

Chapter 6

Sector Perspectives

Applying the principles of the Paris Declaration at the level of sectors is critical to maximising the impact of aid and achieving development objectives. This chapter presents the special efforts that are being made in particular in health, education, agriculture, infrastructure and aid for trade.

Aid effectiveness at sector level is crucial and often difficult to achieve

Sector-level policies, institutions and programmes do much to determine success in achieving development objectives. The value of the Paris Declaration principles in promoting aid effectiveness at this level therefore goes a long way to determining its overall usefulness. It is at sector level that many of the most challenging practical issues arise, and where the intersection of global programmes with other aid modalities is often sharpest. It is also at this level where progress with cross-cutting issues and building partnerships with civil society as advocates, funders and service providers is often realised.

The mechanisms needed to implement the Declaration in sectors are largely in place, and major efforts are being made to strengthen them: national development strategies and sector strategies; Consultative Groups and other high-level forums, complemented by sector working groups; and general budget support, linked to SWApS, PBAs and sector budget support. Progress at the sector level is often a necessary condition of wider progress; for example the Paris Declaration Evaluation finds that progress towards establishing result-oriented development frameworks is generally stronger at the sector level (Wood *et al.*, 2008, Chapter 3.17) and the World Bank’s review *Results-Based National Development Strategies: Assessment and Challenges Ahead* finds that in a number of fragile states, “elements of operational development strategies and results-oriented frameworks are emerging at the sectoral level” even though the country lacks the capacity for a national plan.

Yet applying the Declaration principles at the sector level is often fraught with obstacles. For example, the Paris Declaration Evaluation Synthesis Report finds countries often face difficulties in translating their national strategies into sector strategies (Wood *et al.*, 2008, Chapter 3.1); likewise, ownership tends to be greatest in central government, rather than sectorally (Wood *et al.*, 2008, Chapter 3.4);¹ and, while donors widely support national strategies, in practice, they tend to fund the sectoral strategies that are either demonstrably strongest and/or closest to their own priorities (Wood *et al.*, 2008, Chapter 3.11), resulting in sub-optimal resource allocation.

Particular importance has been given to SWApS. By providing assistance through these mechanisms, donors can co-ordinate their assistance, agree on a common framework, reduce recipient country transaction costs and align with sector strategies. SWApS also provide a channel for scaling-up aid to achieve the MDGs. To date, the majority of SWApS are in the health and education sector, although a number exist in other sectors as well, including agriculture and infrastructure.² However, as pointed out at the Kigali consultations workshop for Accra, “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.”

The chapter examines experience with applying the principles of the Paris Declaration to a range of areas: health, education, agriculture, infrastructure and aid for trade. These areas have been selected on the basis that they are central to the achievement of the MDGs, and offer lessons on ways forward in applying the Paris Declaration in the economic and social dimensions of development.

Aid effectiveness and health

While there has been significant global progress in some health-related MDGs – for instance, most regions have experienced a decline in child mortality, and around 3 million people are now receiving ARV treatment – the health sector remains characterised by large unmet needs; outcomes that depend on many other sectors; challenges in building sustainable and more efficient health systems; out-of pocket contributions which often equal or exceed public finance; and the need for robust national strategies with operational plans and budgets. Aid for health is similarly fragmented, and has almost tripled over ten years.³ Much of the recent increase is attributable to the political and financial emphasis placed upon specific diseases, particularly HIV/AIDS, tuberculosis and malaria. At the same time, the channels through which both funds and commodities are supplied have multiplied.

There are several important manifestations of ineffective health aid at country level, as follows:

- Aid is often poorly aligned with government priorities and little attention is paid to building the systems that are needed to deliver better outcomes. Past analyses have illustrated the disconnect between national priorities and donor allocations. Recent work, on the other hand, highlights the scarcity of resources for use in systems building, compared to the amounts available for specific diseases and technical collaboration.⁴
- Aid for health is poorly harmonised, increasing the transaction costs for governments. The impact of fragmentation is felt in terms of time taken responding to demands (multiple reports, missions etc.); in wage increases resulting from donor competition; and in inefficiencies that result from multiple sources for procurement.
- Aid can be unpredictable, short-term and volatile. In a sector with a heavy recurrent cost burden (for salaries and drugs particularly), unpredictability acts as a major constraint to effective budgeting and sustainable financing. There is growing acceptance of the need to link disbursements in some measure to performance but many of the causes of unpredictability are not performance related and need to be addressed.
- Aid fragmentation and unpredictability can undermine the leadership role of the ministry of health. Diversity of funding and unpredictability of aid can make it difficult for the ministry of health to develop a coherent sector policy and to ensure sector regulation. Nevertheless, a diversification of funding sources, and in particular the emergence of new global health funds, has helped to leverage significant additional resources for the sector, which are contributing to improvements in health outcomes.
- Changes in aid modality can have unintended consequences. Three trends emerge from recent analyses. First, the move towards general budget support can negatively impact on the health sector if finance ministries perceive health to be generously treated by global programmes. Second, the capacity of countries to set spending priorities are constrained as increasingly global and regional priorities dominate decision making. Third, existing funding flows for NGOs/CSOs in partner countries also provide essential services within the health system but their

