Mutual Accountability at the Country level
A Concept and Emerging Good Practice Paper

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Acronyms

AAA	Accra Agenda for Action
ARP	Annual Progress Review
CDC	Cambodian Development Council
CG	Consultative Group
CPRGF	Comprehensive Poverty reduction and Growth Strategy
CSO	Civil Society Organisation
DAC	Development Assistance Committee
DAD	Development Assistance Database
DO	Development Observatory
DP	Donor Partner
EC	European Commission
EU	European Union
GBS	General Budget Support
GdM	Government of Mozambique
GoV	Government of Vietnam
GPRSP	Ghana Poverty Reduction Strategy Paper
HAAP	Harmonization and Alignment Action Plans
HCS	Hanoi Core Statement
HQ	Head Quarter
IMF	International Monetary Fund
IMG	Independent Monitoring Group
IT	information technology
JAS	Joint Assistance Strategy
JAST	Joint Assistance Strategy for Tanzania
JCPR	Joint Country Program Review
JGA	Joint Governance Assessment
MA	Mutual Accountability
MDG	Millennium Development Goal
MfDR	Managing for Development Results
MKUKUTA	National Strategy for Growth and Reduction of Poverty
MoU	Memorandum of Understanding
NDS	National Development Strategy
NGO	Non-governmental Organisation
ODA	Official Development Assistance
ODI	Overseas Development Institute
OECD	Organisation for Economic Co-operation and Development
PA	Principle-Agent
PAF	Performance Assessment Framework
PAP	Program Aid Partners
PARPA	Action Plan for the Reduction of Absolute Poverty
PD	Paris Declaration
PFM	Public Financial Management
PGAE	Partnership Group on Aid Effectiveness
PEAP	Poverty Eradication Action Plan
PEEC	Strategic Plan for Education and Culture

PRS	Poverty Reduction Strategy
PRSP	Poverty Reduction Strategy Paper
REO	Budget Execution Report
SEDP	Socio-Economic Development Plan
SWAp	Sector-Wide Approach
TA	Technical Assistance
ToR	Terms of Reference
TWG	Technical Working Group
WTO	World Trade Organisation

Executive Summary

Mutual accountability (MA) lies at the heart of the Paris (and Accra) Declaration's commitment to reforming the aid relationship. It is a practical response to recent experiences with building greater transparency and accountability at the country level and to lessons learned about the role of country ownership in delivering development results. But despite the Paris Declaration's (PD) strong focus on mutually accountability, it remains little explored in conceptual and practical terms. This report seeks to lessen this void by clarifying the concepts underpinning country-level mutual accountability and highlighting emerging good practices. It is based on research conducted by the Overseas Development Institute (ODI) covering experiences in a sample of 19 countries, with a particular focus on Rwanda, Mozambique and Vietnam. The focus of this work is mutual accountability at the *country level*. International level mutual accountability mechanisms have been analyzed in a separate workstream and are discussed in Droop et al. (2008).

At first sight, recent evaluations of progress made in the area of mutual accountability seem discouraging. Only a limited number of countries report to have country level mechanisms for mutual assessment of progress on partnership commitments arising from the Paris Declaration or a local aid management plan. However, a deeper analysis shows that, although mutual accountability is considered to be complex, more pieces of the puzzle are actually at hand than generally assumed. They are already being used, and could be further exploited to fulfil the mutual accountability commitment. It is important that these best practice examples are identified and conditions for their application in other countries further discussed. This paper aims to make a start with clarifying the elements and conditions of effective mutual accountability mechanisms.

What is mutual accountability?

Accountability is commonly understood as a process through which people entrusted with responsibilities are kept under check when carrying out functions or tasks assigned to them. In the past, aid relations have been characterized by a principle-agent (PA) model of accountability, where donors (principles) have sought to improve policies and spending behaviour of recipient governments (agents) by attaching conditions at either the project, programme or policy levels to the delivery of aid. This form of accountability, reflecting a power imbalance in the aid relationship, involved a fairly unilateral approach to monitoring recipient countries' "contractual obligations" as a precondition for the delivery of aid. *Mutual* accountability is a response to disappointing results with principle-agent models of accountability. It is a compact that aims to create a more balanced partnership between donors and recipient governments by binding members together through shared values and reciprocal commitments in a voluntary process. It is a collaborative framework that involves partnerships between peers pursuing shared aid effectiveness and developmental objectives. The commitment of these diverse stakeholders to the process is largely maintained through positive incentives and the desire to protect reputation. 'Hard' sanctions for non-compliance are, if existing at all, rarely applied.

The Paris and Accra Declarations set out the broad parameters of the mutual accountability relationship in terms of who is accountable, for what and how. The primary focus is on accountability between donors and recipient governments. However, as emphasized in the recent High Level Forum (HLF) in Accra, recipient governments and

donors are in the first place accountable to their domestic constituents. Donor-recipient lines of accountability are closely connected to domestic lines of accountability in recipient as well as donor countries. International and domestic accountabilities can be mutually enhancing, but also potentially conflicting and prone to creating tension. Evidence of the relationship between mutual and domestic accountability, country and international level accountabilities is discussed at various points in this paper.

Despite the guidance in the Paris and Accra Declarations, mutual accountability is still very much an emerging phenomenon and a broadly agreed-upon understanding does not yet exist. So far, there are no examples of a fully fledged mutual accountability system having significantly transformed the aid relationship at country level. There is, however, sufficient experience to identify some critical elements to a mutual accountability process. These include, first, generating a **shared agenda** through clearly specified goals and reciprocal commitments; and second, **monitoring and reviewing** these commitments and actions. Both of these elements interrelate with a third - **debate, dialogue and negotiation**. This element involves different spaces and processes that help to define the agenda within which mutual commitments are set and that provide incentives to carry out those commitments and, ultimately, to change behaviour (mostly by means of reputational and relational risks). Genuine mutual accountability in terms of a mature partnership in the aid relationship is only likely if all three elements are linked in an iterative process.

Agreeing on a shared agenda

At the country-level, much is still to be decided in terms of what donors and recipient countries are separately and reciprocally accountable for. Nevertheless, a range of shared agendas have been developed to set out clear goals and commitments for both sides. In examining these, we find agreements at two levels.

- **Agreements around development strategies and development results** i.e. *what* needs to be done to address development problems. National development and programme/sector strategies as well as governance approaches have been developed and owned by partner governments, with support and endorsement from donor agencies. In many instances however full country ownership is limited to certain parts of government and with limited involvement of domestic constituents (such as parliament or NGOs). Some countries (e.g. Mozambique) have formulated parallel development plans with different consultation mechanisms and for different audiences (domestic and international), creating diverging lines of accountability. However, other countries (Vietnam and Tanzania) have taken steps to consolidate domestic and "international" strategies into a single national development strategy with improved consultation of parliament and Civil Society Organizations (CSOs) in the process.

- **Agreements around aid effectiveness** practice i.e. *how* development aid can be delivered. Four types of such agreements are now under implementation: aid policies (e.g. Cambodia), Harmonization and Action Plans (e.g. Ghana), Joint Assistance Strategies (e.g. Zambia) and donor and sector-specific aid effectiveness plans (many examples). The process of producing these agreements has been largely led by donors but is characterized by efforts to develop consensus within and between the donor community and different parts of government. These efforts have generally worked well, although there is some

evidence that broad consultation among (large numbers of) donors has sometimes made it difficult to reach agreement, and occasionally resulted in outcomes unacceptable to recipient governments. Inputs from parliament and civil society into aid effectiveness agreements have been relatively limited.

Monitoring mechanisms

Progress towards delivering agreed agendas is being monitored and reviewed through an array of mechanisms at country (and sector) level which are continuously being refined and improved. The results focus of the MDG/PRS approach, in particular, has dramatically increased efforts by governments and donors to measure results. Partner countries are monitoring development results through mechanisms ranging from Annual Progress Reports, improved statistical data collection and surveys, to comprehensive results monitoring frameworks such as the Performance Assessment Frameworks. Initiatives to measure progress on aid effectiveness have also become more common. Improved systems for tracking disaggregated and individual donor activities and aid flows are being developed in a number of countries, as are aid databases to collect regular and transparent data on aid flows.

The integration of domestic stakeholders in monitoring efforts is still in its infancy, but progress is being made at two levels. First, findings from monitoring efforts are increasingly utilized by both donors and domestic stakeholders (e.g. briefs of poverty monitoring are submitted to cabinet and parliament). Second, civil society is playing a more active role in monitoring development and aid effectiveness results, either as participants in official review processes, or partners in independent monitoring efforts. In general however, civil society and parliamentary ability to monitor governments and donors remains limited, in part due to capacity constraints.

Dialogue, debate and negotiation

Spaces and mechanisms for dialogue, debate and negotiation are central to the mutual accountability process. They serve not only to define the agenda and review progress, but also to establish trust and provide incentives to carry out commitments. Mechanisms have been developed at the technical and political level. Technical working groups are organized around sectors and themes and provide a platform for a technical discussion, analysis of progress and the build up of trust. Political mechanisms for dialogue such as the Consultative Group meeting are being reformed to provide joint reviews of progress (e.g. Ghana). In addition, in a few countries independent monitoring mechanisms are bringing an impartial perspective on complex issues, and allowing for the sharing of views on sensitive issues that might otherwise remain unspoken (e.g. Tanzania and Vietnam).

Regular dialogue and negotiation generate reputational and relational incentives to change behaviour. However, in some situations these "soft" incentives will not be sufficient to keep parties to their commitments. The question is then what other types of remedies each side has at its disposal to ensure compliance. This "enforceability" aspect seems to be a missing piece in our understanding of mutual accountability, and more so for recipient governments than for donors. Donors are experimenting with different types of aid modalities, which provide incentives based on achieving results rather than policy or programme conditionalities. The options for recipient governments seem much more limited as there is no "market for aid" and donors face little or no competition or

regulation. However, contrary to this common perception, evidence has shown that it is not totally impossible for recipient governments to refuse aid (e.g. Afghanistan, Vietnam).

Incentive effects between donors and recipient governments could be further enhanced by incentives coming from national institutions and constituents (both in recipient and donor country) as well as international institutions or peer review mechanisms. As noted earlier, involvement of domestic stakeholders in mutual accountability relationships is still fairly weak but there are signs of their growing importance. Spaces for dialogue and debate have opened up opportunities for national stakeholders to participate in the formulation and monitoring of development plans. For example, progress review meetings of CG-type or sector working groups have in some instances allowed participation of NGOs or other national stakeholders. Interviews suggest however that the key challenge for domestic stakeholders is now to take advantage of these opportunities and move from being "observers" to active "participants". The capacity of national stakeholders is often weak and their mandate constrained by government control. On the donor side, incentive effects can potentially be enhanced by donor headquarters or constituents. Some countries (e.g. Denmark and Netherlands) have already introduced good practices to achieve a greater focus on aid effectiveness among field office staff.

Challenges and critical success factors

This review illustrates that significant experimentation is ongoing at the country level. It shows that there is no simple formula, but there are a number of critical elements that increase the likelihood that it will be achieved.

- *Confidence (and reciprocal trust).* Relationships between donors and governments must be built on confidence and reciprocal trust. This can be achieved by high quality dialogue and clear and congruent development and aid effectiveness agendas. Building such shared understanding is often a challenging task, especially in politically sensitive areas. A lack of knowledge and understanding of mutual accountability (and other Paris principles) can further undermine this trust. Interviews indicated that governments and donors alike are still unsure about the benefits that mutual accountability can bring. Some recipient governments even perceived it as a threat associated with the cancellation of aid or new and unfamiliar ways of operating. Some donors were found to be unaware of aid effectiveness documents and their status in recipient countries.

- *Coherence (through ownership and leadership).* For mutual accountability mechanisms to work it is crucial that divisions or differences between and within agencies – on the side of donor, as well as partner countries - are resolved and that all parties work towards the same agenda to improve development results and the delivery of aid. The large number of actors in the aid relationship often creates problems for collective action and coherence. It creates opportunities for individuals on either side to benefit from the efforts of others, while making little effort themselves. Strong government leadership and ownership of the development and aid effectiveness agenda are important in addressing this.

- ***Capacity (and information).*** Capacity is needed to generate shared agendas, monitor progress and engage in dialogue and negotiation as equals. In many developing countries, however, capacity is weak across the diverse range of actors involved (including government, NGOs, parliament etc). Strong systems for managing development results and performance information are often missing. While some countries have significantly improved access to information, the quality of development information remains weak. The problem is exacerbated by existing donor practices of parallel projects and monitoring systems, which are overburdening scarce capacity. Donors are also often unable to provide timely and detailed information on aid flows.

- ***Credible incentives.*** The success of mutual accountability is critically dependent on the existence of credible incentives or sanctions for both donors and governments to fulfil obligations. So far mutual accountability relationships have mainly relied on relational and reputational mechanisms. In difficult and complex political environments, these mechanisms may be too weak to bring about behaviour change. In addition, there is an imbalance in the extent to which parties have access to "hard" sanctions. Donors control resources which they can potentially use to reward (or punish) good (or bad) performance. There is no equivalent measure for recipient governments to hold donors to account. The inability of governments to provide sufficiently strong incentives for donors is further exacerbated by conflicting internal incentives and domestic lines of accountability on the donor side (e.g. lack of decentralization and pressure to disburse). Despite their apparent advantage in terms of access to "hard" sanctions, donors are also yet to find effective ways to encourage partner governments to achieve results as most donors tend not to withhold funds in the face of underperformance by recipient governments. The nature and role of incentives in mutual accountability relationships is an area in which further evidence needs to be gathered.

- ***Complementarity.*** Domestic and mutual accountability mechanisms have the potential to compliment and reinforce one another. For example, clear and coherent parliamentary oversight of the national development strategy process and results monitoring can significantly enhance the climate for effective partnership between partner countries and donors. However, in many countries domestic accountability mechanisms are weak and parallel agendas and monitoring systems are often created, leaving two potentially conflicting lines of accountability. This separation of lines of accountability, with limited capacity within government departments, can further undermine domestic accountability. As such, careful attention is needed to ensure that mutual accountability complements and builds upon domestic accountability structures. International accountability systems (including for example the DAC bilateral peer review process) can also reinforce country level mutual accountability.

Impact of Mutual Accountability on results

The Paris Declaration states that both donors and partners are to be held accountable for development results, but it does not explicitly articulate the link between aid effectiveness and development results. The measurement of the impact of mutual accountability mechanisms and other Paris principles have not been an explicit part of

this study and needs to be further investigated. Nonetheless, some anecdotal evidence from case studies and interviews gives cause for optimism:

- o Mutual accountability mechanisms have enhanced the results orientation of development strategies, as well as strengthened access and quality of data.
- o The clearer definition of roles and responsibilities has generated stronger leadership in terms of aid management on the part of recipient governments. This has also led to greater internal dialogue and coordination between government ministries and other parts of governments, as well as a more assertive line from government in reprimanding donor behaviour at political level meetings.
- o Monitoring donor practices has provided internal as well as public pressure for change in donor practices and has made aid more predictable.
- o Mutual accountability has broadened discussions into politically sensitive areas (such as e.g. governance) and to include domestic stakeholders.

