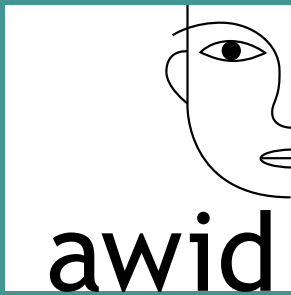


# Aid Effectiveness and Women's Rights Series



## An Overview of the Paris Declaration on Aid Effectiveness & the New Aid Modalities

**Primer No.1**

Association for Women's Rights in Development

## Introduction: Understanding the Aid Effectiveness Agenda from a Civil Society and Women's Rights Perspective

In 2005 civil society organizations bore witness to the signing of the **Paris Declaration on Aid Effectiveness (PD)**—history's most recent agreement by donor and recipient countries to reform the delivery and management of aid monies in order to strengthen its impact and effectiveness. In 2005, more than 106.8 billion USD flowed in the form of Official Development Assistance (ODA) from bilateral and multilateral funding agencies to developing country governments.<sup>1</sup> In fifty years of aid allocation, the beneficiaries of these public monies have rarely been women who are receiving a very tiny proportion of overall ODA.<sup>2</sup> Aid as a structuring device, process and resource has had debatable effectiveness in reducing poverty, promoting development and supporting women's rights.

The Paris Declaration was adopted in March 2005 at a High-Level Forum (HLF2) organized by the Development Assistance Committee (DAC) of the Organization for Economic Co-operation and Development (OECD).<sup>3</sup> The PD is now being adhered to by approximately 25 donor countries, 80 recipient countries and around 25 multilateral institutions.

In September 2008 donor countries and recipient countries will meet for a **High Level Forum (HLF3) in Accra, Ghana** to assess progress in the implementation of the PD, and to agree a new 'agenda for action'. This will be the first opportunity for donor and recipient countries, and civil society organizations, to review the progress on the implementation of the PD.

In spite of the fact that the PD commits donor countries to a common set of principles and targets to achieve aid effectiveness, CSOs are calling for a number of reforms and deepening of the aid effectiveness based on a number of general concerns including:

- **The new aid architecture needs to be more comprehensive** of all development stakeholders—particularly CSOs, including women's organizations and movements.
- **Too much focus on aid modalities:** The emphasis is too centered on the "plumbing" or mechanisms of the aid delivery system, not enough on reducing poverty and inequality as expressed in the Millennium Development Goals. Evaluating aid's effectiveness needs to be integrally linked to support for human rights, democratic governance, environmental sustainability and gender equality.
- **More clarity on the implementation of the PD principles:** An in-depth discussion of the meaning and impacts of the PD principles needs to take place, including the inputs of the CSOs particularly about the principles of ownership, alignment and accountability.
- **Limits in monitoring commitments:** Monitoring of the PD commitments in the lead up to Ghana must be fully transparent and inclusive of civil society and women's rights organisations.

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1 Kerr, Joanna (AWID). Second Fundher Report, "Financial Sustainability for Women's "movements Worldwide," p. 48, 2007.

2 Although ODA was most frequently mentioned by a total of 35% of AWID's "Where is the Money for Women's Rights" Survey respondents, it is clear that funds for gender equality represent a very tiny proportion of overall ODA. See page 48 of AWID's 2007 **Second Fundher Report, Financial Sustainability for Women's Movement's Worldwide** available for download at [http://www.awid.org/go.php?pg=fundher\\_2](http://www.awid.org/go.php?pg=fundher_2)

3 The OECD is an organization that groups 30 countries or key donors committed to help its member countries "to achieve sustainable economic growth and employment and to raise the standard of living in member countries while maintaining financial stability...in order to contribute to the development of the world economy." [http://www.oecd.org/pages/0,3417,en\\_36734052\\_36761863\\_1\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/pages/0,3417,en_36734052_36761863_1_1_1_1_1,00.html)

Donor discussions have heated up over the past decade in an effort to answer the critical question: *How can we use resources for financing development more efficiently and effectively?* Criticisms of structural adjustment programs of the 1990s and problematic bilateral aid flows have motivated state and non-state actors alike to shift the discourse. However, under the new aid agenda,

practices and policies remain very close to past conditionalities. Even if not visible, the weight of the World Bank approach remains strong under the new aid modalities. This Primer is therefore dedicated to providing an overview of the Paris Declaration on Aid Effectiveness and the subsequent new aid modalities that have emerged.