reach and effectiveness require qualitative planning, regular monitoring, effective co-ordination with the public health system and contribution to overall capacity building. Possibilities and effectiveness of addressing these challenges differ of course between countries and are particularly challenging in the context of conflict of fragile countries.

- Allocations of aid between countries with similar health indicators grossly favour some at the expense of others, and countries with comparable levels of health need and performance (expected effectiveness of use of resources) often receive remarkably different levels of assistance.

Implementing the Paris Declaration in the health sector. The following are examples of areas in which substantive progress can be reported. A Task Team on health as a tracer sector is tracking this progress (as well as remaining bottlenecks).⁵

- **Ownership, alignment and harmonisation** are reflected in the “Three Ones” (one national plan, one co-ordinating authority, and one monitoring and evaluation framework) developed in response to HIV and best practice principles for Global Health Partnerships at country level. The full report on health and aid effectiveness reviews evidence of how these principles have been implemented in practice.
- **Building on the experience of sector-wide approaches:** There is a significant body of experience, opportunities and challenges in developing and implementing sector-wide approaches over the last 10 years.⁶ Lessons from SWAps in health and other sector have been influential in the design of the International Health Partnership (see below).
- **Increasing alignment and predictability of aid:** Recent focus interventions from the GAVI Alliance; the Global Fund to Fight AIDS, Tuberculosis and Malaria; UNICEF; WHO; and the World Bank are targeted toward system strengthening and work closely with partner countries. The Global Fund has broadened the scope for financing health systems strengthening as a means of improving outcomes. It will also consider new approaches to funding national strategies through SWAps and other pooling mechanisms. The GAVI Alliance Health Systems Strengthening window is linked to national planning processes and allows countries to focus on key systems constraints. A recent review shows that proposals more closely aligned to national priorities are more successful in receiving funds (Hill *et al.*, 2007). Innovative funding, (such as the IFFIm, UNITAID, the AMC, etc.) provide new opportunities for long-term financing arrangements with countries. A recent study on the constraints for donors to provide long-term health aid also shows increasing evidence of long-term commitments of aid for health in the agencies reviewed (Lane, 2008).
- **Harmonisation:** New initiatives, collectively referred to as the International Health Partnership Plus (IHP+), are directed toward strengthening national systems and bringing greater coherence in the donor response at country level. Co-ordination of IHP+ is provided by the eight global health agencies (H8),⁷ which meet bi-annually in an effort to increase the coherence of their work. There are also a number of health SWAps in place.
- **Increased mutual accountability and country ownership:** A number of countries are developing robust compacts for mutual accountability, which

include outcome-oriented national plans and strategies and detailed financial commitments. Ethiopia, for instance, is implementing the third phase of the national Health Sector Development Program (2006-10) with the support of donors who signed the harmonisation Memorandum of Understanding in September 2006. A Harmonisation Manual serves as a roadmap for future progress in the areas of harmonisation and alignment. Ethiopia and other developing countries benefiting from additional support from the donor community through the IHP+ are at various stages in developing country compacts. Also, the GHPs and UNAIDS have demonstrated the benefits of systematic and statutory involvement of civil society at both policy and implementation level. Further, the response to HIV has been the first attempt to deal with a health challenge in a truly multi-sectoral way.

- **Managing for results:** Under the aegis of IHP+ there is agreement on a common monitoring framework for scaling-up health at country level with strong buy-in from recipient countries. Assessing progress on improving aid effectiveness in health is integral to this framework. Global programmes have showed a strong focus on results towards improved health impact, supported by strong performance incentives.

Main messages. Five main lessons have emerged from the ongoing work on health as a tracer sector:

- First, increasing the availability of long-term, flexible financing for health remains a challenge for the entire health system composed of public as well as private institutions and providers (including NGOs/CSOs).
- Second, behaviour change is taking place: Despite the case to be made for increasing sector-wide co-ordination, recent analyses show that remarkably few countries receive this kind of support consistently. There are ongoing efforts to both widen the application of sector approaches that better link additional investments to the achievement of health outcomes and, through the development of compacts, give them greater influence on the behaviour of donors and recipients.
- Third, widening the circle remains crucial: While there is consensus on the need to improve effectiveness of aid for health in principle, practice among donors varies widely. Some of the GHPs have shown examples that it is hoped more parties will increasingly follow.
- Fourth, increased focus on mutual accountability is essential, and this remains an important agenda point. Reporting back and learning from progress in countries will be critical. Also, recommendations and lesson-learning from the UN Special Rapporteur on the Right to Health provides one basis for moving forward.
- Finally, while all low-income countries need the capacity to manage aid effectively, particular consideration is required for the needs of fragile states.