Policy Implications

Mutual accountability is an iterative process that consists of a complex set of elements and actors. This report shows that many parts of the system have emerged in recent years, but so far no country has managed to integrate them in one coherent system. A mutual accountability *system* therefore does not yet exist – and is possibly not even desirable given the variation of context. Clearly, however, stronger and more balanced mechanisms are needed -- at the country level and at the international level; between development partners as well as between those partners and their domestic constituents. To the extent possible these accountability mechanisms should be integrated and build upon each other.

To achieve progress, four strategic actions are recommended:

- **"Practice" mutual accountability**. The evidence in this report shows that the application and interpretation of mutual accountability varies considerably across countries. And while certain key elements (such as developing shared agendas, monitoring results and dialogue) seem critical, no system blueprint exists. There is no single formula that will work for all. Moving forward it will be important to continue to give priority to experimentation and "learning-by-doing" at partner country level. This process can be supported by donors and by the commitments in the Paris and Accra agendas, as well as the many initiatives of support at regional and global level (e.g. Working Party). It is recommended that in developing MA processes at country level, the close linkage between mutual accountability and domestic accountability is recognized. Donors could play a role in supporting local accountability mechanisms such as parliaments, independent oversight institutions and CSOs. However, it is important that this is done in a way that does not undermine the leadership role of recipient countries.

- **Exchange experiences and learning**. There is a need to further expand our understanding of mutual accountability and its relationship with other aid effectiveness principles across different stakeholders (including donors, recipient governments, parliament and CSOs). A bottom-up process of learning with recipient countries and regions playing a leadership role is likely to be most effective. This can be achieved by strengthening peer learning networks, by increasing understanding of

aid effectiveness amongst citizens and by creating sufficient spaces for dialogue at the policy level.

- **Enhance the evidence base**. Mutual accountability is an emerging phenomenon and evidence of its use and effectiveness in different contexts is still scarce. In order to maintain interest and provide incentives for donor and recipient governments to act in a mutual accountable way, further gathering of evidence into its benefits is needed. In addition evidence could be gathered around the effectiveness of different types of incentives, including "conditionalities", peer reviews and internal incentives.

- **Strengthen political and technical capacity**. In order to participate effectively in partner-led mutual accountability mechanisms capacity and skills of both partner country stakeholders and donor agency staff require systematic and significant strengthening. This refers to technical capacities, such as formulation of policies, shared agendas, monitoring and gathering of evidence, as well as political capacities needed to meaningfully engage in genuine dialogue, negotiation and debate (e.g. leadership, legitimacy, coherence and, first and foremost, broad based country ownership). It is recommended to increase the capacity of all development actors engaged in MA. Partner countries should enhance their organisational capacity and human resource base for aid management, as well as their public financial management and statistical capacity, while donor countries could focus on their capacity to generate information on aid. There is also a need for donors to reduce the burden on country-level capacity by **relying more on joint monitoring, reporting and reviews**.

1 Introduction

In March 2005, over one hundred donor and partner countries signed the Paris Declaration (PD) on Aid Effectiveness. The declaration builds on earlier agreements on aid effectiveness made at Monterrey and Rome in its recognition of the importance of greater country ownership for achieving development results. Country ownership of both the national policy agenda and donor interventions in support of that agenda are to be realised through actions and behaviours aimed at enhancing harmonisation and alignment, while also managing for development results at country level. Yet Paris also goes beyond earlier agreements in its commitment to a new model of partnership, in which donors and partner countries hold one another mutually accountable for development results and aid effectiveness.

Despite the Paris Declaration's focus on mutual accountability (MA), it remains little explored in both conceptual and practical terms. Two work-streams are being carried out to address this under the Joint Venture for Managing for Development Results (MfDR) of the DAC Working Party on Aid Effectiveness. The first work-stream focuses on MA at the international level and is reported on separately in a series of papers by Oxford Policy Management. This report is a product of the second work-stream on MA at country level.

Mutual accountability can be simply defined as a process of donors and recipient countries holding one another to account for mutual commitments. It is a voluntary partnership in which both sides have to work to maintain commitment. It involves developing shared agendas, monitoring performance and engaging in dialogue and debate. Ideally, mutual accountability mechanisms should build on, extend and enhance domestic accountability processes.

Recent evaluations of progress made in the area of mutual accountability seem somewhat discouraging (OECD, 2008a). Only a limited number of countries reported having either a country level mechanism for mutual assessment of progress on partnership commitments or a local aid management plan. The Paris Declaration target is for *all* countries to have a mechanism that meets this need by 2010. However, a deeper analysis suggests that, although few countries have fully functioning mutual accountability mechanisms, more pieces of the puzzle are present than generally assumed (e.g. consultations around major national strategies, mutual review mechanisms, Consultative Groups, etc). These separate structures are already being used, and could be further exploited to fulfil the MA commitment (Wood *et al.*, 2008). It is important that examples of successful use of these structures are identified and conditions for their application in other countries further discussed.

Success stories are starting to emerge. In Vietnam, which is one of the case studies for this report, MA mechanisms can be traced back to as early as 1994 when the first Consultative Group (CG) meeting between donors and the government was held. Opportunities for dialogue have since grown in both frequency and number to the point where today there are, amongst others, regular Consultative Group, Partnership Group on Aid Effectiveness, and sector and thematic working group meetings. These fora have led to a better understanding and a more deeply shared agenda around Vietnam's

development goals and the delivery of aid. In 2005 a localised version of the Paris Declaration – with indicative targets for both government and donors – was adopted. This provides partners with a clearly defined agenda around the Paris principles. Progress towards these commitments has since been assessed through a comprehensive review process, consisting in part of an independent monitoring mechanism. The current (2006-2010) national development strategy, with its accompanying monitoring and evaluation framework, has similarly provided a common reference point. This is because of the improvements in the document itself, as well as the consultative process through which it was developed. Complementing these donor-government initiatives, steps have been taken to improve the Donor Assistance Database, strengthen the oversight role of the National Assembly and increase citizen participation in decision making. In fact, civil society organisations (CSOs) have recently established their own Aid Management Group as a way to carry out independent monitoring of aid implementation in Vietnam (Graves, 2008). Similar mechanisms have also emerged in a number of other countries, including for example Afghanistan, Cambodia, Ghana, Mozambique, Tanzania and Zambia.

The objective of this report is to develop a better understanding of mutual accountability, its implementation by recipient countries and donors at country level, and the ways in which it links to an improved aid relationship and better development results. Overall aims are to:
- Improve the clarity of the concept of mutual accountability;
- Review and highlight good practice in implementing the Paris Declaration (PD) and Accra Agenda for Action (AAA)'s commitments on MA;
- Review and highlight lessons learned about how this good practice can be used to strengthen management for development results; and
- Enable an exchange of experience amongst key stakeholders on this subject.

This particular study seeks to address the following questions:
- How is MA most usefully understood in aid relationships at the country level, and what are its key political and technical dimensions?
- What are the main mechanisms of MA currently in use at the country level, their key characteristics and modus operandi?
- How do these mechanisms contribute to the achievement of better development results?
- What enabling conditions and critical success factors are necessary to maximise the contribution of mutual accountability arrangements to better development results?

To answer these questions the report draws on in depth case studies of three countries (Vietnam, Rwanda and Mozambique) and a number of telephone interviews with various stakeholders in another 16 countries. It should be noted that interviews and case studies have been used to develop a better understanding and illustrate the use of MA mechanisms. The study does not aim to provide a comprehensive overview of best practice across the field.

2 What is Mutual Accountability?

Accountability can be understood as a process through which people entrusted with responsibilities are kept under check to carry out the tasks assigned to them. It includes (Schedler, 1999):

- An obligation to justify decisions and actions. This part of accountability, also referred to as *answerability*, requires information which can be analysed to monitor and assess performance, and the capacity to do so; and
- Incentives to take appropriate action. This implies a process for penalising poor performance or non-compliance, and rewarding good performance and full compliance. This is also called the *enforceability* component.

Three distinct models of accountability relationships have been identified in recent research (Brown & Jagadananda, 2007 cited in Droop *et al.*, 2008):

Representative accountability has its roots in political theory and is often applied to public sector and inter-governmental agencies which are expected to be democratically accountable to citizens, parliaments and other bodies. Such accountability can be thought of as 'vertical' (through mechanisms such as elections and freedom of information legislation) and 'horizontal' (through mechanisms such as legislative oversight of the executive and judicial checks). The key avenue for sanction is replacement, through democratic channels, of elected leaders.

Principal-agent accountability is the model most commonly applied to corporate entities and also public sector management (cf. WDR 2004 Making Services Work for the Poor). It focuses on the fiduciary responsibilities of agents (e.g. management) and the challenge that faces principals (i.e. shareholders) in establishing appropriate legal and economic incentives. Key tools for compliance are contractual and legal frameworks.

Mutual accountability models deal with compacts that bind members through shared objectives and commitments. These are more collaborative frameworks that are appropriate for understanding partnerships between peers in pursuit of societal objectives (e.g. codes of conduct or voluntary standards). In many cases the final objectives and participants are open-ended and evolving. The model is also relevant to international norms and agreements (e.g. Kyoto Protocol) where legal or democratic avenues of compliance may not exist. In these models, building and maintaining the commitment of stakeholders is as important as enforcing compliance. Sanctions for non-compliance tend to be social, political, reputational and relational. They are enforced by peer networks and are complex and reciprocal rather than binary. They can provide the foundation for the development of more institutionalised legal enforcement mechanisms over time. The WTO is one example of this evolution.

2.1 Mutual Accountability in Aid Relationships

In recent years, there has been an increased interest in mutual accountability as a model for aid relationships. This shift has been a practical response to disappointing results achieved with earlier models of accountability used in delivering aid. In the 1980s and early 1990s, for example, many donors pursued a principal-agent model of accountability for aid. As the principals in the aid relationship, they sought to improve the

development policies and spending behaviour of recipient governments by attaching conditions for reform to the delivery of aid. As such aid was made dependent on the recipient country's fulfilment of its "contractual obligations". Subsequent evaluations showed that this approach of "buying reforms" did not deliver the envisaged results due to incentive problems on both sides. Donors only weakly enforced the conditions of the contract due to pressures on agency staff to disburse funds. Recipient governments only partially implemented agreed reforms because they felt little sense of 'ownership' over them (Collier, 1999).

Mutual accountability in aid relationships is a compact that aims to create a more balanced partnership between donors and recipient governments, through shared values and commitments. The commitment of both recipient and donor stakeholders is largely maintained through positive incentives and a desire to maintain ones reputation. Hard sanctions generally do not exist. Ideally, mutual accountability implies a partnership on equal footing. A truly effective mutual accountability mechanism will counterbalance the often unilateral accountability mechanisms resulting from the power imbalance in aid relationship.[2] Aid recipients are expected to account for their efforts to improve their country systems and policy making and development partners have to account for more and better aid, aligning their support with country-owned policies and relying to the extend possible on countries' own systems and national institutions to deliver aid.

This report is about mutual accountability mechanisms at the country level. However, country level mutual accountability relationships are part of a broader set of accountability relationships, including mutual accountability at the *international* level and *domestic* accountability. International mutual accountability mechanisms have been analyzed in a companion paper (Droop et al, 2008). They are agreed (or developed) at an international level and are uniformly applied to a range of countries. They include (i) mechanisms or indices that provide information about donor and partner performance (e.g. DATA report), (ii) internal mechanisms of peer review for donors and partner countries (e.g. DAC Peer Review and Africa Peer Review mechanism), and (iii) mechanisms that have emerged between donors and partners to oversee the performance of one another (e.g. the Working Party on Aid Effectiveness and Paris Declaration Monitoring Survey). Much less is known so far about the role of domestic accountability mechanisms in aid relationships and their interaction with mutual accountability mechanisms at country and international levels. While not the focus of this paper, domestic accountability mechanisms will be discussed in their relationship with existing mutual accountability mechanisms at the country level, where possible. Where appropriate, references will also be made to mutual accountability mechanisms at international level.

The relevance of mutual accountability in current aid practice has been demonstrated by a number of international and national agreements, where donors and recipient countries have volunteered to pursue their common interest in aid effectiveness and development results in a mutual accountable way. The international agreement with the most explicit recognition of MA is the *Paris Declaration (PD)*. It states that "*a major priority for partner countries and donors is to enhance mutual accountability and transparency in the use of development resources*" (High Level Forum, 2005 page 8).

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[2] As noted in Droop et al (2008), the challenge is not that effective mutual accountability requires equality of stature or power between parties. Rather the problem is that the existing imbalance in aid relationships is reflected in imbalances in the accountability landscape.

This is built on and substantially clarified the notion of mutual accountability as it was found in the Rome Declaration on Harmonisation signed in 2003. MA was also emphasized in the recent Accra Agenda for Action (AAA).

The PD sets out the broad parameters of the accountability relationship in terms of who is accountable, for what and how. This is summarized in table 1. So far, progress in the area of mutual accountability has been measured by the extent to which donors and partner countries "*jointly assess through existing and increasingly objective country level mechanisms mutual progress in implementing agreed commitments on aid effectiveness, including those in the Declaration (indicator 12).*" However, as table 1 shows, the mutual accountability agenda is much broader and also includes other key dimensions, such as for example domestic accountability relationships (Wood *et al.*, 2008). Its success is also largely dependent on progress being made towards the remaining PD commitments.

Table 1: Mutual Accountability in the Paris Declaration

Who is accountable?	For what are they accountable?	How will they be held accountable?
Both donors and recipient countries	Development results. Commitments on aid effectiveness, including the Partnership Commitments. Transparency in the use of development resources.	Mutual review mechanisms To be in place by 2010
Recipient countries	Strengthening as appropriate the parliamentary role in National Development Strategies (NDS) and budgets. Reinforcing participatory processes by involving national stakeholders in NDS formulation and monitoring.	
Donors	Providing timely, transparent and comprehensive information on aid flows so as to (i) enable recipient countries to present comprehensive budget reports to their legislatures and citizens and (ii) justify expenditure to domestic stakeholders (e.g. legislatures, tax payers, CSOs)	

Source: High Level Forum, 2005 'Paris Declaration on Aid Effectiveness'

Despite the guidance of the PD on the meaning of mutual accountability, MA is still very much an *emerging* phenomenon and an agreed upon definition does not yet exist. What is clear however is that MA is not a single system or mechanism but rather a diverse and

dynamic process, a voluntary compact including multiple parties and commitments. Its complexity and diversity is reflected in a working definition proposed in the international study of MA, which was used as a background paper for the 2008 HLF on Aid Effectiveness in Accra. Mutual accountability is there defined as "*a process by which two (or multiple) partners hold on another responsible for the commitments that they have voluntarily made to each other. But it is also more than that. It is a process through which commitment to, and ownership of, shared agendas is created and reinforced by: building trust and understanding, shifting incentives towards results in achievement of shared objectives, embedding common values; deepening responsibilities and strengthening partnership; and openness to external scrutiny for assessing results in relation to goals.*"

Discussions leading up to, and during, the 3rd High Level Forum at Accra have further served as an opportunity to begin forming a consensus on the key dimensions of mutual accountability (HLF, 2008b).

