

## What is Aid Effectiveness (AE)?

### What is this about?

**Aid effectiveness** is about the effectiveness of development aid in achieving economic and social development. It aims to improve *the quality of aid* and *its impact* on development. Stimulating the effectiveness of aid is usually broken up in 5 principles, these are:

- ▶ **Ownership:** Partner countries exercise effective leadership over their development policies and strategies and coordinate development actions
- ▶ **Alignment:** Donors base their overall support on partner countries' national development strategies, institutions and procedures
- ▶ **Harmonisation:** Donor actions are coordinated, where their procedures are simplified and they share information to avoid duplication
- ▶ **Managing for results:** Managing resources and improving decision making for results; and
- ▶ **Mutual accountability:** Donors and partners are accountable for development results.

Within the Aid Effectiveness paradigm, aid recipient countries take ownership and leadership by setting the development agenda and defining the necessary policies, strategies, programmes. **Country ownership** is the overarching purpose of Aid Effectiveness that harmonisation and alignment must support. Towards achieving this, countries need to ensure the necessary policies, strategies, programmes and public financial management systems are in place to which aid can be aligned. In this way country governments lead the development process and direct the funding to where it is most effective and needed and **achieve results**.

Development partners **align** their aid to the country partner's development agenda as well as to the country's systems, such as financial, procurement and performance monitoring structures. In this way aid funding supports the national policy priorities defined by the country government. In order to ensure the effective spending of funds, it is important that countries take decisions based on evidence and quality information. Towards achieving Aid Effectiveness donors come together to **harmonise** their efforts so that common arrangements are established, procedures are simplified, information is shared and duplication is avoided. Ultimately, both donors and partners are accountable for development results through **mutual accountability**.

### Where has it come from?

From 1970's to mid 1990's the predominant financing modality in development was the project based approach. One of the main lessons of the last decade is that donor initiated stand-alone projects don't result in sustainable development. Although these projects may be well

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implemented, they more often than not run “parallel” to the country’s own policies and institutions, without covering costs such as maintenance and salaries. Once the project is implemented, the team disappears leaving no local capacity or institutional arrangements to provide the service: leading a service to breakdown.

The project approach has created a multiplication of development activities and structures and has resulted in a complex and expensive aid industry. Today, more than 200 bilateral and multilateral organisations channel official development assistance to developing countries. On average, developing countries have to deal with up to 20 donors each with their own specific programs and projects (GLAAS, 2010). This has resulted in high transaction costs for the recipient countries because they had to comply with many different donor requirements and procedures. Donor policies tend to also not be aligned to recipient country policies, leading to duplication, lack of coordination and wasted resources. At the same time there has been pressure from citizens in donor countries who have questioned the results and impact of aid, demanding greater accountability and asking for evidence of impact.

In the early 2000 with the creation of the Millennium Development Goals, donors and developing countries examined ways to reform development assistance and make aid more effective. These discussions resulted in the signing of the Paris Declaration on Aid Effectiveness (2005) and the Accra Agenda for Action (2008). The Paris Declaration was signed by representatives from over one hundred aid receiving countries and donor agencies. In the declaration they committed to increase efforts to achieve harmonisation, alignment and management for results against a set of indicators. In 2007, the European Union donors made more specific commitments and agreed on new guidelines for division of labour: the EU ‘Code of Conduct on Division of Labour’ (DoL). The DoL is meant to enhance Aid Effectiveness by avoiding overlapping actions between donors. In an effort to accelerate progress on the implementation of the agreements of the Paris Declaration, the Accra Agenda for Action was signed by all major players within international development cooperation in 2008.

### Why is it important for services that last?

The Aid Effectiveness paradigm can contribute to more sustainable service delivery in that it:

- ▶ Encourages countries to develop strategic sector policies
- ▶ Promotes good country systems to which donors (can) align
- ▶ Promotes sector coordination
- ▶ Support national sector planning
- ▶ Establishes country criteria and targets for service delivery for improved accountability



This is something that you may want to look into.