Aid effectiveness and education

MDGs on education have received widespread support from the international development community, resulting in a strong push for universal primary education. At the same time, though, donors are also funding other sub-sectors, including higher

education and international scholarships. SWAs are dominant in education since it is often the largest sector in the national budget and receives heavy public financing; however, SWAs are often restricted to primary education. As with health, applying the Declaration in the education sector requires harmonising existing financing, co-ordination and monitoring mechanisms and delivery systems; as well as education policies and capacity-building efforts, and promoting ownership by developing country partners.

Two of the main studies⁸ commissioned to assess Paris Declaration implementation in the education sector are still underway, making it difficult to assess progress to date. However, preliminary findings (based largely on the 2008 Education for All Global Monitoring Report⁹) indicate that while governments' efforts to develop and implement national education sector plans have gained momentum,¹⁰ in many partner countries ownership remains inadequate, in part because there is insufficient capacity for policy making, planning and service delivery. Although efforts are underway to build local capacity, this remains work in progress. There is also a need for taking a sector-wide approach to achieving the education goals, focusing on all levels of education. Furthermore, "Although civil society has played a much more visible advocacy role [...], opportunities to engage with government in setting national education agendas remain limited" (UNESCO, 2008).

To facilitate greater accountability and alignment, partner governments are taking steps to increase the capacity and credibility of their country systems. For example, the Global Monitoring Report concludes that "[m]any individual governments have installed expenditure tracking systems and other procedures to reduce opportunities for directing financial resources away from schools and other institutions, and to ensure that other resources (such as teachers) are deployed in situations where they will be most efficient and effective." The report also finds some "evidence of governments and civil society organisations working together, often in innovative ways, to improve the transparency and accountability of budgeted expenditure." However, concerns about weak country systems and low capacity remain.

In part because of these concerns, considerable efforts have been made to increase donor support for, and alignment with, country systems, though results have been mixed. SWAs, including the provision of direct budget support, were developed for the education sector from the mid-1990s and funding to education through programme-based modalities, including SWAs, is on the rise.¹¹ Still, use of these modalities varies significantly between donors and there is a general case for channelling more funds through government systems, with continued emphasis on capacity building and collaboration between partners and donors in such areas as sector planning and implementation, development of statistical and modelling tools, and monitoring systems, building on progress so far made through the Fast Track Initiative (FTI). Experience suggests that successful adoption of a programmatic approach is conditional upon a well-prepared plan to which the government is committed, sectoral backing of key ministries including the finance and personnel offices, a strong and transparent country PFM system, broad-based support, and the political and service delivery capacity needed to implement strategies (UNESCO, 2008). Participating in the Education for All global mechanisms and the FTI is one way by which governments and donors can move forward on the alignment commitments (see Box 6.2 for details).

The Global Monitoring Report indicates that some progress has been made in the education sector in moving towards greater harmonisation; however, more could be done (see Box 6.1). Where full alignment with country systems is not possible, effort is needed

by donors to consolidate funding into joint accounts defined by common disbursements, accounting, reporting, auditing and procurement systems in order to have accountable and transparent public financial management. There is also need for rationalising donors' roles; according to the report, 20 low-income countries have eight or more major donors active in the education sector (and ten have at least 12 donors).¹² Another issue for harmonisation is that functions of the UN agencies have not been well defined in the aid effectiveness debate (e.g. a number of organisations in the UN system are specialised technical agencies and not donors).

Box 6.1. Aid effectiveness in education: Tanzania and Bangladesh

Tanzania: Donor support in the past was fragmented, including in the education sector, leading to large inefficiencies, high transactions costs, and difficulties in strategic planning and results monitoring. Budget support, a preferred modality for donor financing, has resulted in harmonisation and alignment and improved results through greater country ownership thanks to improved accountability. However, some challenges remain, including the need to balance harmonisation with a more simple and flexible approach to communication, technical assistance and policy dialogue. Furthermore, skill sets of donors and sector line ministries are not necessarily suited for policy dialogue.