- **Who is accountable**? The PD specifies a seemingly binary set of partners and donors that are being held accountable. However, in reality, a diverse set of actors operate in the development arena. In the recipient country, while the Ministry of Finance often takes the lead role in coordinating external assistance, a number of other governing bodies – including the executive office, sector ministries, line ministries and sub-national tiers of government – interact with donors and/or implement development programmes. Similarly, the donor side represents a range of actors including traditional DAC donors, non-DAC donors,[3] private trusts and foundations, global funds, etc. While the formation of donor groups and harmonisation initiatives have sought to increase the coherency of funders, individual donor-government agreements, missions and evaluations remain prevalent.[4] Partner-donor relations are further complicated by diversity within each agency. There are, for example, significant differences of mandate, scale and operations between the various donors. Differences also exist between the various types of staff, including between headquarters- and field-based staff and generalists (such as economists tasked with PFM) and more thematic specialists (such as specialists in sector and cross-cutting concerns).

- **Accountable to whom**? The primary focus of the PD is on accountability between donors and recipient governments. However, there is general agreement that recipient governments are in the first place accountable to their domestic constituents and elected bodies (such as parliament and local councils representing citizens). Similarly, bilateral donors are accountable to their executive and legislative branches as well as the audit office. Multilaterals and international NGOs are held to account by their governing bodies or boards. These mutual and domestic lines of accountability are closely connected, but at the same time potentially conflicting and prone to creating tension. Research has illustrated that donor demands can skew the focus of governments away from parliaments and CSOs. And while there are increasing opportunities for domestic stakeholders to engage in government-donor accountability mechanisms, "donors often tend to dominate, limiting the space for domestic constituents' voices to be heard." (Williamson et al., 2008). There is agreement that more

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[3] Often referred to as 'development assistance providers outside the DAC'

[4] According to the 2008 Monitoring Survey, a mere 20% of donor missions and 42% of country analytic work were jointly conducted in 2007.

attention should be paid to domestic stakeholders and lines of accountability, such as parliament and CSOs (see figure 1).

–   **Accountable for what**? At country-level, much is still to be decided in terms of what donors and partner countries are separately and reciprocally accountable for in a mutually accountable process. However, the PD makes it clear that donors and recipient countries are accountable for use of development resources and development results. There is a growing consensus that this includes country level agreements on development effectiveness, results and governance issues as well as international commitments already agreed to such as those on aid volumes, gender, environment and human rights.

–   **How**? As agreed in the PD, partners and donors will hold each other accountable by developing mechanisms to assess progress in implementing joint agreements. While the PD and AAA processes themselves are mechanisms at the international level, this report will show that a number of countries are developing compacts of mutual accountability at country and sectoral levels.

Figure 1 – Accountability Relationships at Country Level
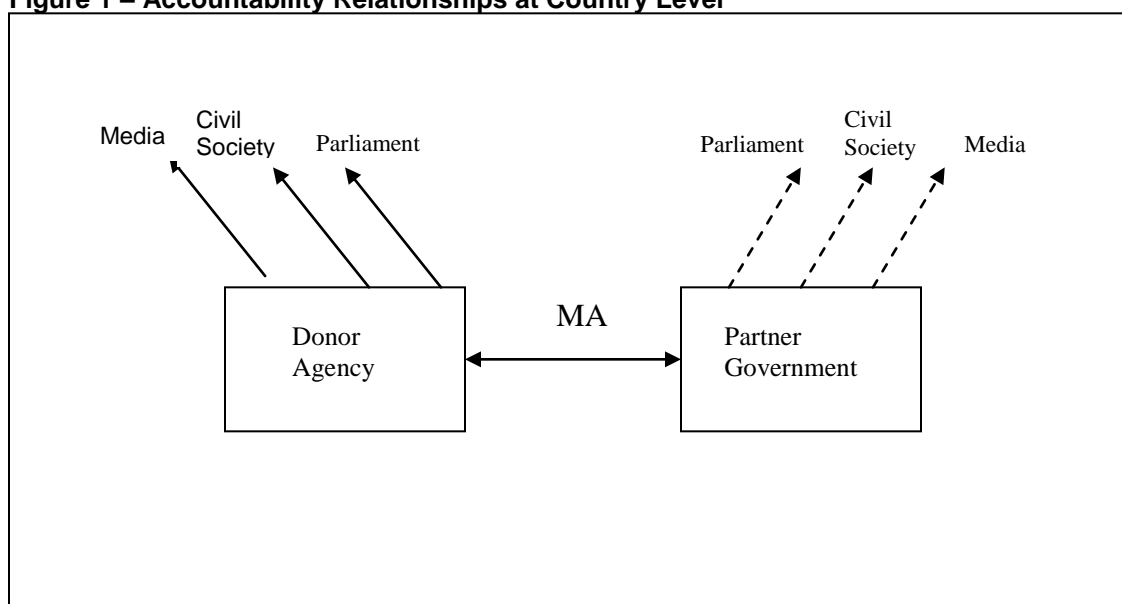
2.2   Core Elements of Mutual Accountability

Mutual accountability is still very much an *emerging* phenomenon. As such there are no examples yet of a fully fledged mutual accountability process. There is however sufficient experience to identify some critical elements. The first element involves generating shared goals and reciprocal commitments on development strategies, results and effectiveness. The second element requires monitoring and reviewing these commitments and actions on both sides. Both interrelated with a third element – debate, dialogue and negotiation. This element involves different spaces and processes that help define the agenda of mutual commitments and that provide incentives to carry out those commitments, and ultimately, to change behaviour. Sustained behavioural change at country level will depend on linking these three elements in an iterative process. The process is a voluntary partnership in which both sides have to work to maintain

commitment, but they may choose to adjust both the nature of responsibilities and the strength of enforcement over time. This process is depicted graphically in Figure 2.

Figure 2: Describing the generic MA process at Country Level
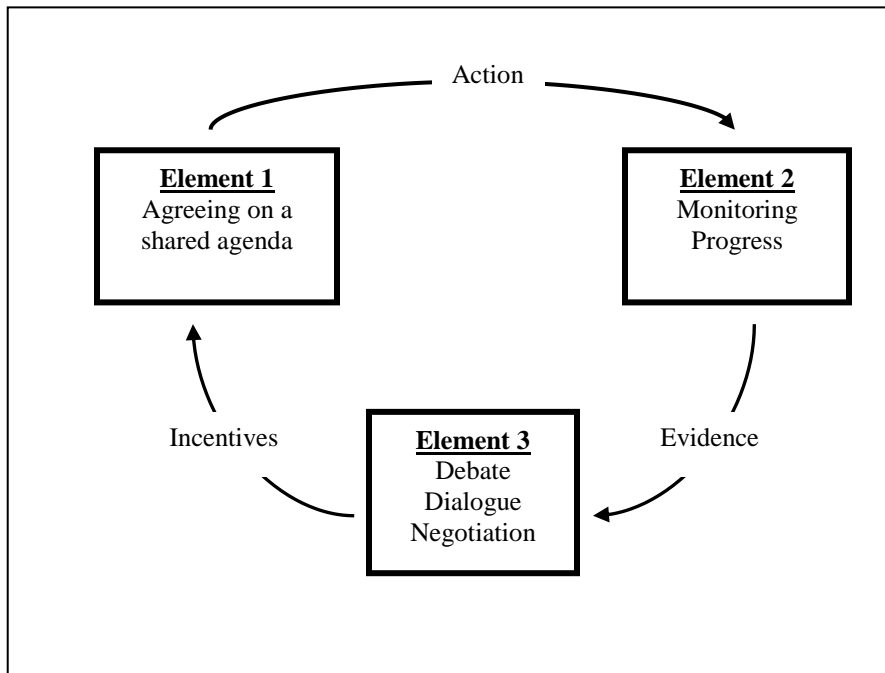
In the following sections (3 to 5), the elements in the MA process will be further explained and illustrated using country examples. Challenges related to these examples and mutual accountability mechanisms in general are discussed in section 6. Section 7 offers some reflections on the impact of mutual accountability on results. The report closes with a set of policy recommendations.

3 Agreeing on a Shared Agenda

Country level mechanisms generating shared objectives and commitments are broad and diverse. Some are fully shared, while others are more driven by either donor or recipient government, but involve a degree of consultation with relevant stakeholders. Shared agendas have been developed at two levels.[5]

- First, partnership approaches have emerged around development strategies and results – i.e. *what* needs to be done to address development problems. This includes national development strategies and sector strategies.
- Second, mutual commitments have been drawn up around aid effectiveness principles i.e. *how* development aid can be delivered. This includes strategies to

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[5] Annex A lists the main mechanisms and structure for generating shared agendas at the national level for each of the 19 countries included in the interviews.

implement and measure ownership, harmonisation, alignment, results and accountability principles in aid management.

Sections 3.1 and 3.2 below explore these two levels in turn.

3.1 Development strategies

3.1.1 National Development Strategies

National Development Strategies (NDS) are formulated by recipient governments, building on their own planning traditions (World Bank, 2005). Most strategies consist of an introductory text explaining country context, national policy priorities, a collection of more detailed sector strategies, and a matrix of policy actions to be undertaken by the government. Typically, a small number of officials in the Ministry of Finance or Planning will lead the drafting process, often with assistance from consultants. Donors, NGOs and other national stakeholders may be asked to comment, but most strategies are not subject to extensive debate by sub-national tiers of government, Parliament or a wider range of stakeholders outside government. Donors tend to signal approval of the NDS either formally (e.g. at a joint donor meeting) or informally (e.g. by signing off drafts by email).

While a number of national development strategies or plans are still undertaken separately from the Poverty Reduction Strategy (PRS), governments in several countries have now generated single national development strategies. For example, Ethiopia, Yemen, Zambia and Vietnam have consolidated parallel medium term strategies into a single development strategy. Such consolidation indicates a substantial increase in country ownership of development strategies, making them much more likely to be implemented and sustained (World Bank, 2007). It also illustrates how domestic and "international" planning processes can be integrated successfully.

The recent World Bank report highlights Uganda as a good example of a country with a '*targeted, balanced, and well sequenced*' development strategy. The 2004 Poverty Eradication Action Plan (PEAP), prepared through a consultative process involving government, parliament, donors and civil society, serves as both the country's PRS and Comprehensive Development Framework by providing "an over-arching framework to guide public action to eradicate poverty". The strategy includes both country-specific development plans and targets that adapt Millennium Development Goals to the country's circumstances and is accompanied by a results and policy matrix that specifies targets for key outcomes (World Bank, 2007).

3.1.2 Programme and Sector Specific Strategies

Partnership approaches have also been developed around specific development programmes or operations. For example, the memorandum of understanding (MoU) between the government of Mozambique and its 19 Program Aid Partners (PAPs) has been a primary tool to set out a shared agenda around three principles: (i) a commitment to sound macro-economic policies; (ii) a commitment to poverty reduction and (iii) a commitment to peace and to promoting free, credible and democratic processes, independence of the judiciary, rule of law.

Shared agendas have also emerged at the sector level. The HIV/AIDS Sector Wide Approach in Malawi, which is supported by both pooled and parallel financing arrangements, is based upon a unified framework for action (OECD, 2008b). Tanzania's health sector strategic plan, which reflects the health priorities of each district, provides a strategy for both "basket donors" and donors supporting individual projects to align with (HLF, 2008c). In Mozambique's education sector a fairly strong consensus was reached between government and donors regarding key education policy priorities, which has allowed the sector to establish a clear strategic plan with buy-in from participating donors. The second Strategic Plan for Education and Culture (PEEC) for the period 2006 – 2010/11 was approved by the Council of Ministers in June 2006 and endorsed by donors as a sound plan for meeting the MDGs.

In the context of development programs, shared agendas and strategies are also beginning to emerge around sensitive development issues such as governance. There has been some experimentation with different ways of treating political governance conditions. In some countries, they are articulated as part of the national development strategy, the performance assessment framework, or a separate governance matrix. Alternative approaches include MoUs between governments and donors on underlying principles for the aid relationship and the treatment of concerns through a separate dialogue process led by diplomatic rather than donor agency staff (Driscoll et al, 2005). Rwanda is attempting to agree to a more transparent and country-led agenda on political governance with donors through its Joint Governance Assessment. See Box 1.

Box 1: Rwanda Joint Governance Assessment

Donors in Rwanda have consistently raised concerns about internal domestic accountability, partly because they regard it as integral to achieving the goals of Economic Development and Poverty Reduction Strategy and also because of political pressure from inside donor countries. Governance conditions are integral to bilateral aid agreements and can directly impact on aid disbursements and commitments. Rwanda's top political leadership is being challenged on human rights, `political space` including independence of the media, and concerns around corporate governance. The government wants to agree with donors a more transparent and shared assessment of the political governance situation in the country.

In 2007, the government agreed to a Joint Governance Assessment (JGA) in the interest of enhancing partnership and dialogue. The goal of the assessment is to build consensus around Rwanda's governance programme, develop objective indicators to track progress and help develop strategies to address challenges. In going down this path the government is holding itself to account, and seeking to hold donor partners to account for harmonising positions and deferring to third party expert assessment.

The JGA was carried out by independent consultants under the leadership of a steering committee comprising government and donor partners, co-chaired by the Minister for Local Administration, Good Governance, Community Development and Social Affairs, and the World Bank Country representative. A first draft was discussed at the March 2008 development partners' retreat. At first these discussions proved difficult, but open and frank in nature. Having embarked on the process, both sides of the partnership have a strong interest in bringing the assessment to a satisfactory conclusion. The assessment was presented to cabinet with a detailed action plan in fall 2008.

Source: Highton (2008)

3.1.3 Developing a "shared" agenda

Arriving at an agreed and prioritised set of goals and strategies is a complex political and technical undertaking. And among the most sensitive policy issues associated with the shared goals are the means by which such goals are established. The PD sets out that a nation's development strategies should be driven and owned by the country itself. A developing country may choose to seek advice and technical inputs from donor agencies (and many countries often do), but it is important that it belongs to the country concerned. However, a donor country *does* have a legitimate right to decide whether to align its support to such a strategy. Donors may feel unable to fully align to some strategies for a variety of reasons, for example if they are not poverty focused enough or don't fit with the donors own objectives and tax payer concerns. Under these circumstances some donors may choose to propose activities that are outside of, or of lower priority in, country development plans. Under these circumstances, there is a legitimate discussion to be had between recipient and donor regarding how to ensure that donor funds will be used most effectively – and, in this context, recipient countries may adjust their plans.