## 1. THE LEAD UP TO THE PARIS DECLARATION AND ITS IMPLEMENTATION

### What is the Paris Declaration ?

The Paris Declaration (PD) is the most recent framework for international cooperation agreed by the donor community at the OECD level. It was adopted by OECD DAC members who attended a High Level Forum in Paris in 2005 and its implementation is linked to the achievement of the Millennium Development Goals by 2015.<sup>4</sup>

Before the *Paris Declaration* there were several commitments related to aid and development made by the international community at the United Nations level, and other Declarations made by the donor countries at the OECD. The PD is supposed to be distinctive because of the principles that work to redefine the relationship between donor and recipient countries. It tries to ensure that developing countries have **ownership** over their development plans and commits donor countries to **align** themselves to these recipient countries' strategies by being responsive to them. Donor countries are also committed to ensuring that procedures for aid flow are more **harmonized**,

that both donors and recipient countries are mutually accountable for the results of their development work and that resources and decision-making are **managed for results** (See Box 1 for a summary of these guiding principles).

The PD is not only the most recent agreement for implementing the aid regime, but is distinct from previous frameworks because it was designed to serve as a practical roadmap for distributing aid. Moreover, the PD is relevant because:

- The agreement seeks to hold donor and recipient countries accountable for their actions through specific **reforms** and **global commitments** (defined by donor countries).
- The PD is in part an **acknowledgement of the failures** of the previous structures that were in place in the 90s: the aid conditionality associated with Structural Adjustment Programs (SAPs).

<sup>4</sup> The text of the *Paris Declaration on Aid Effectiveness* can be found in different languages at <http://www.oecd.org/dataoecd/11/41/34428351.pdf>

- The PD was agreed to by over one hundred Ministers, heads of Agencies and other Senior Officials<sup>5</sup> who when committing their countries and organisations to the five guiding principles agreed to be evaluated with corresponding measurable **targets and indicators** developed by the DAC and the World Bank to be achieved by 2010.<sup>6</sup>
- Agreements as to the PD implementation, lead by donor countries through the OECD, will influence other negotiations related to development issues that are taking place in other arenas (mostly at the United Nations level).

### Box 1: What are the principles of the Paris Declaration on Aid Effectiveness?<sup>7</sup>

The *Paris Declaration* on Aid Effectiveness outlines five principles that should shape aid delivery:

**OWNERSHIP:** Developing countries will exercise effective leadership over their development policies and strategies, and will coordinate development actions;

**ALIGNMENT:** Donor countries will base their overall support on recipient countries' national development strategies, institutions, and procedures;

**HARMONISATION:** Donor countries will work so that their actions are more harmonised, transparent, and collectively effective;

**MANAGING FOR RESULTS:** All countries will manage resources and improve decision-making for results; and,

**MUTUAL ACCOUNTABILITY:** Donor and developing countries pledge that they will be mutually accountable for development results.

The PD specifies indicators, timetables and targets for actions by donor and partner governments and has an evolving agenda for implementation and monitoring of progress, up to 2010. This includes a Third High Level Forum to take place in Ghana in September 2008, to assess the progress of the PD implementation so far.

## The *Paris Declaration* & Civil Society Organizations (CSOs) ?

The aid effectiveness agenda that emerged as a result of the signing of the PD is based on a commitment to improving the efficiency and effectiveness of aid management and delivery. While the PD principles have been welcomed by CSOs, it is crucial to note that many CSOs have

<sup>5</sup> For a full list of the signatories to the PD see [http://www.oecd.org/document/22/0,3343,en\\_2649\\_3236398\\_36074966\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/22/0,3343,en_2649_3236398_36074966_1_1_1_1,00.html)

<sup>6</sup> See DAC/World Bank, "Baseline and suggested targets for the 12 indicators of progress" in Box 2 or at [www.oecd.org/dataoecd/45/46/35230756.pdf](http://www.oecd.org/dataoecd/45/46/35230756.pdf)

<sup>7</sup> This box was taken directly from the *Draft CSO Policy Paper*, "From Paris 2005 to Accra 2008: will aid become more accountable and effective? A critical approach to the aid effectiveness agenda," September 2007.

not endorsed or supported the PD in its current shape and are pushing for significant review of the agreement.