Bangladesh: In Bangladesh, a SWAp was developed for formal primary education. After an initial review of the programme revealed that government and donor co-ordination remained poor, the second pooled Primary Education Development Programme was governed by a code of conduct, directing the donors outside the pooled fund to minimise duplication of documentation and demands on government time. However, in particular, there is a need for enhanced co-ordination of capacity development efforts by the government, better monitoring and evaluation of outcomes, improved policy dialogue on education quality, and shared understanding of Paris Declaration principles both by government and donors.

Source: UNESCO (2008), *Education for All by 2015 – Will We Make It?*, EFA Global Monitoring Report 2008, UNESCO Publishing, Oxford University Press, <http://unesdoc.unesco.org/images/0015/001547/154743e.pdf>.

An international managing for results tool is already in place in the education sector. The annual Education for All Global Monitoring Report provides the latest data available and in-depth analysis on progress towards Education for All goals, country policies, aid for basic education as well as aid effectiveness, and offers a direction for the High-Level Group meetings. It is supplemented by review processes and numerous reports produced on aid effectiveness at the country level. However, country-owned monitoring tools are notably absent in many countries. Monitoring and evaluation capacity (including statistical capacity) will also need strengthening.

Mutual accountability: There is also a widely felt need for more open, transparent, consultative dialogue with all stakeholders. Civil society has a key role to play in service delivery, formulation of national education sector policies and holding governments accountable. However, the participation of civil society may be restrained in the partnership with government and donors. In fact, in a number of countries, the participation of CSOs is significantly restrained by government. Experiences of Tanzania and Kenya indicate that direct donor funding which is programmatic and long-term is crucial for the effective development of civil society (Mundi and Maclure, 2006).

The FTI Secretariat has initiated an education sector survey of the Paris Declaration Indicators, which is closely aligned to the 2008 Paris Declaration Monitoring Survey. FTI

partners have acknowledged the education survey as an important instrument to obtain a higher degree of mutual accountability in order to increase effectiveness in the sector. They endorsed that monitoring of the Paris Declaration Indicators will be compulsory for countries receiving funds.

Box 6.2. Education for All, a foundation for increasing aid effectiveness in education, and the Fast Track Initiative, a mechanism for additional financial mobilisation and support

Education for All,¹ an overarching framework for co-operation in education, lays a sectoral foundation for increasing aid effectiveness based on the Paris Declaration principles, particularly ownership, alignment and harmonisation. Several Education for All mechanisms provide a platform for deepening partnerships, building consensus, harmonising contributions and discussing aid effectiveness issues in the education sector such as levels and modalities of aid. These include the Education for All International Advisory Panel, Working Group and High-Level Group convening Education for All partners (including governments, international organisations, bilateral and multilateral donors, civil society and the private sector). Much work remains to be done to better align these global mechanisms with the practical actions needed to support and strengthen country-level processes (UNESCO, 2008).

The Fast Track Initiative, one of the global programmes that are discussed below, is intended to help low-income countries make faster progress towards the MDG of universal primary education.² In addition to providing over USD 1 billion in direct financial support,³ the FTI also promotes more effective use of aid in line with the Paris Declaration by encouraging donors to align their support to the greatest extent possible behind a single nationally led education sector plan. The global agreement reached in the FTI on an endorsement process for education sector plans ensures common sectoral priorities to which all aid should be aligned and harmonised. FTI is also implementing a survey intended to systematically monitor Paris Declaration indicators in the education sector, as part of the joint annual review process. However, more work remains to be done to better ensure use of the most aligned modalities, avoiding duplication and ensuring full mutual accountability based on the education sector plans for all partners.

Notes

1. A commitment to achieve quality basic education by 2015, made by over 160 countries, civil society and multilateral agencies in Dakar in 2000.

2. Supported by all of the major bilateral donors working in the education sector as well as the World Bank, UNESCO, UNICEF, the EC and other multilateral agencies.

3. The FTI currently has pledges of just over USD 1.3 billion through 2009 for the FTI Catalytic Fund and the FTI Education Programme Development Fund. These are multi-donor trust funds administered by the World Bank.

Cross-cutting issues: To mainstream cross-cutting equity issues in country-level and sectoral processes and to ensure government ownership, a proposal on a simple user-friendly tool is being developed to help ministries of education and other stakeholders to include commonly excluded groups through a consideration of gender, HIV, disability, child labour and other equity issues.¹³ The UNESCO Global Action Plan proposes to develop and to integrate education processes in strategies for sustainable development. It is focused on the creation of an enabling environment; capacity-building opportunities; inter-sectoral co-operation; and participation of education institutions, media, private sector, civil society and UNESCO National Commissions at the country level. A human rights-based approach to Education for All is a joint UNESCO/UNICEF framework for the realisation of children's right to education and rights within education. It presents key issues and challenges in rights-based approaches and provides a framework for policy and

programme development from the level of the school up to the national and international levels.