For these reasons the formulation of a national or sectoral strategy often involves a degree of negotiation between donors and government. This arises from donors disagreeing with the government about aspects of either the policy content and/or the formulation process. Interviews for this study indicate that donors tend to emphasise a participatory process including NGOs and other national stakeholders, whereas some governments attach less value to consultations with these groups. Some donors also tend to disagree with governments in certain areas of policy, putting greater emphasis on poverty reduction and the MDGs, for instance, than on industrial development and large scale infrastructure.

The result of the negotiation is often a compromise document and process, which may be more or less representative of the government's preferred approach. Over the years however, a number of developing countries have managed to deepen their relationships with donors (and national stakeholders) in a way that has been conducive to the formulation of a shared development agenda. In Vietnam, early investment in trust-building during the first generation PRS in 1999-2002 led to a successively deeper relationship between donors and recipient country (see box 2), based on country strategies that are fully driven by a government that is confident enough to seek advice from its donor partners.

Box 2: Vietnam's SEDP

The Government of Vietnam's (GoV) main planning document, the Socio-Economic Development Plan (SEDP) is the primary planning document guiding donors. This builds upon the successful experience of the first PRS – the "Comprehensive Poverty reduction and Growth Strategy" (CPRGF) of 2001. The CPRGS sought to extend consultation and debate beyond traditional processes and focus on development objectives rather than inputs and targets. However, as a first effort it had the weaknesses of being perceived by government officials as somewhat outside the mainstream of government planning. The SEDP (2006-2010) seeks to remedy this.

Prior to the development of the SEDP a directive was issued by the Prime Minister stating that the next SEDP would be prepared according to a number of principles, aiming to improve the preparation process:
- Internal consultations that had guided previous planning processes were complemented by broader consultation with academics, the business sector, international and national NGOs (beyond Party organisations), people living with disabilities, overseas Vietnamese and donors;
- A series of participatory research exercises were conducted involving international NGOs and local experts which assisted in gathering feedback from poor communities in seventeen sites; and
- The draft SEDP was declassified and discussed by the National Assembly prior to consideration by the Party Congress.

Significant improvements are evident in the content and focus of the SEDP 2006-2010. There is a much more comprehensive analysis of poverty including consideration of disadvantaged groups and regions, increasing inequality, and the issue of social inclusion. Links are clearer between the overall goals of the SEDP and specific policy objectives. Each of these objectives is then linked to input/activity, output and outcome indicators creating a 'results chain' which has the potential to strengthen monitoring and which provides donors with an opportunity to strengthen alignment through relating their own indicators and targets to those used by the government.

Source: Graves, 2008

A further measure of the degree to which a development agenda is shared is the extent to which ownership of national development strategies extends beyond a narrow group of government officials to include a wide range of domestic stakeholders. The importance of working closely with parliaments and civil society was explicitly stated in the Accra Agenda for Action and yet the role of these actors remains limited. In part, this lack of input reflects the newness of democracy in some countries, in which civil society capacity is weak and their role as advocates and accountability mechanisms often questioned. However, even where civil society and parliament are pushing for greater input, they are often excluded from important decisions or limited to a 'rubber stamp' role (Eurodad, 2008).

More encouragingly, a number of governments have taken steps to ensure that there is widespread understanding and ownership of development policies. For example, in Armenia and Ethiopia public discussions, seminars and workshops were organised to raise awareness about the medium term strategy (World Bank, 2007). And in Uganda, a popularised version of the Poverty Eradication Action Plan has been circulated and translated into five local languages. The government has also prepared documents to help familiarise the public with the budget process (The Republic of Uganda, 2008). Furthermore, there are signs that domestic stakeholder involvement in *developing* strategies is increasing. In Tanzania, parliament participated in the preparation of both

short and long-term development strategies (Vision 2025, MKUKUTA and MKUZA).[6] Similarly, the planning process behind Vietnam's SEDP 2006-2010, as discussed in the box above, included consultation with academics, the business sector, NGOs and people living with disabilities. An early draft of the SEDP was also declassified so as to allow for discussion by the National Assembly prior to consideration by the Party Congress (Graves, 2008).

However, civil society and parliamentary engagement often remains restricted to certain strategies and forums. For example, while Mozambique's latest PRSP was developed in a broad-based and consultative manner that included multiple opportunities for civil society participation, it was not submitted to the National Assembly for discussion. In contrast, the Government Five-Year Programme is discussed by the legislature. Similar inconsistencies are present in the review processes. While there is some indication that these dual strategy processes will soon merge, at present they lead to diverging lines of accountability – one to donors and one to the domestic legislature (Handley, 2008).

3.2   Aid effectiveness agreements

As highlighted above, the involvement of donors in the generation of development strategies (NDS or sector strategies) is now a broadly accepted way to build agreement on a shared agenda around development results. Donors and recipient countries have also developed a range of agreements and strategies to increase the effectiveness of aid at the country level. Although the content and degree of "mutuality" of these agreements varies considerably and is highly country specific, they can be categorised in four main groups: Aid Policies, Harmonisation and Alignment Action Plans (HAAP) and Joint Assistance Strategies (JAS); as well as donor and sector specific agreements.

3.2.1   Aid policies

Aid policies provide an overarching framework for aid effectiveness strategies and priorities. They are usually developed by governments, often with assistance from international consultants, and then formally or informally agreed to by donors. A notable exception is Uganda's Partnership Principles which were jointly developed by donors and the government.

The content typically includes contextual information on challenges for development and the aid partnership in the country, including an assessment of the effectiveness of aid flows. The Rwandan aid policy for example reflects the government's concern that during the implementation of Rwanda's first Poverty Reduction Strategy foreign aid had not been provided in ways that enhanced national ownership (Highton, 2008).

Aid policies typically set out a number of actions to be undertaken by donors as well as commitments by government related to aid management. For example, both Cambodia's Strategic Framework for Development Cooperation and Rwanda's Aid Policy detail the roles and responsibilities of various government institutions when interacting with donors and discusses the need for donors and ministries to avoid agreements that are not coordinated with the government's established donor engagement structure.

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[6] Ministry of Finance and Economic Affairs – Tanzania (2008). Roundtable 5, Mutual Accountability, Accra HLF.

Requested commitments from donors in aid policies usually broadly match those of the Paris Declaration, with some adaptation to country context. Preferences are expressed about modalities (e.g. budget support, grants, project management units), aligning with national policies and systems, providing technical assistance in ways that increase government capacity, reducing reporting demands, and providing more transparent and predictable aid that is on the national budget. Requests to donors are often accompanied by an explanation of why they are made. The extent to which they are presented as negotiable varies. Second-best preferences are often listed.

Two examples of aid policies are:
- The Aid Policy and Strategy for Zambia. The formation of an Aid Policy in Zambia was one of the action points agreed to by the signing of the Wider Harmonisation in Practice MoU in 2004. Several Aid Policy drafts were produced and circulated amongst key stakeholders, including government departments, donor agencies, private sector, NGOs and academia. The policy, adopted by the Ministry of Finance and National Planning in 2007, aims "*to ensure that Zambia has a clear, systematic, and well co-ordinated approach for soliciting and managing aid.*" In addition to listing a number of reforms that the Government intends to undertake, the Aid Policy calls upon donors to "*optimise ODA flows to the country*" by, for example, ensuring that TA is demand-driven and integrated into the Government's comprehensive national capacity building strategies. It also encourages donors to move towards budget support and multi-year funding commitments. The document includes a plan to develop an Action Plan for Aid Management in order to provide a "*set of actions and implementation modalities for effective aid management*" and to ensure that the Aid Policy is taken forward (Government of the Republic of Zambia, 2007).

- Vietnam's Hanoi Core Statement (HCS) on aid effectiveness. Within a few months of the signing of the Paris Declaration in 2005, Vietnam and its development partners adopted the HCS, setting out 28 partnership commitments and 14 targets to be achieved by 2010. Apart from the Paris principles, the HCS includes other commitments such as for example decentralisation of authority to be maximised by each donor and a commitment that the government will improve social impact analysis. Since the adoption of the HCS, Vietnam and its development partners have launched an impressive number of initiatives to strengthen their development partnership. The HCS has set a target to have 75% of aid delivered in the form of programme-based approaches and since it was adopted, new aid modalities of targeted budget support, have been trialled in a number of sectors including education, infrastructure, and rural water and sanitation (Cox *et al.*, 2007). The objectives of the HCS have been further endorsed in the Strategic Framework for Official Development Assistance Mobilisation and Utilisation 2006-2010. This document sets out the strategies and measures through which Official Development Assistance (ODA) can contribute to the implementation of Vietnam's national development strategy (SEDP 2006-2010). A clear preference for donor co-financing, budget support and programme-based approaches is expressed, as is the GoV's interest in the harmonisation of donor procedures and donor alignment to Government systems. The HCS and the Strategic Framework, along with their associated circulars, represent a complete set of government policies on ODA management and utilisation (Graves, 2008).

3.2.2 Harmonisation and Alignment Action Plans (HAAPs)

Harmonisation and Alignment Action Plans (HAAP) were developed in a number of countries following the Rome Declaration on Harmonisation in 2003. The formulation process is similar to that for aid policies, with government leadership and consultant support; however, donors generally play a much more active role. HAAPs are more action-oriented than aid policies and typically consist of a matrix of agreed policy objectives, policy actions assigned to government and donors, as well as targets and performance indicators. For example:

- The Bangladesh Harmonisation Action Plan, agreed to by both government and donors, sets time-bound actions ranging from drafting and implementing a PRSP with full consultation from civil society and donors to establishing concrete ways and commitments to reduce the number of donor missions. The HAAP also contains an annex that relates Rome Declaration commitments to Bangladesh as well as an annex that reviews past progress towards alignment and harmonisation.

- Zambia's Wider Harmonisation in Practice MoU includes a three page action matrix with success indicators, time frame and persons responsible for a number of agreed objectives. These objectives broadly fall under four categories: programming (e.g. formulating a division of labour matrix and developing an aid policy); funding mechanisms (e.g. increased use of SWAps); human resources (e.g. establish demand-driven TA); and 'housekeeping' (e.g. respecting mission free periods). For a few of these commitments, success indicators go as far as to establish numeric targets. For example, one objective is to increase the number of 'silent partnerships' to 25 by March 2005.

There is some variety in the extent to which HAAPs both mirror the PD commitments on aid effectiveness, and to which they represent operational documents with a clear 'results chain'. Some – such as the Ghana Harmonisation Action Plan and the Mali Plan National d'Actions sur l'Efficacité de l'Aide au Développement – closely follow the structure of the Paris Declaration, listing localised objectives for each of the five principles. Others – such as the Moldova Coordination and Harmonisation Development Partnership Framework and the Zambia Wider Harmonisation in Practice MoU for example – follow different formats, although the types of objectives discussed are still closely in line with the PD. HAAPs also differ in the extent to which they establish quantifiable targets. Here, the Cambodia HAAP is a good practice example, including localised targets for each of the 12 PD indicators. Not all HAAPs set targets or include indicators that are measurable.

3.2.3 Joint Assistance Strategies (JASs)

Joint Assistance Strategies (JAS) are the most operational of the aid effectiveness agreements and have been developed in only a few countries since the PD was endorsed in 2005. They replace individual donor country strategies and build upon existing aid policies and HAAPs by setting out a medium-term (4-5 year) framework of actions to be taken by donors. They outline how donors intend to align and harmonise their practices and aid flows with the government's development strategy. JASs are lengthy documents. Each is unique but the typical structure entails a detailed analysis of country context; summary of the NDS/PRS; description of the donor approach to supporting it and their priority objectives and actions; risk analysis; monitoring framework; and a description of next steps to be taken.

The formulation process has typically been led by donors in consultation with the government and sometimes with NGOs. The Ghana JAS, which builds upon the Ghana Partnership Strategy, was signed by the majority of Ghana's donors in 2007 (representing approximately 95% of ODA) as a way to increase alignment and harmonisation with the Ghana PRSP (GPRS II). The principles and commitments identified in the JAS, which are drawn from the Ghana HAP, are intended to – amongst other things – improve stakeholder dialogue, better align resource allocations with the PRSP, increase the use of common arrangements, strengthen and make greater use of country systems, and rationalise the division of labour. Similar JASs were signed by a number of donors in Uganda[7] in 2005 and Zambia[8] in 2007. The 2006 Joint Assistance Strategy for Tanzania (which was later followed up with a JAST Action Plan and Monitoring Framework) differs from most JASs in that it was written by the government, though in close consultation with donors and non-state actors. As such, the accompanying MoU is signed by both government and participating donors.

3.2.4   Donor and sector specific aid effectiveness agreements

In addition to national agreements, shared agendas related to aid effectiveness have emerged around specific groups of actors. For example, in Zambia, aid effectiveness targets were agreed between the government and nine donors as part of the general budget support programme. Similarly, the EC MDG contracts, which will be rolled out in the next round (2008-2013), are expected to further enhance aid effectiveness principles and agreements by increasing the long term predictability of aid and focusing on development results (EC, 2007).

Shared agreements in aid effectiveness have also emerged at the sectoral level through Partnership Agreements, Partnership Declarations and Memorandums of Under-standing. In Bangladesh, donors participating in the health sector wide approach have signed a partnership agreement, which includes commitments on harmonisation among donors and alignment with sector policies established by the Ministry of Health. In Cambodia, the government and donors have signed Partnership Principle Agreements in a number of sectors and programmes, including Agriculture and Water, Poverty Reduction and Growth Operations, Private Sector Development, and Public Financial Management Reform. In Ethiopia, donors supporting the third phase of the national Health Sector Development Program (2006-10) signed a harmonisation Memorandum of Understanding in September 2006; a Health Harmonisation Manual and a Code of Conduct to Promote Harmonisation serve to further promote progress in the areas of harmonisation and alignment (OECD, 2008c; Hlsp Institute, 2006). And in Uganda, support for the Local Government Sector Investment Plan was indicated by the government and the Decentralisation Development Partners Group signing a MoU, which, amongst other things, encourages government leadership, donor harmonisation, and improved information on aid flows.

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[7] The Republic of Uganda Joint Assistance Strategy, inspired by the country's Partnership Principles, was designed by donors in response to the governments' Poverty Eradication Action Plan. Its three key principles are to: support the implementation of the PEAP; collaborate more effectively amongst themselves and with the government; and focus on results and outcomes.

[8] The Joint Assistance Strategy for Zambia, which builds in part on the Wider Harmonisation in Practice MoU and Zambia's Aid Policy, was established with the objective to, amongst other things: create a shared donor vision to support the PRSP; articulate donor priorities in supporting the PRSP; improve donor division of labour; simplify aid management; and improve aid predictability. To facilitate this, challenges and intended responses are identified for each of the donor PRSP priorities.