A primer 3 more deeply discusses the role of CSOs in relation to the PD and the aid effectiveness agenda. However, for a grasp of the big picture it is important to highlight that CSOs have been advocating for a broader and more comprehensive understanding of aid as a resource for pro-

moting development that is *political* by nature, and not simply technical. Furthermore, CSOs have been encouraging key players to view the allocation of aid as being informed by human rights, gender equality and environmental sustainability standards. Finally, for CSOs involved in either the official or unofficial CS processes in the lead up to Ghana, effective aid means being inclusive of civil society actors as stakeholders in terms of democratic governance and development processes.

### RECENT Key International Agreements on Aid policies

- **2000 Millennium Declaration (and the MDGs)**

The Declaration affirms the obligation of all members of the UN “to strive for the full protection and promotion in all countries of civil, political, economic, social and cultural rights for all”. Members declared that they would “spare no effort to free our fellow men, women and children from the abject and dehumanizing conditions of extreme poverty...”

- **2002 Monterrey UN Conference on Financing for Development**

A partnership between developed and developing countries to achieve the MDGs in the context of open markets for economic growth, good governance, increasing aid flows, and improving the effectiveness of aid to achieve these objectives.

- **2003 Rome High-Level Forum (OECD)**

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 (HLF-Rome). This Forum spotlighted the issue of harmonization and alignment as a major development issue and gave international legitimacy to the good practice principles for harmonization and alignment

- **2004 Marrakech Roundtable on Managing for Development Results (OECD)**

This conference focused on the need to manage for results if development assistance is to yield measurable development outcomes.

- **2005 Paris High-Level Forum and Declaration (OECD)**

The Paris High Level Forum of 2005 was attended by development officials and ministers from 91 countries, 26 donor organizations and partner countries, representatives of civil society organizations and the private sector. The participants collectively resolved to reform the delivering and management of aid through adoption of the Paris Declaration on Aid Effectiveness.

## Accra High Level Forum (HLF3)

From September 2-4 2008, donor and recipient countries will meet for a **High Level Forum (HLF3) in Accra, Ghana** to assess progress in the implementation of the Paris Declaration, and to agree a new 'agenda for action'. This will be the first opportunity for donors, partner countries and civil society organizations to review the progress on the goals of the PD.

The HLF3 Steering Committee—the chief organizers of the Accra Forum—have recently set out the proposed structure for the event which includes:

- **A marketplace of ideas:** This marketplace of ideas allows each delegation one, "graphic design" poster. It is unclear how many of these booths will be allocated to civil society actors
- **Nine roundtables** on key issues: There will be nine roundtable sessions 5 of which have been agreed to at this time —one for local ownership (RT1) another for alignment (RT2), a third for donor harmonization (RT3) and alignment (RT4). There is a proposal for a 5th roundtable (RT5) to be devoted to civil society and aid effectiveness but this has yet to be confirmed. The remaining roundtables are still being defined.
- **CSOs' participation on the HLF3:** The Advisory Group on Civil Society and Aid Effectiveness, an official body in this process, has proposed that up to 100 participants from the civil society come to Accra, and there will be some budgetary support for CSOs travel.
- **Parallel CSOs conference:** A group of CSOs is proposing that a parallel conference takes place around the 30th of Aug to the 1st of September immediately before the HLF3 begins.

## 2. NEW AID ARCHITECTURE AND NEW AID MODALITIES

The *Paris Declaration* allows for a significant conceptual shift to take place in the relationship between donor and recipient countries in the context of aid delivery. For the first time there is a commitment, at least in principle, that ownership of the development process lies with the recipient country. The practical implication of this

commitment is an expressed shift in the types of mechanisms that channel aid.

In the past, aid was largely allocated to recipient countries by International Financial Institutions (IFIs) and there was a heavy focus on support for **individual projects** as the effective aid mechanism

for achieving poverty reduction and the achievement of the MDGs. By contrast, a shift has taken place since the PD was adopted in 2005, placing strong emphasis on country ownership, – in an effort to realign power and leadership with the recipient governments.