Delivering effective education aid in situations of fragility: A number of discussions are currently taking place to identify fit-for-purpose financing tools for restoring education where systems have wholly or largely broken down. Pragmatic tools involving constructive risk mitigation will need to be developed to address the needs of these countries. For instance, funding for the Primary Education Reform Plan in Liberia is being provided mainly through an innovative programme which seeks to help build capacity and restore accountability in the sector, while supporting plan implementation through pooled funding that involves a number of local donors.¹⁴

Implications for the future

Some key actions can be drawn from lessons learnt in the education sector. The various sources of external financing for education need to be better co-ordinated in order to effectively fill funding gaps. Instituting monitoring of Paris Declaration Indicators in countries, as part of their annual monitoring, could be discussed during joint annual reviews and communicated to the global level. Current global and regional mechanisms and initiatives should be redesigned to gear them more towards country needs. Developing interim strategies to support countries with weak systems and low capacities as they make the transition towards sector-wide support will be key in this effort. In addition, aligned delivery systems and financial mechanisms should embrace the whole sector and not be limited to a particular sub-sector. Having been developed at the global level, the frameworks on cross-cutting issues of inclusion, environmental sustainability and human rights should now guide the country-level work and be tested on the ground appropriately.

Donor co-ordination mechanisms at the sector level and national aid management systems must be linked. There is a need to provide capacity in strengthening a wide range of skills in sector line ministries for effective participation in policy dialogue. On the other hand, donor staff competence and resources will enhance national co-ordination and inter-ministerial co-operation, and understanding of the diversity of roles and power relations in a society. Partner countries and donors should also foster civil society's cutting edge in providing innovative policy analysis and holding government accountable. Finally, there is a case for recognising the roles of UN agencies and strengthening their integration in various processes to increase aid effectiveness.

Agriculture and aid effectiveness

The present food crisis has brought into sharp relief the fact that agriculture and rural development offer the greatest opportunity to overcome hunger and poverty, and to address cross-cutting issues, particularly gender equality and the environment. However, the diversity of agricultural production systems and livelihoods requiring heterogeneous and context-specific solutions and the absence of key stakeholders (e.g. private sector, CSOs) pose major challenges to the application of the Paris Declaration principles. While budget support, PBAs and SWAs are important instruments for alignment and mutual accountability, projects are also a valid modality, particularly in areas where the state plays a limited role.

With 75% of the world's 2.1 billion poor being rural and most depending on agriculture for their livelihoods (World Bank, 2007), providing jobs for 1.3 billion smallholder and landless workers, better and more investments in the sector are needed to overcome poverty and fight hunger. Aid effectiveness, and indeed development effectiveness, in the agricultural sector is critical to achieve the MDGs and beyond, especially in light of recent cuts to funding. Furthermore, agriculture offers vital opportunities for equitable growth and development.

Because of the special features of this sector – including the role of individuals in agricultural activities, the role of the private sector, the role of non-governmental actors and the context-specificity and diversity of agricultural production systems – the agriculture sector faces some unique challenges in applying the Paris Declaration principles.

Ownership.¹⁵ Ownership is difficult to define in a sector where private initiative is the main driver, the role of the state is contested and where there is a multiplicity of stakeholders. Further, weak rural institutions and limited rural participation in policy processes contribute to ownership “gaps” in policy formulation, planning and resource allocation. To date, there has been a low level of attention paid to agriculture in the first iterations of poverty reduction strategies (PRS) and Joint Assistance Strategies (JAS), which have tended to emphasise the public provision of social infrastructure and services, and paid less attention to productive sectors. Although agriculture features more prominently in the second generation of PRS papers, there remains a lack of clarity as to the most effective approaches for rural poverty reduction and the role of agriculture. Lessons so far highlight the need for governments to better co-ordinate sector processes, and manage the engagement of all stakeholders at all levels.

Alignment. The formulation of JASs in Ghana, Kenya, Uganda, Zambia and Tanzania, and agricultural SWAps in Nicaragua, Honduras, Mozambique and Tanzania has significantly improved the alignment of aid with government policies and management systems. In Africa, the Comprehensive Africa Agriculture Development Programme process, as part of NEPAD initiative, increasingly provides a policy and investment framework for further alignment at regional and country level. Agricultural SWAps and PBAs have focused on supporting the way public institutions mobilise and use resources in the agriculture sector. However, despite the importance of private operators in the sector, PBAs and SWAps have so far achieved little in terms of strengthening the public-private sector interface. In a number of cases, debates over the right mix of public and private sector investment and the appropriate forms of public involvement persist, with consequences for coherence and pace of SWAp implementation. Experience shows that alignment is a two-sided process involving both internal alignment within the government system (around national, sector and decentralised policies and strategies) and external alignment by donors. The agro-ecological context, the complexity of rural and agricultural production systems and the multiplicity of stakeholder interests mean that progress towards a comprehensive SWAp or sector strategy can be slow and faltering. A key challenge is how to make the SWAp process, which is inevitably quite centralised, consistent with decentralisation measures and efforts to support local demand-driven development. Also, the lack of capacity within the government systems (partly due to brain drain to the private sector, donor agencies and NGOs) represents a major challenge to successfully implementing SWAps in the agricultural sector both at national and local levels.