3.2.5   Developing a "shared" agenda

With the exception of aid policies, donors have led or actively participated in the process of formulating aid effectiveness agreements, in consultation with the government. In most instances, this approach has been endorsed by recipient governments because of capacity constraints and transactions costs inherent in negotiations with donors. Active policy entrepreneurship by individuals in well-resourced and highly motivated donor agencies appears to be useful in exercising peer pressure on donors at the start of a process, however they are not always able to resolve the issues that arise when strategies become operational. For example, donor agencies leading JAS formulation processes in Zambia and Uganda had great difficulty settling division of labour disputes between donors in the absence of a strong government steer on the issue (COWI, 2005).

The process of generating shared agreements on aid effectiveness has typically been characterised by active efforts to build consensus both between and within players on each side of the aid relationship. For example, in Zambia efforts were taken to include all major donors, including those who have legal, technical and political problems with the alignment agenda, in the formulation of the Joint Assistance Strategy. This resulted in a broad consensus and approval from all major donors and the Cabinet (Fraser, 2009). In Rwanda, the aid policy was produced through a five stage process that began with a government-led consultation to collect comments on a first draft. This was followed by workshops to discuss the draft with line ministries and donor representatives. A revised draft was then circulated to both with explanation of why significant comments had been accepted or rejected. A second round of consultations then took place about arrangements for aid management inside government before the policy was submitted to Cabinet for approval (Killick, 2008).

Efforts to build consensus appear to have worked well in most cases in generating broad ownership for aid effectiveness agreements and in building relationships of trust between key players within each side. However, at the same time, evidence also shows that at times broad consultations with a wide range of players have made it very difficult to come to an agreement. And, in order to reach an agreement, compromises often have to be made. While such compromise can help bring all stakeholders on board, concerns were raised by some interviewees about the quality and substance of resulting agreements.

The role of national stakeholders and civil society in the formulation of aid effectiveness agreements has been limited --- perhaps even more so since in the case of PRSs there is a strong donor push for a consultative process. While there are some examples of civil society consultation (particularly with Joint Assistance Strategies), the formulation of these agreements remain very much donor-government driven. In addition, civil society and parliamentary awareness about major international agreements on aid effectiveness seems limited. The recent Eurodad (2008) report found, for example, that "The majority of CSOs interviewed had little knowledge about the Paris Declaration." To help rectify this, in a number of countries – including Vietnam and Tanzania - the PD was translated into local languages. While a useful first step, strengthening the role of parliamentarians and CSOs requires, not only increasing their knowledge, but also increasing their role and capacity to engage with development processes and decision making (Murphy, 2008).

4 Monitoring Mechanisms

This section of the report describes the second element in the MA process, i.e. the monitoring of progress in implementing shared agendas. A number of tools have been developed to provide a results-based framework for accountability between donors and recipient governments. Progress reports and surveys, Performance Assessment Frameworks and Aid Databases are all instruments used to measure progress in aid effectiveness and development outcomes.

4.1   Joint monitoring: progress reports and surveys

The results focus of the MDG/PRS approaches has dramatically increased efforts by government and donors to measure *development results*. In many countries Annual Progress Reports have provided a monitoring framework for PRSPs. As a result, countries have strengthened the capacity of statistical and other institutional capacities needed for generating better development data. They have also planned more systematic and comprehensive surveys and analysis. For example, progress in relation to poverty reduction is now more consistently measured through strengthened poverty monitoring systems and surveys carried out by central statistics agencies.

Monitoring and review efforts of development progress come in many forms. Uganda has complemented household surveys with a Participatory Poverty Assessment Programme, which provides a qualitative assessment of poverty, and a National Service Delivery Survey on client satisfaction with services. In Malawi, the Joint Country Program Review (JCPR) is an annual assessment of the country's development programme in key sectors over the previous year, focusing on both government and donor performance and making recommendations for future implementation.

Development results are also monitored at the sector level. For example, in Yemen progress towards the implementation of the Basic Education Development Strategy has been reviewed on a yearly basis ever since the country joined the Fast Track Initiative. During the first few reviews, progress was largely assessed by consultants. However, more recently, the Ministry or Education has taken a leading role in the assessments and drafting process. The findings – including both successes and failures – are discussed during a three day workshop. In Morocco progress in implementing a five-year health care strategy is monitored annually, with reports providing an overview of performance indicators by region and province publicly available on the Ministry of Health's website (OECD-DAC JV MfDR, 2008).

While these different types of data collection have been useful, they tend to be somewhat irregular and unable to sufficiently provide data on the entire results chain. Most joint monitoring efforts have focused on outcomes – as in Tanzania and Uganda – or on inputs and outputs – as in Albania, Mali and Rwanda (Wilhelm et al., 2007). Because of this lack of more detailed information on results chains, the frameworks are difficult to use to trace links between government spending and outcomes. This reduces their usefulness as a tool for improving future performance.

Frameworks or mechanisms to mutually assess progress in implementing agreed commitments on *aid effectiveness* have also become more common, although progress

has been slow. The 2008 PD monitoring survey shows that only 24 percent of countries had such mechanisms in place. Monitoring progress of aid effectiveness agreements poses particular challenges at the country level which will be discussed in more detail in section 5. This is partly because many agreements remain at the level of general principles and have yet to be developed into fully operational frameworks with time-bound and measurable performance targets and indicator and comprehensive results chain. Efforts are also being made to focus current frameworks on individual, rather than aggregate donor agency performance. This should make it easier to address the performance of agencies that are consistently missing key targets of aid effectiveness at country level. Efforts to introduce disaggregated performance targets and indicators for donors are underway in a number of countries including Mozambique, Rwanda and Vietnam (Graves, 2008; Handley, 2008; Highton, 2008). In addition, in Ghana, a peer review of donor performance in the health sector was observed, with representatives from government and civil society actively participating. However, in most sectors and in most partner countries, donor performance is not yet assessed at the sector level.

Box 3: Monitoring the Hanoi Core Statement (HCS) on Aid Effectiveness

The Partnership Group on Aid Effectiveness (PGAE), co-chaired by the Ministry of Planning and Investment and a rotating donor representative, steers the monitoring and review of progress against Hanoi Core Statement (HCS) commitments. Joint donor-GoV ad-hoc thematic groups, which report to the PGAE, have also been established to enable more focused work on priority issues. Significant investment has been made in a number of monitoring tools:

- Surveys: An initial baseline survey of donors and relevant GoV was carried out in 2005 and will be repeated on an annual basis. The 2006 and 2008 surveys also provided the information for the OECD-DAC Paris Declaration survey returns.
- Progress reports: the PGAE prepares reports on progress of the HCS implementation. These reports, together with reports of other partnership groups are provided for discussion at each annual and mid-term CG. They are also publicly available.
- Reviews: A mid-term review of progress against the HCS indicators is scheduled for 2008 and a final review for 2010.
- Independent monitoring: The PGAE agreed to an independent monitoring process for the HCS to support the mutual accountability of GoV and donors. The first mission was conducted in late 2007. Independent monitoring is now planned on an annual basis with different themes and focus areas each year.
- Development Assistance Database (DAD): The DAD is a web-based system for ODA management and intended to replace surveys in future. There has been significant investment in updating and validating ODA data for the database.

This comprehensive monitoring process provides significant opportunity for assessment against the shared agenda of the HCS. It also ensures information is publicly available and used as basis for identifying priorities for future action. Further efforts will need to be focused on increasing the confidence in the data both available in the DAD and obtained through the surveys. The government is also keen to disaggregate information about individual donor agency performance, but some donor agencies are resistant to this idea.

Source: Graves (2008)

In some countries monitoring efforts have also been further strengthened by the introduction of *independent monitoring mechanisms*. These external and independent groups regularly review donor and government progress towards greater aid and

development effectiveness. For example, the Tanzania Independent Monitoring Group (IMG), jointly appointed by government and donors, conducts biennial reviews of donor and government progress against their various commitments. These mechanisms are further discussed in section 5.1.

4.2   Performance assessment frameworks

Performance Assessment Frameworks (PAFs) are monitoring instruments that set out clear indicators and a fully integrated results chain to monitor development and reform progress. Generally, PAFs are used to measure progress in national development strategies or budget support programs. However, they have also been introduced to monitor aid effectiveness commitments and obligations. Many of the PAFs act as a focal point for policy dialogue.

A. Monitoring development progress

Performance Assessment Frameworks provide a set of monitorable indicators, often drawn from existing commitments in the national development strategy. They are generally used by governments and donors to jointly assess progress and determine future commitments (though disbursements generally remain subject to individual donor decisions). Two illustrative examples are:

- Zambia's PAF is the core performance assessment mechanism for the government and its nine Budget Support partners. It contains 31 government targets, ranging from reforming Public Financial Management by developing a public service pay policy to improving social sectors by increasing the percent of immunised infants. All indicators are derived from Zambia's Fifth National Development Plan (i.e. its PRSP). For each indicator, required actions are detailed and yearly targets established.
- Vietnam's Monitoring and Evaluation Framework for its PRS includes an explicit results chain. It sets out data collection and reporting responsibilities for a wide range of ministries and agencies. Objectives are linked to input, output and outcome indicators. Figure 3 illustrates the results chain of one of the objectives related to education.

Figure 3: Example of results chain SEDP 2006-2010

Objective	Activity/Input	Indicators/Targets	
		Output	**Outcome/Impact**
2.1.2 Improve quality of education	Update school curriculum and teaching methods	Proportion of students with access to text books based on updated curriculum and teaching methods	Completion rate by school level % of teachers meeting the national & regional standards
		Student/teacher ratios	Number of practicing hours/Number of hours in class

Source: MPI, 2007

B. Monitoring aid effectiveness

In a few countries, the PAF includes indicators to measure donor performance as well. For instance, the latest version of the Zambia PAF contains three indicators of donor

progress on aid effectiveness. One relates to the proportion of aid given as budget support and the other two relate to the predictability of this support. In Mozambique and Rwanda separate PAFs has been developed focussing exclusively on the responsibilities of GBS donors around aid effectiveness. See box 4.

Box 4: Mozambique's Donor PAF

Mozambique has a separate Performance Assessment Framework for GBS donors, in addition to the one used by donors to assess government performance in implementing its NDS. Each donor is given an individual score for its performance against a set of aid effectiveness criteria including transparency and predictability of aid flows. Targets and indicators are used to produce an overall ranking of individual agency performance that is published at the annual Joint Review meeting of donors and government.

The PAF was developed by a group of 'like-minded' GBS donors to measure progress in implementing the PD at country level, and government involvement has so far been minimal. This is partly because it is produced at a time when the government is busy preparing to report on its own performance for the Joint Review, but also because it is used mainly as a peer review mechanism amongst the GBS donors. Donor country offices in Mozambique use it to negotiate with their headquarters to limit the number of missions and shape the composition of their portfolios. Some also use it as an internal management tool to frame discussions about the balance and coherence of their country portfolio.

The 'naming and shaming' of donors that perform less well on aid effectiveness has incentivised most donors to take action to improve, but some have found it hard to meet the targets. This is partly due to the fact that in some agencies key decisions are determined at headquarters rather than country level. Others question the fairness of the scoring system. One of the limitations of the current PAF is that it does not disaggregate individual donor scores by target, making it difficult to pinpoint specific areas for improvement by each donor agency. More significantly, it excludes major donors that deliver aid in the form of projects.

Source: Handley (2008)

4.3   Aid databases

In a number of developing countries aid databases have been established to collect regular and transparent data on aid flows. They have been developed in a variety of forms at the initiative of both donors and recipient governments. The databases aim to mitigate problems recipient governments have been facing in trying to obtain timely data on size and modalities of aid.[9] Successful databases appear to have the following features:
-   Information is timely and comprehensive.
-   Both government and donors have confidence in the accuracy of the recorded data.
-   The database includes all funding – i.e. all donors participate and they enter in information on off-budget funding, including to NGOs.
-   The database is (or becomes if initially developed by donors) government owned.

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[9] According to the 2008 Monitoring Survey, on average only 48% of aid flows are recorded in country's budget (an improvement from 42% in 2005). Lack of budget realisms arises in part from "poor reporting of disbursement intentions by donors and limited information capture by budget authorities".

The Development Assistance Database for Afghanistan records over 90 percent of aid coming into Afghanistan and makes data about donor pledges and disbursements publicly available. The Cambodian Database provides information on current and future ODA disbursements, technical cooperation and Paris Declaration indicators. It has significantly increased the transparency and predictability of aid. Box 5 describes the development of a particularly successful database in Mozambique.

Box 5: ODAMoz Aid Database

Mozambique's external assistance database, ODAMOZ, was initially developed in response to requests from the Government of Mozambique for more consistent and timely information on aid flows and with a view to reducing the burden of multiple data requests on donor staff time. Initially lead by the EC and involving only EU member states, by 2006 ODAMOZ included all GBS donors, USAID, Japan and the UN agencies. ODAMOZ now contains a wealth of publicly available data which is available via a website (www.odamoz.org.mz) and has proved to be an important basis for donor harmonisation and coordination, for example by facilitating common country analysis. Data compilation is conducted through nominated focal points in each participating donor country office, and relies on their goodwill and diligence for its quality and timeliness. The system is relatively easy to use and accessible and most donor agencies have made concerted efforts to enter data, although some agencies are better than others, and sanctions for poor or late submissions are limited to 'naming and shaming'. As a result, while much of the data for individual projects is reliable, the accuracy of aggregate figures in ODAMOZ can be further improved.

Overall, however, the ODAMOZ database has delivered clear benefits in terms of donor coordination, transparency and information sharing and has rightly been identified as a model of good practice which other countries could learn from (Nicaragua is presently developing its own ODAnic database for example). There is also evidence that ODAMOZ has helped to strengthen key domestic accountability documents. The Ministry of Finance has started to use ODAMOZ as a means of cross checking data on project budgets and expenditures submitted by ministries, departments and agencies, thereby improving the accuracy of data on externally financed projects in the State Budget and annual accounts. However, there are some functions that ODAMOZ neither can nor should perform. In particular, it does not provide timely data on project execution and, as a result, the Ministry of Finance cannot use ODAMOZ as a basis for the compilation of quarterly Budget Execution Reports (REOs). Moreover, even if ODAMOZ were to be updated on a more regular basis, it should not substitute for a financial reporting system that respects official lines of financial accountability by feeding data from individual projects up through their respective budget holders to the Ministry of Finance and National Assembly. Donors should therefore continue to provide information in this way too (and the Ministry of Finance should provide clearer guidance on how to do so).

Source: Handley (2008)

While the development of country-specific databases is an encouraging step, these databases often remain incomplete. Furthermore, each donor tends to have its own system for recording aid flow information which is determined by domestic accountability requirements in the donor country. Efforts are being made to address some of the technical and motivational challenges related to the databases. However, reconciling individual reporting formats into a single template that is integrated with the national budget process has presented some IT challenges. Once systems are up and running, their usefulness frequently depends on individual donor willingness to regularly spend time inputting information. In a number of countries, governments still have to develop procedures to objectively verify the information given.