There are at least 5 'new' tools or 'aid modalities' –though some have been in place for years now– that have come to replace individual projects including,

- general budget support (GBS), sector budget support, MDG contracting
- sector wide approach (SWAs),

- multilateral policy assessment based financing, such as PRSPs,
- community driven development projects,
- output based aid (OBA),
- basket funding

Budget Support and Sector Wide Approach are two forms of **program-based approaches (PBAs)** in which, “a number of donors pool development resources in support of a defined government program...in both cases it is presumed that leadership is being exercised by the government in question and that the specific strategies are “country owned.”<sup>8</sup> More information about the new aid modalities are contained in the chart below:

NEW AID MODALITIES <sup>9</sup>	
<b>BUDGET SUPPORT/MDG CONTRACTING:</b>	Budget Support covers financial assistance as a contribution to the overall budget. Within this category, funds may be nominally accounted for against certain sectors, but there is no formal limitation on where funds may actually be spent. Usually there are two forms of budget support: General Budget Support (GBS) and Sectoral Budget Support. Recently the European Commission has proposed a new GBS modality called MDG Contracting, where GBS would be connected with key MDGs areas like education and health.
<b>SECTOR WIDE APPROACH (SWAP):</b>	Sector Wide Approaches involve donor support to the development of an entire sector in a given country, such as health, education or agriculture, rather than specific project support.
<b>POVERTY REDUCTION STRATEGY PAPERS (PRSPS):</b>	PRSPs were introduced in 1999 by the World Bank and the International Monetary Fund as a prerequisite for borrowing by their poorest and most indebted country clients. They are intended to outline a country's main problems relating to poverty and its strategy to overcome them. PRSPs are meant to be drafted by the recipient government through a national participatory process in consultation with the World Bank and the International Monetary Fund.
<b>BASKET FUNDING:</b>	Basket Funding is a joint funding modality by several donors towards a programme, sector or the public budget in a more general sense.

8 Reality of Aid, "Reality Check: The Paris Declaration Towards Aid Effectiveness", January 2007. available for download at [http://www.realityofaid.org/downloads/RC\\_Jan07.zip](http://www.realityofaid.org/downloads/RC_Jan07.zip)

9 This table was developed by UNIFEM and presented Promoting Gender Equality in New Aid Modalities and Partnerships, UNIFEM Discussion Paper – March 2006. It has been adapted for the sake of this Primer.



### 3. WHAT IS THE IMPACT OF NEW AID MODALITIES ON WOMEN?

Several authors and activists have highlighted opportunities and risks associated with these so-called new aid modalities. One concern is whether budget support will encourage shifts in national development programmes or budgets so that their focus is directed toward the achievement of the MDGs and other key international agreements, and to increase the investment in concrete actions to reach these goals.

Another major issue from the CSOs' perspective is the inadequate inclusion of civil society actors in defining national development plans. From the women's right point of view in particular, this is enhanced by the fact that women's organisations are barely included in these processes. As Cathy Gaynor<sup>10</sup> argues:

*The new aid processes and modalities must create adequate space and build capacities of all national stakeholders to determine development plans, priorities and strategies. As more than half of any countries citizens are women this cannot be done without involving them, the organizations that truly represent poor women and the drivers of change that lead to more equitable societies. So far, these stakeholders have not been significantly engaged in aid or development reforms of the Paris Declaration agenda.*

In addition, cross-cutting issues such as gender equality are particularly vulnerable through budget support, for they are not treated as sectors, so neither specific funding nor progress indicators are considered to track their advancement.<sup>11</sup>

As Mariama Williams highlights, these 'new' aid modalities can be systematically characterized and assessed in terms of their potential impacts on economic and social development, gender equality & women's empowerment, democracy and participation. In fact the new modalities, in and of themselves, are not gender neutral or socially friendly, they have to be en-gendered.<sup>12</sup> Therefore, it is relevant to push for the inclusion of specific instruments within these 'new' tools, particularly: gender budgeting, gender equality indicators and the monitoring of the implementation of international instruments for gender justice.

Primer 5 of this series is focused on the analysis of the aid effectiveness agenda from a gender perspective and presents several concerns and recommendations regarding women's rights and gender equality.

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10 Gaynor, Cathy, "The Paris Declaration on Aid Effectiveness and Gender Equality, Division for the Advancement of Women, Department of Economic and Social Affairs, United Nations, August 2007, New York. Expert Group Meeting on financing for gender equality and the empowerment of women, Oslo, Norway 4-7 September 2007.

