demilitarization, and demobilization and development activities are integrated in recovery plans. Additional financing in the post-arrears, post-conflict phase is clearly needed. In this context, a proposal to augment funding through a global stability fund in fragile situations was made and its strengths and weaknesses discussed. Additional financing should be accompanied by mutually agreed actions focusing on governance and improving finances, but the expected actions should be realistic. Recovery programs should be tailored to individual country situations, and they need to have clearer objectives. Performance indicators should be developed to better define progress on these programs. Joint frameworks for coordination and for monitoring and evaluation should be developed, and gender and human rights must be mainstreamed in these frameworks.

### **Sectoral Applications of the Paris Declaration**

A programmatic approach—and, in particular, a sectorwide approach (SWAp)—is an important way to make aid more effective at the sector level because it is grounded in a global vision on the sector and it leads to a coherent set of actions. But a SWAp is a process rather than a “one-size-fits-all” financing instrument, and it needs to build on sound sector analysis that takes into account country and sector specificities. A SWAp in the agricultural and health sectors for instance, where there is a wide range of government and private actors, will result in a different and more varying sector investment strategy than a SWAp in the education or transport sector. Country leadership in the sector and effective division of labor among development partners are crucial for aid effectiveness. A results-oriented policy and strategy dialogue that includes all stakeholders—government, non-state actors like CSOs and research organizations, and development partners—is important to develop broadly supported and jointly funded mechanisms for sector investment programs. Reforms—in particular governance reforms, such as public finance management, fight against corruption, incentives for private

investments—are important to improve development results in a sector, but they need to be driven by the sector stakeholders themselves rather than by donors. Similarly, country capacity can only be effectively built through country-led and demand-driven technical assistance, not through technical assistance that is tied to donor sector support. Cross-cutting issues such as gender equality and women’s empowerment, and human rights issues such as the protection of children, need to receive greater attention in sector analysis, policy dialogue, and sector strategies.

Some key messages emerged from this discussion. The sector strategy must be grounded on a sector dialogue, underpinned by good sector analysis; and non-state actors, and development partners should be part of the dialogue. Sector aid should be put on budget, sector results should contribute to the macro results of the poverty reduction strategy, the Parliament should be engaged, and good working relationships should be established between the sector ministry and the finance ministry. Donors need to increase predictability of their aid through multiyear indicative frameworks, and support country-led reforms in the sector, and agree with the government on a monitoring framework. Using country systems for financial management, procurement, and safeguards, and using country structures for implementation, are the best ways to build capacity and to pursue ownership. Donors should end the practice of tying technical assistance, not count overhead and managements costs in ODA, and should avoid earmarking funds for specific activities as they undermine alignment with country priorities and systems.

### **New Aid Architecture**

International aid from traditional donors is increasingly scaled up through earmarked vertical/global funds and by development financing provided by “new donors,” some of which operate outside the Paris Declaration framework. New bilateral donors are becoming important sources of funding in Africa, particularly for infrastructure; many are still developing, and a big motivation for them is to find new markets. An important issue is lack of transparency: often agreements are signed at the highest political level and the details not always available to civil servants, and it is not clear whether the funding is a loan or a grant. In the case of global funds, these are recognized as important funding sources for some sectors, such as health and education, which bring positive features such as performance-based disbursements. However, there is still a need to align them with country national plans and systems and avoid parallel processes. In particular, these programs need to fit into sector-wide dialogue and help to improve capacity and human resource development. The funding they provide should be fully reported on budget and in the medium-term expenditure framework, and information on disbursements should be provided throughout the year. There is also a need to ensure medium term predictability and sustainability of programs, especially those funding the treatment of HIV/AIDS. Some participants also stressed the need to recognize the role (and accountabilities) of private foundations and civil society organizations in the new aid architecture.

Partner countries agreed on the need to build country systems and develop clear aid management frameworks to engage with all donors-- traditional or nontraditional-- and mobilize strong high-level political support for them. Efforts at the country-level should

be supported by more systematic dialogue with emerging donors in international coordination fora, for instance, the Africa- China Summit. This will enable partner countries to drive the process of aid delivery. There needs to be a clear distinction made between aid, and commercial loans through export credits for project financing, provided by new donors. The aid component should be compliant with Paris Declaration principles, and commercial financing should be consistent with partner countries' debt sustainability frameworks. Since funding from nontraditional donors is often attractive because of its flexibility and apparent absence of conditionality, traditional donors can learn from the flexibility that these new donors are bringing to the table.

Lastly, there is a need to ensure the quality of these additional development financing resources, by transparently managing these on a common platform (led by government) with resources from traditional sources and supported by high-level political commitment from both sides: donors and partner countries.