4.4   The role of domestic stakeholders in monitoring

In addition to their more traditional role as service providers, civil society organisations are increasingly taking on the position of advocates, providers of information and watch dogs. In so doing, they have the potential to significantly enhance both domestic and mutual accountability.

In a number of countries, including Tanzania and Madagascar, CSOs participate in workshops to review progress in implementing the PRS. Furthermore, findings from government/donor monitoring mechanisms are increasingly utilised with domestic stakeholders. For example, the parliaments of Rwanda and Mozambique both use budget support reviews as a source of information for assessing government performance in NDS implementation. And in Tanzania poverty monitoring systems now produce briefs for both the Cabinet and Parliament (Wilhelm and Krause, 2007). A survey of experience in 14 African countries similarly found that Annual Progress Reviews are increasingly shared with the media and other national stakeholders, including parliaments (SPA, 2008).

Civil society is also becoming more involved in monitoring aid effectiveness and development outside donor-government forums. For example, in Afghanistan, the local umbrella NGO ACBAR conducted an independent review of donor performance and aid effectiveness (OECD, 2008c). Similarly, in Cambodia, the NGO Forum organised a "CSO Forum on Aid" event to which donors were invited to attend in order to account to for their aid programmes (Eurodad, 2008). Civil society is also increasingly holding government to account for its performance. For example, civil society has been tracking (and reporting on) budget activity in Malawi since 2001 (Eurodad, 2008). In Tanzania, according to interviews, media and parliament both played a critical role in bringing a recent banking scandal to national attention (leading to resignation of a number of government officials).

However, despite these successes, civil society and parliamentary ability to monitoring government and donors remains limited, in part due to capacity constraints, restrictions to civil freedoms, lack of information and transparency, and restricted participation and influence in government-donor mechanisms. In some countries, for example, budgets are presented to Parliament but debates over its content do not take place. In other countries, certain progress reports are submitted to and debated in parliament while others are not (HLF, 2008b). See the below discussions on transparency and capacity constraints for details.

5   Dialogue, Debate and Negotiation

Spaces and mechanisms for debate, dialogue and negotiation are central to the mutual accountability agenda. They serve not only to define the agenda and review progress, but also to establish trust and provide incentives to carry out commitments. This section will discuss the nature of various mechanisms that are used at country level as well as the underlying incentive structures. There is a strong sense in many of the countries studied that the MA process is a journey which begins with the development of a trust-based relationship between donors and recipient governments, but which depends for its ultimate success on the creation of incentives to take appropriate action. The

development and agreement of mutually shared objectives, combined with monitoring and dialogue are relevant only to the extent they are able to change behaviour.

5.1   Dialogue at technical and political level

Country-level mechanisms for dialogue exist in great variety at both national and sectoral levels. For example Mozambique has: a Development Partners Group; a Budget Support donor group; a Government-Donor Joint Steering Committee; a PAF co-ordination group; and 22 sector working groups; all meeting on a regular (at least monthly) basis. Such mechanisms are essential to the mutual accountability relationship. At the same time, though, the large numbers of mechanisms can pose acute capacity challenges for recipient countries.

A.   Dialogue at the technical level

Technical working groups are typically initiated by the government and organised around sectors or themes. They are important elements in the mutual accountability framework. It is at this level that challenges with respect to implementation are discussed and the conditions for lack of progress can be analysed. Frequent interactions are of key importance for the build up of trust between donors and government.

In Cambodia, a government-donor co-ordination committee meets three times a year (co-chaired by the government and donors) and has 19 technical working groups (TWGs). These TWGs relate to both sector-specific issues, such as education, and cross-cutting issues, such as gender. Similarly, 17 sector working groups exist in Albania and 18 sector working groups exist in Ghana. In a number of countries – including Malawi and Cambodia – terms of references for each group have been established as a way to formalise and standardise these mechanisms.

According to interviewees, well-functioning working groups tend to have strong leadership and ownership on government and donor side, sufficient capacity and resources, and 'policy entrepreneurs' actively moving the agenda forward. These findings are supported by a recent review of TWGs in Cambodia, which found that "*TWG (and SWG) success factors include: the interpersonal skills and capabilities of the chair; the calibre and commitment of all members; the personal dynamics between members and the atmosphere or culture created by this; the history of cooperation in the sector; the clarity of understanding in the ministries involved as to the purpose and nature of TWGs; and the absence of political contention*" (Blunt & Samneang, 2005).

B.   Dialogue at the policy level

The main vehicle for dialogue at the policy level in most countries is the Consultative Group (CG). CGs tend to take place annually and bring together high-ranking government and donor officials (such as senior ministers, the prime minister, ambassadors and country directors). Historically, CGs functioned primarily as ceremonial affirmations of the development partnership as well as pledging sessions. However, a number of countries have introduced reforms aimed at turning these annual meetings into a forum for more substantive joint reviews of progress in implementation (e.g. Ghana). There is an increased use of evidence such as Annual Progress Reviews (APRs) and independent monitoring reports, and inputs from technical staff are presented to political decision-makers. The meetings are structured around both a

'backward' look at progress made the previous year and a 'forward look' at the implications for the forthcoming year. Most meetings also now take place in country.

Box 6: Ghana's Consultative Group

In Ghana, the CG has been transformed with the aim of making it much more of a forum for 'doing business' between donors and government and one which integrates reporting to donors with the government's own system of managing for development results. The CG is organised into three sessions:

- The first session consists of a 'backward look' at progress in implementation and a 'forward look' at how plans for the forthcoming year need to be adjusted in the light of experience. This includes examination of both government performance in implementing the NDS and donor performance in providing adequate levels of transparent, predictable and timely aid;
- The second session is a more in-depth discussion of progress and constraints in a single area. Growth, health and harmonisation have been the subjects in recent years. Discussions have drawn on joint analytical work by donors and the government; and
- The third and final session brings together high-level political decision makers on both sides including Ministers and High Commissioners on the donor side, and the President and his ministers on the Ghanaian side, to reaffirm the partnership.

Improving the results-orientation of the frameworks forming the basis for discussions at the event has proved a major challenge. A great deal of effort was invested in developing The Ghana Partnership Results Matrix, which sets out the results the government can achieve with three different levels of donor financing, drawing on clear baselines to set achievable performance targets and realistic indicators. The Results Matrix is complemented by the Ghana Partnership Resource Overview which sets out projected and actual disbursements including those financed through both aid and the government's own resources.

A key challenge in joint meetings such as CGs has been the reluctance on the part of some recipient governments to actively challenge donors. Many interviewees described government officials and ministers politely deferring to positive assessments by donors of their own performance on aid effectiveness in meetings, even when they believed it to be unsatisfactory. One way to address this issue is through Independent Monitoring Mechanisms. These have been established in a number of countries, and are proving to be a useful means of achieving a more balanced and evidence-based discussion on sensitive issues that might otherwise remain unspoken (see box 7). They consist of international and local consultants that are jointly appointed by government and donors to provide an independent report on progress towards aid and/or development effectiveness. Findings are generally presented to a high level body such as the Consultative Group for comments. It should be noted that some interviewees were of the opinion that independent monitoring can be very helpful but should not be a substitute for efforts to find better ways of working together.

Box 7: Independent Monitoring Mechanisms: Country Examples

- The **Tanzanian** IMG, a team of consultants jointly appointed by government and donors, conducts biennial reviews of donor and government progress against their various commitments. The IMG was formally established in 2002 following external evaluations in each one of the previous four years aimed at rebuilding trust after a breakdown in relations between donors and governments in the early to mid-1990s. In 2006, the role of the IMG was further expanded to include periodic reviews of progress in implementing the Joint Assessment Strategy.
- In **Vietnam**, the Independent Monitoring Team was established to assess implementation of the 2005 Hanoi Core Statement. To this end, an independent monitoring exercise was undertaken to examine the degree to which the government and donors were making progress towards the commitments. The first report on these findings was published in 2007 and it has recently been agreed that a similar review will now be conducted each year.
- A number of **other countries** are taking steps towards the establishment of Independent Monitoring Mechanisms including Zambia, Ghana and Uganda. Elsewhere, more ad hoc independent reviews have been used to inform discussions. For example, the Cambodian government commissioned an independent review of technical assistance (TA) using ToR agreed with donors. This provided a candid and impartial perspective on practices on both sides and was used by government to create new guidelines on the use of TA.

Source: Killick (2008); Cox *et al.* (2007)

5.2   Incentives and sanctions for donors and governments

Mutual accountability mechanisms are collaborative frameworks, where incentives for compliance are largely reputational and relational. These incentives can be created through regular dialogue at technical and political level. Incentives for donors and government exist in the form of prestige and recognition amongst their own peer group. Similarly, incentives can also emerge in the form of embarrassment and humiliation for less well performing agencies. Full realisation of these incentive effects however depend largely on the extent to which parties are able to move beyond collective assessments of overall performance and towards a disaggregated view of performance by individual agencies.

A government official indicated in an interview that "*the government relies on peer pressure within the donor community to enhance donor behaviour. Certain donor country representatives, who are excited about the aid effectiveness agenda, such as the like-minded donors tend to speak out in meetings and use their contribution to multilateral organisations to exert pressure for reform.* " He added that *"The … government has attempted to reinforce this peer pressure by sending out thank you letters after joint gov-donor meetings. In the letters, they acknowledge the positive contributions made to the MA process by some participants and list those that have yet to comply with the requests made by the government. This "naming and shaming" is essential for addressing the poor performance of some donor agencies on key measures of aid effectiveness.*" Other countries were reported in interviews to use the same mechanism.

Mutual accountability is based on confidence and trust in partners' willingness to achieve mutually agreed development and aid effectiveness results. It emerged from of an understanding that traditional (donor-imposed) incentives based on (policy) conditionalities have not been effective. Partners keep to commitments because they

value their relationship and reputation with each other and the larger development community.

In some situations, however, reputational and relational incentives will not be sufficient for donors and governments to keep their commitments. The question is then what other types of mechanisms or instruments can governments and donors use to make sure the other side keeps its commitments? In this context, there has been much discussion about the power imbalance in the relationship between donors and governments. Since donors determine the quality and quantity of development assistance, they appear at first glance to have strong remedies or effective sanctions to force recipient governments to take action to improve. Recipient countries on the other hand lack strong instruments to hold donors to account.

The enforceability of commitments appears to be one of the missing pieces in our understanding of mutual accountability. Few mechanisms exist and evidence on what works is still very limited. On the donor side, much thinking has gone into the effectiveness of aid modalities built around results (rather than policy conditionalities) as incentives for governments to improve behaviour. Various donors have committed to draw conditions, wherever possible, from recipient's national development strategy (Booth *et al.*, 2006). New thinking around budget support recognizes that certain types of reward structures work better than others. For example, the European Commission has proposed a restriction on policy based conditions, apart from essential fiduciary safeguards, and a shift towards "ex-post conditionality" focused on results (policy outcomes). In addition to discussions around new forms of conditionalities, there is also an increasing interest in market-based forms of aid such as "Cash for Progress" aid modalities already used by vertical funds in the health sector (Barder & Birdsall, 2006).

Recipient governments appear to have even fewer sanctioning mechanisms to hold donors to account. As there is no "market for aid", donors face little or no regulation or competition ("bad" donors can not be penalized by losing "market share") (de Renzio & Mulley, 2006). However, contrary to this common perception, evidence has shown that it is not totally impossible for countries to use the "refusal of aid" as a way to sanction donor behaviour. In Afghanistan, the government's determination to control aid inflows was backed up by a willingness to turn down aid which did not meet certain standards. For example, it limited the number of sectors any donor could work in, and required minimum contributions before donors could expand to new sectors. Similarly, the Government of Vietnam demonstrated its willingness to decline assistance if it comes in an unwanted form. In 2002, it allowed its Poverty Reduction and Growth Facility with the IMF to lapse because of the conditions attached. Such ownership however has been much harder to achieve in aid dependent countries. In Tanzania, for example, an interviewee indicated that government officials have been reported saying that "*despite their desire to implement the PD principles, they were forced to accept off budget funds to meet significant funding gaps in key areas such as infrastructure and agriculture.*"

5.3   Domestic accountability and international peer reviews

Dialogue, debate and negotiation and incentives between donors and government are important to implement shared agendas and agreements. However, the effectiveness of these mechanisms could potentially be enhanced by incentive effects coming from

national institutions and constituencies (both in the recipient and donor country) as well as international institutions or peer review mechanisms.

In most developing countries, involvement of domestic stakeholders in mutual accountability relationships is still fairly weak but there are signs of their growing importance. Spaces for dialogue and participation have opened up opportunities for national stakeholders to participate in formulation of national strategies and monitoring and review of progress. For example, Joint annual reviews of progress in CG-type meetings and sector and thematic working groups are increasingly open to CSOs and some other stakeholder groups. Civil society is also becoming more actively involved in the development and aid effectiveness debate outside donor-government forums. In Cambodia, the NGO Forum organised a "CSO Forum on Aid" event to which donors were invited to attend in order to account to for their aid programmes (Eurodad, 2008).

Interviews suggest that a key challenge for national stakeholders is now to take advantage of these opportunities and to move from being "observers" to active "participants" in the policy debate. The capacity of national stakeholders is often weak. Parliaments, CSOs, the media and audit offices are typically highly resource-constrained, subject to significant degrees of government control and/or largely co-opted by government. The vast majority of poor citizens and socially excluded groups typically lack representation amongst the NGOs that have strong links to joint processes. Poverty observatories have been introduced in some countries to try and overcome these challenges (see box 8).

Box 8: Mozambique's Poverty Observatory

Mozambique is one of the few developing countries with a well functioning framework for participatory poverty monitoring that includes a permanent forum for key stakeholders. The Development Observatory is a consultative and participatory forum bringing together donors, government representatives and civil society to monitor the implementation of the PRSP. It aims to make recommendations and ensure transparency. In so doing, it helps legitimise the role of NGOs and ensure that different perspectives are taken into account in national policy. Since its inception, the DO has undergone a number of transformations, including the development of provincial Observatories to complement national dialogue. It has also shifted to focus analysis and recommendations more directly on government planning and monitoring instruments. However, its lack of legal status and the lack of formal processes for the government to follow-up on its recommendations limit the Observatory's ability to influence policy. Furthermore, the DO is one of many forums; while civil society are invited to participate in and/or observe a number of government-donor working groups and sessions, low capacity and competing lines of accountability limits their ability to take full advantage of such opportunities.

Source: Handley (2008)

On the donor side, incentive effects can be created by donor headquarters. Donors who have strong signals from their headquarters (e.g. action plan or guidelines) have demonstrated more commitment than those who did not receive such motivation. For example, some donors headquarters are requiring specific assessments of country level aid effectiveness based on Paris Declaration principles to be included in country assistance strategies, and are integrating `Best Practice` guidance on aid effectiveness into their processes including human resource management practices. The Danish

government undertakes performance reviews of embassies which includes a focus on the implementation of Paris Declaration. The Netherlands Ministry of Foreign Affairs has developed a procedural guide or *Track Record,* which is a key assessment tool for country staff in selecting aid modalities and encourages the use of country systems whenever possible (Mokoro, 2008). Finally, in several cases decentralised structures have been developed which give country office managers flexibility to respond and negotiate, with a focus on results.