11 In 2005 Social Watch and Eurostep published a report identifying this issue called "Accountability upside down": [http://www.socialwatch.org/en/informelmpreso/images/otrasPublicaciones/Unifem\\_OECD\\_RV.pdf](http://www.socialwatch.org/en/informelmpreso/images/otrasPublicaciones/Unifem_OECD_RV.pdf)

12 Williams, Mariama. "Financing Development, Democracy and Gender Equality", Commonwealth Foundation, May 2007.



## Why Should Women's Rights Activists Care about the AE Agenda? What is at Stake for Women?

- **The Paris Declaration is genderblind!** Within this historic document, no measures to promote women's rights, gender equality or human rights standards are proposed or acknowledged through impact assessments or any other measures.

- **Women's rights and gender equality are often not reflected in national development plans!** The new aid architecture is designed to align aid to nationally-determined development priorities, and therefore, it is very important to integrate the women's rights and gender equality perspective in participatory processes for defining and monitoring national development plans. Democratic ownership will only be possible if all the actors are integrated in the national strategic definitions.

- **Government actions alone will not reduce poverty – adversely affecting women!** The PD's aid effectiveness agenda focuses on institutional reforms in government for a more effective and efficient aid system, instead of on conditions for effective and sustainable development and for democratizing the international cooperation processes.

- **Preserve the strategic roles that CSOs play for women!** Civil society and women's rights organizations have little space to influence the PD implementation process. Their contributions and roles as key development actors is essential for creating a climate of social, political, and economic change and reducing poverty and gender inequality.

- **The PD is another effort to agree on international targets and indicators (as the MDGs) for aid effectiveness.** The PD agenda was defined by donors (at the OECD) and the AE process is being monitored by indicators developed by the World Bank. Where are the voices and contributions of women's organizations and other CSOs in this context? Why should international development priorities be agreed at the OECD instead of at a multilateral/multistakeholders' forum as the UN?

- **There is a High Level Forum (HLF3) to evaluate the PD implementation taking place in Accra, Ghana, in September 2008.** Women's organizations and CSOs in general should push to influence the agenda of this official Forum, so that key issues concerning civil society, women's rights, and gender equality are taken into account in the discussions and the final statement.

- **There is a CSOs parallel process to the HLF3.** A CSOs forum is set take place right before the HLF3 and women's organizations have need to be present in this critical space to contribute to an alternative vision of development from a civil society perspective.

If women's rights advocates don't push for gender equality and women's rights to be understood as development priorities, nobody will. It is necessary to ensure women's voices, proposals and participation are infused throughout the whole process.

ACRONYMS	
AE	Aid Effectiveness
AG	Advisory Group on Civil Society Organizations and Aid Effectiveness
CS	Civil Society
CSO	Civil Society Organization
DAC	Development Assistance Committee
IFIs	International Financial Institutions
MDGs	Millennium Development Goals
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
PBA	Program-Based Approach
PRSP	Poverty Reduction Strategy Paper
SWAp	Sector-Wide Approach

### About this Series "Aid effectiveness and women's rights"

The purpose for creating this set of Primers, *Understanding the Aid Effectiveness Agenda* is to share critical information and analysis with women's rights advocates about the new aid architecture that has emerged as a result of the *Paris Declaration (PD)*—the most recent donor-recipient countries agreement designed to increase the impact of aid. The Aid effectiveness agenda born out of the PD currently determines how and to whom aid is being delivered as well as how donor and recipient countries relate to one another. Aid distribution is clearly not simply a mechanistic process, but rather a political one. We hope that the facts and issues discussed within these primers will encourage women's rights advocates and CSOs to join in the process of calling for a more comprehensive, balanced, and inclusive approach to reforming aid so that it reaches the people who need it most, including women!

Primer 1: *An Overview of the Paris Declaration on Aid Effectiveness & the New Aid Modalities*

Primer 2: *Official Mechanisms related to the Implementation of the Paris Declaration*

Primer 3: *CSOs Engagement in the Aid Effectiveness Agenda: The Parallel Process, CSOs concerns and recommendations*

Primer 4: *Monitoring and Evaluation of the Paris Declaration Implementation*

Primer 5: *The Aid Effectiveness Agenda from a Women's Rights Perspective*