Harmonisation. PBAs have provided an important contribution in terms of harmonisation of donor programmes in the agricultural sector.¹⁶ In Tanzania, for example, aid management is improving in the sector (including project aid flows), in part because of the integration of the Agriculture Sector Development Programme with the Poverty Reduction Strategy and Medium-Term Expenditure Framework. In countries where JASs and SWAs have been initiated by partner countries involving the agricultural sector, multilateral and bilateral donors have developed their support programmes in line with those national strategies and country systems. But despite progress, there is a general concern that the amount of time and resources being devoted to the process “architecture” is imposing additional burdens on all national stakeholders at the cost of ensuring the delivery of effective investments and services in rural areas. Furthermore, political statements on harmonisation are not adequately backed by changing internal processes and incentives of both donors and partners countries. There is no widely accepted donor code of conduct in the sector; however, the Global Donor Platform for Rural Development has developed guidelines for effective PBAs and SWAs in agriculture and rural development.

Managing for results. The definition of intended results remains weak both at donor and partner country level, compounded by poor statistical capacity and budgetary processes (*e.g.* results are still almost exclusively focused on volumes of production, rather than technology uptake, access to markets and other results related to performance). PRSs, JASs, PBAs and SWAs have allowed the identification and initial analysis of some of these issues. Consequently, outstanding tasks include the development of public expenditure analysis (and monitoring) and the establishment of frameworks for tracking progress at the input (budgets), output (service provision and investments) and outcome (productivity, production, income and nutrition) levels. The challenge will be to distinguish between agricultural governance performance (the provision of public goods and the creation of a sound policy framework) and agricultural sector performance, bearing in mind that the latter depends not only on policy interventions but also on private initiatives and exogenous factors (including weather and trends in international markets).

Mutual accountability. Considering the important role of the private sector and CSOs in agriculture, the application of mutual accountability has been a major difficulty, in conceptual terms and in practice. Only at the level of donors and partner countries have some of the salient issues (*e.g.* aid flows, and country mechanisms) begun to emerge. The systematic reinforcement of participatory approaches and inclusion of all key stakeholder and their institutions is the way ahead for the agricultural sector to improve donor and partner country accountability for development results.

Aid effectiveness in the infrastructure sector

A recently completed joint study¹⁷ of 12 country cases shows how the principles of the Paris Declaration apply to the infrastructure sector. The report, prepared as a contribution to HLF-3, and largely based on water and sanitation sector projects, suggests that the size and complexity of some infrastructure projects results in unique challenges, including partner country capacity constraints and donor difficulty in aligning with country systems. The following provides a sample of the challenges faced and progress made in implementing the Paris Declaration in the infrastructure sector:

Ownership: As in other sectors, ownership is key in infrastructure. It applies not only to the development of plans and strategies but to implementation as well. All infrastructure projects reviewed are based upon strategies and/or plans prepared by the government (though with donor support for consulting services in some cases), and most have clear links to sector strategies and/or the PRSP. However, it is important to note that the existence of a plan does not in itself demonstrate government leadership. Such leadership includes elaboration and adoption of a plan by government itself and pursuit of project materialisation by political leaders. Autonomous decision and implementation of the projects at the local government level is also an important element of ownership, as is sufficient partner government capacity. While progress has been made in some areas, some obstacles remain, including donor pressure to develop strategies and plans, a lack of systematic linkage between plans and donor funding outside the budget.

Alignment: Some partner countries have built robust procurement and PFM procedures for infrastructure (often assisted by their project implementation experience financed by external aid), and donors are beginning to align with them for both international and national tendering. While building reliable procurement systems is making progress in some countries, there are others in which country systems are unreliable and the use of donor systems are still warranted. Greater effort is needed to strengthen these systems. In some countries, project and programme aid are on budget regardless of the aid modality. There are also cases where donors use the government treasury system for disbursement. However, in others, projects directly disburse to the beneficiaries without passing through the government accounts (notably to avoid payment delay).