Finally, mutual accountability and incentives at the country level can also potentially be further enhanced by international accountability and peer review mechanisms. The analysis of these mechanisms is presented in a companion paper to this work (Droop et al., 2008).

6 Critical success factors and challenges

Our empirical study of different elements of mutual accountability at country level illustrates that significant experimentation with different mechanisms and instruments is ongoing in a number of countries. This experience will need to be monitored and further examined to help identify longer term benefits and best practice. However, from this initial review of mechanisms, five critical success factors can already be identified:

- o **Confidence (and reciprocal trust).** Relationships between donors and recipient governments must be built on confidence and reciprocal trust. This can be achieved by high quality dialogue and clear and congruent development and aid effectiveness agendas. A thorough understanding of the concept of mutual accountability and its relation with other Paris principles among government agencies and donors is also a key element to build strong partnerships.

- o **Coherence (and government leadership).** For mutual accountability mechanisms to work it is crucial that divisions or differences between and within agencies are resolved and that all parties work towards the same shared agenda to improve development results and the delivery of aid. This can be achieved with strong government leadership.

- o **Capacity (and information)**. Capacity is needed to generate shared agendas, monitor progress and engage in dialogue and negotiation. Successful mutual accountability systems build on strong systems of managing for results and performance information, which serve as the basis for stronger accountability and consultation.

- o **Credible incentives.** The success of mutual accountability mechanisms is critically dependent on the existence of credible incentives and sanctions for both donors and recipient governments to fulfil obligations.

- o **Complementarity**. Mutual and domestic lines of accountability are closely connected and can reinforce each other. Mutual accountability should build on and reinforce where possible existing domestic accountability mechanisms. Links between mutual accountability mechanisms at country and international level can also be strengthened.

Building on these critical success factors will require overcoming a number of challenges, which are discussed below.

A. Building confidence, trust and mutual understanding

Building confidence and reciprocal trust can be challenging in an environment where donor and government agendas differ markedly. This is one of the reasons why in many countries it has been difficult to integrate governance issues in the MA agenda. For example in Mozambique government and donors were able to build strong partnerships around the education agenda but not around the agenda for reform in the justice sector.

A lack of knowledge and understanding of MA and other underlying Paris principles can further undermine confidence and trust in MA relationships. Interviews indicate that, despite significant international attention, there is still a limited understanding of mutual accountability at the country level and across different stakeholders. A number of interviews indicated that government officials are unsure about the mutual accountability principle and how it can generate benefits for them. This was quoted as one of the reasons why the Ghanaian government was losing interest in the HAAP. Some officials also see the harmonisation and mutual accountability agenda as a threat. They are concerned that highly coordinated aid delivery channels could lead to collective withholding and cancellation of aid. In addition, interactions on MA issues are often limited to certain willing individuals in the government and information exchange with other parts of government (and parliament) does not exist. In Cambodia for example, enthusiasm for aid effectiveness has been high in the dedicated aid management unit, but integration of the Paris principles into activities in other parts of government has been more challenging. The lack of capacity across line ministries has contributed to the high variation in the success of Technical Working Groups.

Minimal understanding of the MA agenda is by no means limited to recipient governments and their domestic constituents. Interviews indicated that donors were also often not familiar with aid effectiveness documents and their status in recipient countries. Staff in donor offices may need different skills to operate in the new aid environment. Knowledge about technical issues to provide inputs to technical working groups is becoming more important than experience with project administration.

B. Achieving coherence through leadership, ownership and rationalization

The coherence of mutual accountability agendas and systems is greatly challenged by the great diversity of inputs and the engagement of a great number of actors within recipient countries and donor agencies. There is diversity both within and between donor agencies. In Vietnam, for example, there are over 50 development partners operating, including 28 bilateral and 23 multilateral donors. And inside these agencies, divisions often exist between headquarter and field based staff, politicians and their administration, generalists and more thematic staff (e.g. specialists in sectors). Some donors provide aid through more than one agency (e.g. US and Germany). Similarly on the government side a large number of actors from central and line ministries, as well as sub-national government departments are involved in the design and implementation of development and aid effectiveness policies. This picture is further complicated by the high variety of domestic stakeholders (e.g. NGOs, private sector) and the newly

emerging donors such as private foundations and vertical funds. These relatively new donors bring in their own distinct approaches.

The high number of actors creates problems for collective action and coherence between and within both sides of the partnership. It is difficult for either the donor community or the recipient country to know what the true preferences of the other side are or whether agreed responsibilities are being implemented. The sheer number of actors makes holding them to account (especially with limited resources) very difficult. The collective nature of the task creates ample opportunities for individuals on either side to benefit from the efforts of others while making little effort to change themselves. For instance, some donor agencies will devote time and resources to designing and implementing partnership agreements, while others will simply add their signature while doing little to change their practices. Some government officials will act as 'policy entrepreneurs' for the partnership, while others will continue old ways of doing business. Committed individuals are likely to lose motivation if the collective effort is undermined by uneven commitment within their own side.

C. Developing capacity and generating high quality and accessible data

Limited capacity to develop shared agendas and turn them into practice is a significant constraint to MA in a number of countries. With so many actors involved, capacity needs to be strengthened across a large and diverse group of people and departments. This includes central and sectoral ministries and departments at national and often sub-national level. The ability of Parliaments, CSOs, independent public oversight institutions and media to influence domestic and mutual accountability processes is also typically weak.

In many countries there is a particular need to address capacity related to generating and interpreting development results. Countries have made the most progress in improving access to information, while few have made significant progress in improving the quality of development information (World Bank, 2007). Donors have tended to introduce ad hoc capacity building initiatives and there is a need for consolidation and better planning, led by countries concerned (Wood *et al.*, 2008).

There is also a lack of timely, transparent and comprehensive information about aid flows from donors. Technical difficulties and motivational issues have been quoted as reasons for incomplete reports. Donors have found it challenging to adjust their systems to provide information in the format required by government. A single consolidated database can offer a structured solution for regular data collection of donor information.

While overall availability of information has improved, access remains difficult for certain groups of society such as NGOs and parliaments. Interviews indicated that even where data and evaluations are publicly available, gaining access to such information is challenging. Many domestic stakeholders are often not aware that such resources exist (or who to approach for access to it). Information is often also difficult to comprehend.

It is important to note that the issue can not be addressed by additional capacity building initiatives alone. Existing donor practices are often overburdening scarce capacity resources in developing countries. A large share of assistance is still highly fragmented and provided through stand-alone projects with separate agendas and monitoring processes. Capacity building is also needed on the donor side. Interviews highlighted that awareness and knowledge of aid effectiveness principles is by no means universal across different levels and departments of donor agencies.

D. Developing credible incentives and sanctions

So far mutual accountability relationships have mainly relied on relational and reputational incentives. In difficult and complex political environments, these incentives may be too weak to bring about behaviour change. In addition, there is often an imbalance in the extent to which parties on each side have access to "harder" sanctions. Donors control resources which they can potentially use to reward good behaviour and sanction bad performance. There is no equivalent measure for recipient governments to hold donors to account. This raises questions about the extent to which the accountability is truly mutual and the relationship is a partnership of equals.

Governments are often unable to provide sufficiently strong incentives or remedies to hold donors to account. Incentives are limited to the "naming and shaming" of donors that perform less well on aid effectiveness. Moreover, in countries which are aid dependent or lack strong government leadership over the aid effectiveness agenda, governments have been reported to be reluctant to publicly confront non-performing donors. Evidence from country studies suggests that the position of governments in holding donors to account has been further weakened by a lack of disaggregated data on individual donor agency performance. Agreements also often tend to remain at the level of general principles and lack measurable and time-bound performance targets and indicators.

The ability to hold donors to account is further weakened by conflicting internal incentives and domestic lines of accountability on the donor side. For example, pressure to commit and disburse funds, limited time for staff to devote to coordination and high staff turnover create incentives that reward short term benefits over long term, and collective, gains. Lack of decentralisation and delegation of authority from the HQ to take decisions at the field level was cited by a number of interviews as a key impediment, as it can prevent field staff from entering into and/or fully honouring MA commitments. There are also sometimes legal impediments (e.g. restrictions on the use of partner country procurement systems and the inability to provide predictable long-term funding) that must first be overcome. Finally, donors are also influenced by the desires of constituencies in their own country. Different groups will have different ideas about desired results and donor agencies will tend to be driven by a mix of motives including development, humanitarianism, diplomatic, commercial and cultural gain (Lancaster, 2007). Some, but not all, of these interests will overlap with the interests of the recipient country around aid effectiveness and development results. If the implementation of the partnership with the recipient country appears to threaten significant interests in the donor country, it is likely to be resisted by the donor agency. Similarly, if evidence cannot be provided about the results being delivered by aid, then that aid is likely to be withdrawn or spent differently. According to interviews, these constraints can in part be overcome by: increasing the level of independent analysis; enhancing parliamentary and

NGO involvement; and making sure that there is sufficient public awareness of agreements and aid flows.

Finally, as discussed earlier, donors have also not yet found effective ways to use aid as an incentive for governments to achieve its development results. Experience in budget support groups indicates that donors tend not to withhold funds in the face of underperformance by recipient governments (whatever measure is used), because they attach a higher value to maintaining an open dialogue, especially in countries that are of strategic importance or perceived to be successful reformers. A review of experiences with EC variable tranche approaches to budget support in four countries finds a similar reluctance on the part of donors to withhold aid. Between 65 and 75% of the variable tranche was disbursed in every country, despite significant variations in country performance against key performance indicators (European Commission, 2005).

E. Building on existing systems

Domestic and mutual accountability mechanisms have a potential to reinforce each other, if their systems and agendas are sufficiently aligned with each other. Interviews and case studies show however that the implementation of mutual accountability has led to the creation of parallel systems in a number of countries. The Mozambique country case study shows how the existence of two parallel planning instruments (the PRSP and Government Five Year Program) has created bifurcated external and domestic accountability relationships. The Five Year Programme is discussed in parliament, while the PRSP is discussed with donors and civil society but is not submitted to parliament. This dual system is replicated on an annual basis through the monitoring and review processes. This separation of lines of accountability, with limited capacity and resources within government department and increased reporting requirements, can undermine domestic accountability.

Interviews also point at the challenge to integrate country level mutual accountability systems with international ones. Certain progressive donors and recipient governments propose to develop stronger incentives and mechanisms for donors to fulfil their obligations through international systems. Some believed the DAC should not only publish results of monitoring surveys but also speak out more strongly against weak performers. It could also request individual countries to come up with remedial action plans, describing how they plan to address shortcomings. Other suggestions included the introduction of aid vouchers which would be aimed at introducing more of a market for aid. An important conclusion here is that mutual accountability *among* donors may be an essential complement to accountability between donors and recipient countries.

7 Impact on Results

The PD states that both donors and partners are to be held mutually accountable for development results, but it does not explicitly articulate the links between aid effectiveness and development results. The reasons why the behaviours and actions of Paris are important for attaining results remain implicit rather than explicit in the absence of a results chain or logical framework of actions for the Declaration.

Booth & Evans (2006) present a plausible results chain for the Declaration. It says that:

- Mutual accountability and the other commitments promised by the Paris Declaration would, if implemented together and to a significant degree (outputs), strengthen country capacity to make and implement policies focused on development results and make good use of aid (outcome 1);
- Country capacity enhanced in this way would raise the quality of public investment and service provision, including regulation and institutional development for private investment (outcome 2); and
- This would lead to better development results, such as growth, social transformation, and the Millennium Development Goals (impact). This final link is the hardest to make as influence of other external factors make direct attribution difficult.

The measurement of the impact of mutual accountability and other Paris principles on development policies and outcomes has not been an explicit part of this study and needs to be further investigated. However, some anecdotal evidence from the case studies gives cause for optimism.

Enhancing results orientation. Results based accountability mechanisms have enhanced the results orientation of development strategies, as well as strengthened access and quality of data. For example:

- Tanzania has shifted towards an outcome-oriented development strategy, resulting in greater use of performance data in the budget process. It has also taken steps to deepen its country-wide Poverty Monitoring System. As a result of these and other reforms, Tanzania is now considered by the World Bank to have both a largely a largely developed operational development strategy and results-oriented framework in place (World Bank, 2007).
- The PARPA II Strategic Matrix in Mozambique has delivered an improved linkage between policies, outcomes and impacts by distinguishing clearly between process/output and outcome indicators and clearly allocating institutional responsibilities for delivery. It also provides a comprehensive mix of qualitative, administrative and (high quality) survey-based data sources to provide a broad overview of the dimensions of government performance. In addition, together with the PAF, it has helped to align the focus of donors on a common set of results that the government also identifies as a priority. The integration of the Strategic Matrix into government annual planning and monitoring instruments also ensures that external and domestic lines of accountability are aligned to a greater extent (albeit still in tension with one another).

Strengthening country leadership. Clearer definition of roles and responsibilities has led to a stronger leadership in terms of aid management on the part of recipient governments. This has also led to greater internal dialogue and coordination between government ministries and a more assertive line from government in reprimanding donor behaviour at political level meetings. For example:

- Rwanda`s Aid Policy has been instrumental in strengthening accountability within government. During early stages of preparation the policy line ministries were reluctant to see the Finance ministry take strong overall control of aid management. Since the policy was introduced line ministries and donor partners have attempted on occasion to continue their previous practice of negotiating separate aid

agreements, but they have now been prevented from doing so by the Finance ministry acting in collaboration with donor partners to ensure stronger compliance.

- The Government of Mozambique used the recent 2008 Joint Review political dialogue to voice concerns over donor use of national procurement systems, the Minister of Health strongly criticised the verticalisation of health sector funding and programming in a speech to the Sector Coordination Committee in March and the Prime Minister has recently criticised donor behaviour in the national response to the HIV/AIDS pandemic.

Changing government and donor behaviour. Monitoring of government and donor behaviour has provided internal as well as peer pressure incentives for change in practice. For example:

- The Cambodian aid database has significantly increased the transparency and predictability of aid, which is reflected in the improved results of the recent Paris Declaration monitoring survey. The indicator measuring the predictability of aid increased from 69% to 96% in a two year period only. The Aid Effectiveness Report, put together using the new available data, provided a compelling evidence-based analysis of development assistance and highlighted particular problems around Technical Cooperation, Project Implementation Units, and use of government systems. As a result of the report, a review of technical cooperation practices in Cambodia has been carried out and a set of guidelines for technical cooperation have been developed, making it more conducive to capacity building. In addition to providing valuable information on aid effectiveness, the database and report have also raised the profile of the Cambodian Development Council (CDC), the government body responsible for aid management. The information has given it a means to more effectively and confidently engage with the international community.