Weak government capacity and the complexity of infrastructure projects requires specialised capabilities and staff, so PIUs (especially if they can be built within the existing government structure) should not be too quickly dismissed: they can and should be used as far as possible to contribute to develop reliable country systems, critical for achieving maintenance and sustainability. Several partner countries in the infrastructure study linked weak capacities to what they see as a general under-funding of the sector in many countries, despite its being accorded prominent attention in second-generation growth-oriented PRSPs and similar national strategies.

Harmonisation: Common policy or strategic frameworks (sector-wide approaches) are generally commendable even without pooled financing or budget support mechanisms. Findings from the report suggest that progress on donor harmonisation is particularly marked in procurement, whether through alignment with country systems or through common donor arrangements. The Five Banks initiative in Viet Nam is a good practice of this kind. SWAps with pooled funding are present in the water and sanitation sector, and the use of common policy or strategic frameworks for individual intervention, joint operational manuals and sector working groups are also practised. The presence of a small number of donors, especially if they adopt similar approaches, further facilitates harmonisation.

Management for results. Only a few of the projects reviewed had effective results-focused monitoring systems in place at the time that the project began, although most projects are now taking steps to put such mechanisms in place; most projects also incorporate system design and capacity development components. The report finds that smaller-scale, rural-based projects tend to have the best monitoring and results systems in place as they are completed in a shorter time frame (thus producing results more quickly) and tend to be closer to their beneficiaries. The report also finds that linking users with

the providers of services tends to result in greater monitoring by the community. While sustainability is essential to assure services provision, more attention has been given to new investment or rehabilitation, by both partner country governments and donors, than to assuring sustainability of infrastructure assets. This should be addressed across sectors and should be included in programme-based approaches.

Mutual accountability. Long project implementation periods provide the opportunity for both parties to work together to achieve shared objectives, and create opportunities for strengthening mutual accountability. Infrastructure directly linked to people’s lives (such as water supply) tends to introduce participatory mechanisms for planning, implementation and operation and maintenance and can be used to reinforce government accountability vis-à-vis the beneficiaries, often by means of a representative body.

Overall experience to date shows that the principles of the Paris Declaration are fully relevant to the infrastructure sector, which faces challenges similar to other sectors. Specific lessons are: country ownership and leadership linked to government capacity to plan and manage complex projects is critical, as are sound procurement systems, especially for international competitive bidding; and the length of infrastructure projects provides an opportunity to strengthen managing for results and mutual accountability.

Applying the Paris Declaration principles to aid for trade

Many developing countries (in particular the least developed) face supply-side constraints that limit their ability to benefit from trading opportunities under the multilateral trading system. In addition, further liberalisation at the multilateral level will erode the relative benefit of trade preferences these countries currently enjoy, despite increasing overall access to markets such as the EU and the United States.

In recognition of these challenges, the 2005 Hong Kong World Trade Organization (WTO) Ministerial Declaration called for the expansion and improvement of Aid for Trade, and set in motion a process to achieve this. A WTO Task Force came up with a set of recommendations and called for the demand side and the donor response to be strengthened, and for the gap between demand and response at the country, regional and global level to be closed. Aid for Trade provides a framework in which to connect the wide-ranging assistance activities (from training negotiators to constructing roads) within a coherent trade and development strategy. It comprises support for: trade policy and regulations; trade development; trade-related infrastructure; building productive capacity; trade-related adjustment, including support to put in place accompanying measures that help partner countries to benefit from trade liberalisation; and other trade-related needs. The Paris Declaration sets out the principles for delivery of aid for trade.

The aid for trade framework builds on a system of mutual accountability between partner countries and donors. This links accountability at country (or regional) level to foster local ownership and ensure that the country’s trade needs are integrated into its national development strategies with accountability at global level. Strengthened in-country aid for trade structures are intended to improve local ownership and management for results and increase the transparency of financial flows. Aid for trade is monitored at three levels: global monitoring of aid for trade flows based on the OECD Creditor Reporting System; and donor and in-country monitoring, both in the form of self-assessments. The monitoring system seeks to create incentives, through enhanced transparency, scrutiny and dialogue (*i.e.* putting a “spotlight” on progress), to foster

synergies between trade policy and other economic instruments in developing countries; and to improve the coherence of aid for trade with overall aid strategies.

The global periodic review of aid for trade (the first global review took place in November 2007) undertaken by the WTO, as well as its corrective feedback, should ensure that the needs identified locally – whether financial or performance-related – are addressed. The prospects for success in the aid for trade agenda are enhanced by having a lead agency, the WTO, which has an interest in ensuring that multilateral trade liberalisation benefits all of its members, many of them developing countries.

Assessment of progress (OECD, 2007; 2006). Most significantly, the initiative has strengthened the dialogue around trade. The Monitoring Survey concluded that delivering aid for trade is in practice guided by the Paris Declaration principles, and donors are harmonising procedures and aligning their support. While managing for results and practising mutual accountability are challenging, donors and partner countries are increasingly engaged in joint monitoring and evaluation.

In the Survey, donors and partner countries noted that the challenges in delivering aid for trade effectively are not unique but are, in fact, part and parcel of the broader aid effectiveness agenda. It is arguably still too early to expect solid evidence on results in the form of policy improvements in the area of aid for trade. There is, however, every reason to believe these will be forthcoming in the future.

Notes

1. Ownership also varies amongst sectors. According to the Evaluations (para. 75), highly technical sectors tend to be more government-led while cross-sectoral areas of co-operation and development tend to have greater participation from civil society and marginalised groups.
2. Countries with SWAps include: Bangladesh, Bolivia, Burkina Faso, Cambodia, Egypt, Ethiopia, Ghana, Kenya, Malawi, Mali, Mozambique, Nepal, Nicaragua, Pakistan, Papua New Guinea, Rwanda, Senegal, Sierra Leone, Tajikistan, Tanzania, Uganda, Viet Nam, Yemen and Zambia. Source: “2006 Harmonisation, Alignment and Co-ordination of Aid Workshop in Livingstone, Zambia”, www.dfid.gov.uk/mdg/aid-effectiveness/newsletters/livingstone-report.pdf. However, as the Pacific regional workshop makes clear, SWAps are not equally common in all regions. http://siteresources.worldbank.org/ACCRAEXT/Resources/4700790-1208199523477/Aid_Effectiveness_Outcomes_Fiji.PDF.
3. 1995 USD 3.5 billion; 2000 USD 5.9 billion; 2005 USD 9.7 billion (in constant USD 2004). From OECD/DAC Aggregated Aid Statistics and the Creditor Reporting System (CRS).
4. A new analysis from WHO of health ODA over the last 20 years informs these points (WHO, forthcoming).
5. The Task Team on Health as a Tracer Sector was formally established in early April 2008 to develop the contribution from the health sector to the Third High-Level Forum on Aid Effectiveness. Members include representatives from: Ghana, GAVI Alliance, Global Fund, Ethiopia, WHO, World Bank, UNAIDS, Zambia National AIDS Network, OECD, UNFPA, Cambodia, and UNICEF. See WHO (2008).
6. See for example Boesen and Dietvorst (2007).
7. Bill and Melinda Gates Foundation; GAVI Alliance; Global Fund to Fight AIDS, TB and Malaria; UNAIDS; UNFPA; UNICEF; WHO; and World Bank.
8. A pilot survey on the Paris Indicators for the education sector in ten countries and an independent evaluation of the FTI .
9. The development of the GMR over the past six years – discussed further in the education discussion on MfDR – can be seen as a major contributor towards harmonising monitoring and evaluation in the education sector; it is now used by almost all donors as the reference and policy document for the education sector.
10. One way in which countries are developing their education sector strategies is through the Fast Track Initiative framework. As of August 2007, 32 countries had developed – and received donor endorsement for – such plans (UNESCO, 2008).

11. According to UNESCO (2008), “For the education sector as a whole, across all developing countries, the share of aid through sector programmes increased between 1999–2000 and 2004–05 from 6% to 18%.”
12. Where the term “major donor” is defined as a donor contributing at least USD 3 million between 2003 and 2005 (UNESCO, 2008, Chapter 4).
13. Collaboration among UN Girls’ Education Initiative, the UNAIDS Inter-Agency Task Team on Education, the Global Task Force on Child Labour and EFA, the EFA Flagship on the Right to Education for Persons with Disabilities, and the FTI Secretariat.
14. This financing mechanism is being harmonised with the deliverables of the FTI Task Team on Fragile States.
15. “Global Donor Platform for Rural Development: Agricultural Sector Experiences in Implementing the Paris Declaration on Aid Effectiveness”, www.donorplatform.org/component/option,com_docman/task,doc_details/gid,734/.
16. Programme-based approaches are an extension of the concept of the SWAp which refers to a generic approach based on comprehensive and co-ordinated planning in a given sector, thematic area or under the aegis of a national poverty reduction strategy.
17. Urban Institute for the World Bank, “Study on Aid Effectiveness in the Infrastructure Sector, Phase One Report”. Note that a more detailed Phase Two report, based on in-country visits, will follow.

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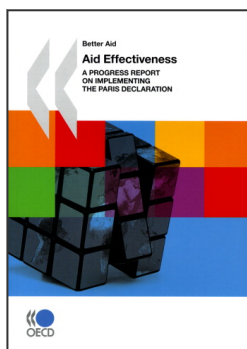
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