- The Mozambique Programme Aid Partners' Performance Assessment Framework (PAPs PAF) process has provided the country offices of participating donors with a useful tool in lobbying with their respective HQs to preserve or improve the compliance of their activities with the principles of the Paris Declaration. In particular, it has helped them to lobby for improved predictability and portfolio composition and to limit the number of missions. Some country offices also report using the process as a management tool to gauge overall portfolio compliance with the Paris Declaration. The process has also provided some incentives for behaviour change through 'naming and shaming' pressures and contributed to a greater acceptance of the principle that donors can and should be held accountable against commonly agreed aid effectiveness commitments.

- Following mid-term review findings that indicated a slow rate of progress in Yemen's health performance support programme, the Government of Yemen appointed a new Minister of Health and Population, who subsequently introduced the Rapid Results Approach (RRA). The RRA set in place short-term goals and clear priorities for the programme. It also improved access to information, enabling the government to better asses the underlying causes of previous shortcomings. As a result of these and other improvements, the project's implementation rating has improved, disbursements have increased, and a results-based culture is starting to emerge in the Ministry (OECD-DAC JV MfDR, 2008).

Promoting wider dialogue. Mutual accountability mechanisms in Rwanda and Vietnam have made it possible to have more frank and open discussions between recipient governments and donors about development results but also about more sensitive governance and human rights issues. The results approach gave rise to a debate that is no longer led by ad hoc and often emotional media reports but based on consistent monitoring and technical discussions. The government of Rwanda also agreed to an independent joint governance assessment as a result of improved accountability processes.

… and domestic accountability. In some countries mutual accountability has also enhanced domestic accountability. The Development Observatory in Mozambique has established itself as a well functioning institutional framework for participatory poverty monitoring with a permanent forum for national NGOs. It has legitimised the role of these NGOs in poverty monitoring and helped ensure that different perspectives on poverty are adopted in national policy.

Generating greater development impacts…? There is a sense that the quality and effectiveness of aid has improved as a result of new mechanisms and recent changes in behaviour. [10] However, further research is needed to clarify this link.

8 Conclusions and Policy Implications

Mutual accountability is an iterative process that consists of a complex set of elements and actors. The analysis in this report shows that many parts of the system have emerged in recent years but so far no country has managed to integrate them in one coherent system. A mutual accountability *system* therefore does not yet exist. The report points at a number of challenges in current mutual accountability mechanisms. It shows that despite greater global attention and significant experimentation at country and international levels, the understanding of mutual accountability remains weak in most partner countries and donor agencies. In addition, current systems involve a large number of actors and inputs (including donors, recipient government agencies and domestic stakeholders), which limits the scope for collective action and coherence. And while much progress has been made in terms of generating data on development results and aid, providing quality and easily accessible information remains a challenge. Mutual accountability has grown out of an increasing recognition that development effectiveness can only be promoted within a partnership of mutual respect and commitment to achieving results. This review has shown that incentives to achieve results are largely based on relational and reputational mechanisms. The role and effectiveness of other (hard) incentives (such as conditionalities) remains to be further explored. Finally, current mutual accountability mechanisms operate often in parallel with domestic

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[10] According to a HLF-3 press release, for example, "Evidence shows that development strategies have been improved since the endorsement of the Paris Declaration: developing countries are taking ownership of their policies and programs, exercising leadership and involving civil society and the private sector; and donors are providing support for capacity development and institution building. In addition, donors and partner countries together are working to build consensus around common approaches, minimize transaction costs by improving the division of labor, improve the monitoring and evaluation of results, and strengthen their accountability for aid impact – to each other, and to their constituencies." (HLF, 2008a)

accountability mechanisms. Greater integration of accountability systems at country and international level is desirable.

The international community still has some way to go to achieve the partnership model promoted in the Paris Declaration, at the core of which is a mutual commitment to transparency and accountability on the use of development resources. For aid to become truly effective, stronger and more balanced, accountability mechanisms are required at different levels: at the international level; at the country level, between development partners; as well as between those partners and their domestic constituents. Donors and partners are encouraged to develop mutual assessment mechanisms by making best use of local mechanisms. By emphasizing ownership and leadership, the Declaration aims to increase symmetry in accountability requirements.

In order to create a stronger and more coherent system of mutual accountability, progress is now needed in **five strategic areas:**

- **Strengthen ownership and political leadership of recipient countries in** mutual accountability processes, at country and international level. This would include recipient governments taking the lead in developing authentically owned National Development Strategies and local frameworks for aid management; as well as in forums for dialogues such as the Consultative Groups. Ideally, broadening ownership would also imply more active involvement of parliament and other relevant national stakeholders.

- **Build coherent strategies and systems**. Government leadership and donor commitment are needed to increase coordination and consensus and to ensure coherent strategies both between and within the donor community and different parts of recipient governments. Highly motivated and well-resources donor agencies can help drive this process, but they depend for their ultimate success on government leadership in resolving difficult issues such as division of labour. Coherence can be enhanced through the establishment of a clear location for leadership (e.g. the aid management unit), rationalization of aid programs (through delegated cooperation or strategic withdrawals) and streamlining of aid coordination structures between recipient governments, donors and other stakeholders.

- **Develop credible incentives.** Donors and recipient governments should have strong and consistent incentives to keep their commitments. Incentives are likely to be stronger if they are built on a clear understanding of the benefits of aid effectiveness principles, based on individual rather than collective monitoring targets and supported by consistent internal or domestic incentives and peer processes.

- **Strengthen access and quality of data.** Reliable and accessible data on development results and aid indicators is central to building and maintaining trust and progress in donor government relationships. Peer pressure and reputational mechanisms will only be effective if credible aid reporting can be achieved. Depending on circumstances and the ability of governments to take leadership, regular reporting can be complemented with independent monitoring by civil society.

- **Build on existing mechanisms.** Mutual accountability mechanisms should build on existing mechanisms in place. Already existing domestic accountability mechanisms

– such as parliaments, independent public oversight institutions and CSOs – should be strengthened and harnessed to contribute more effectively to mutual accountability. Links between country and international mechanisms of accountability should also be strengthened. International level mechanisms should be further developed to support mutual accountability at the country level.

To achieve progress in these areas, **four strategic actions** are recommended:

- **"Practice" mutual accountability**. The evidence in this report shows that the application and interpretation of mutual accountability varies considerably across countries. And while certain key elements (such as developing shared agendas, monitoring results and dialogue) seem critical, no system blueprint exists. There is no single formula that will work for all. Mutual accountability emerges from an iterative process in which partners gradually build up a relationship of trust and mutual respect. It is important that recipient countries take ownership and leadership of this process. Moving forward it will be important to continue to give priority to experimentation and "learning-by-doing" at partner country level. This process can be supported by donors and by the commitments in the Paris and Accra agendas, as well as the many initiatives of support at regional and global level (e.g. the Working Party on Aid Effectiveness). It is recommended that in developing MA processes at country level, the close linkage between mutual accountability and domestic accountability is recognized. To the extent possible, domestic accountability mechanisms should be reinforced and built upon. Donors could play a role in supporting local accountability mechanisms such as parliaments, independent oversight institutions and CSOs. However, it is important that this is done in a way that does not undermine the leadership role of recipient countries.

- **Exchange experiences and learning**. There is a need to exchange experiences, including successes and failures, in implementing mutual accountability at the country level. A bottom-up process of learning with recipient countries and regions playing a leadership role is likely to be most effective. This can be achieved in a number of ways:

  - **Strengthening peer learning amongst developing countries,** which could mirror the strong informal and formal networks amongst donors. Peer learning networks could be established at global and at regional level, through:
    - The development of a global forum or clearing house for exchange of experiences (building on existing initiatives such as the Mutual Learning Initiative developed by the JV MfDR).
    - Regional knowledge and practice networks in Africa, Asia and Latin America. A good example of regional peer learning is the collaboration around mutual accountability between Vietnam, Cambodia and Laos.

  - **Increasing understanding of and support for aid effectiveness amongst citizens,** so that pressure from them acts as a positive incentive for donor agencies and government to improve their performance. This could be done through public awareness programs.

- o Creating spaces for **dialogue beyond the technical level.** Fora in which political dialogue, involving Heads of Mission and government, on government and donor performance can take place, play an important role in broadening out understanding of aid effectiveness issues beyond the usual technical levels or working groups.

- **Enhance the evidence base**. Mutual accountability is an emerging phenomenon and evidence of its use and effectiveness in different contexts is still scarce. In order to maintain interest and provide incentives for donor and recipient governments to act in a mutually accountable way, further gathering of evidence into its benefits is needed.

  - o **Benefits of MA**. Commitment of governments to the mutual accountability principles could be strengthened if stakeholders had a higher appreciation of the benefits of MA in terms of development results. Further work should be done to demonstrate how mutual accountability can contribute to results on the ground, through more systematic analysis of impacts at country level and by sharing good practices. This could also produce wider benefits by reinforcing incentives for donors, and raising appreciation of the importance of aid effectiveness at a political level.

  - o **Credible incentives**. There is a need for further discussion and research on alternative types of incentives to support mutual commitments. As a first step, a serious collective reflection on actual experience in each country with different types of "conditionalities" is necessary. There is already quite a rich body of experience to draw on. These experiences need to be recorded in order to be able to draw conclusions on what has worked and has not worked. In addition to country level incentives, there is a need to further explore the potential of different kinds of peer reviews, in addition to the annual monitoring survey.

  - o **Donor impediments**. Donors need to "*review and address legal and administrative impediments to implementing aid effectiveness commitments."* (Accra Agenda for Action, 2008). A better understanding is needed of the internal impediments and incentives, which prevent donor agencies to deliver on aid effectiveness commitments. Some donors are experimenting with self-assessment tools to assess themselves against guidelines on incentives developed by the JV MfDR. Donors should carry out similar self-assessments on a regular basis.

  - o Evidence gathering can be enhanced by initiatives such as **publicly available (donor) databases and independent monitoring** by CSOs, academia and think tanks.

- **Strengthen political and technical capacity**. In order to participate effectively in partner-led mutual accountability mechanisms capacity and skills of both partner country stakeholders and donor agency staff require systematic and significant strengthening. This refers to technical capacities, such as formulation of policies, shared agendas, monitoring and gathering of evidence, as well as political capacities needed to meaningfully engage in genuine dialogue, negotiation and debate (e.g.

leadership, legitimacy, coherence and, first and foremost, broad based country ownership). The significance of capacity and capacity development for genuine mutual accountability relationship has been addressed throughout this report, and was highlighted at the HLF Accra. The issue, however, still remains to be more fully and systematically explored. Elements comprise:

- Donors need to "*support efforts to **increase the capacity of all development actors** engaged in MA – parliament, central and local governments, CSOs, research institutes, media and the private sector – to take an active role in dialogue on development policy and on the role of aid in contributing to countries' development objectives*" (Accra Agenda for Action, 2008). In doing this, more imaginative and **sustainable approaches to capacity building** should be considered.

- Partner countries should enhance their organisational **capacity and human resource base for aid management,** as the findings of this report show a key component of aid effectiveness and successful mutual accountability processes.

- With assistance from donors, partner countries should aim to **strengthen their public financial management and statistical capacity**. The Marrakesh Action Plan for Statistics developed in 2004 highlighted a $120 million funding gap for statistics. Governments and donors need to focus continued attention and funding to building the capacity of institutions that can collect sound statistics. Policymakers and other stakeholders can help by demanding good information. Country Statistical Strategies should be embedded in national development strategies (World Bank, 2007).

- Donors' capacity to provide regular and timely **information on volume, allocation and form of aid** to the partner country needs to be enhanced.

- Donors can also reduce the burden on country-level capacity by **relying more on joint monitoring, reporting and reviews** which are generated as part of the mutual accountability relationship and reduce demands for individual reporting.

ANNEX A: National Development Strategies and Aid Effectiveness Agreements by Country

Documents in draft stage in italics. Documents with uncertain status due to recent political events in bold.

Country	PRS/NDS	Aid policy	Aid Action Plan	JAS	Policy Matrix inc Donor Actions	Other
Afghanistan	Afghanistan National Development Strategy (ANDS)	Aid Effectiveness and Aid Coordination (in PRS)			Afghanistan Reconstruction Trust Fund Performance Assessment Matrix	The Afghanistan Compact
Albania	National Strategy for Development and Integration (NSDI)	External Assistance Orientation Document				
Bangladesh	Unlocking the Potential: National Strategy for Accelerated Poverty Reduction		Bangladesh Harmonisation Action Plan	*Joint Cooperation Strategy (draft stage)*		
Bolivia	Bolivia Digna, Soberana, Productiva y Democrática para Vivir Bien (PND)		**Plan Nacional de Alineación y Armonización**			
Cambodia	National Strategic Development Plan (NSDP)	RCG Strategic Framework for Development Cooperation Management	Action Plan on Harmonisation, Alignment and Results; Declaration on Enhancing Aid Effectiveness			
Ethiopia	Plan for Accelerated and Sustained Development to End Poverty (PASDEP)		*Joint Declaration on Harmonisation, Alignment and Aid Effectiveness (drafted 2005)*			
Ghana	Growth and Poverty Reduction Strategy (GPRS II)	*Ghana Aid Policy (draft)*	Ghana Harmonisation Action Plan; Ghana Partnership Strategy	Ghana Joint Assistance Strategy	PAF	
Honduras	Estrategia de Reducción de la Pobreza (ERP)		***Plan Nacional de Armonización y Alineamiento (redrafting)***			
Malawi	Malawi Growth and Development Strategy (MGDS II)		Development Assistance Strategy Action Plan (in PRS)			

Country	PRS/NDS	Aid policy	Aid Action Plan	JAS	Policy Matrix inc Donor Actions	Other
Mali	Le Cadre Stratégique pour la Croissance et la Réduction de la Pauvreté (CSCRP)		Plan national d'actions sur l'efficacité de l'aide au développement; Donor Roadmap			*Document de Stratégie Pays (draft)*
Moldova	National Development Strategy (NDS)		Government and Donor Co-ordination and Harmonisation Development Partnership Framework			
Mozambique	Plano de Acção para a Redução da Pobreza Absoluta (PARPA II)	*Cooperation Policy (draft)*			Programme Aid Partners' PAF	
Nicaragua	Plan Nacional de Desarrollo Operativo (ERCERP II)		Plan de Acción Nacional para Armonización Alineación		Budget support performance matrix	
Rwanda	Economic Development and Poverty Reduction Strategy (EDPRS)	Rwanda Aid Policy			*Common PAF & Donor PAF (draft)*	
Tanzania	National Strategy for Growth and Reduction of Poverty (NSGRP II)			Joint Assistance Strategy for Tanzania	PAF	
Uganda	Poverty Eradication Action Plan (PEAP)	Partnership Principles between Government of Uganda and its Development Partners		Uganda Joint Assistance Strategy	JAF	
Vietnam	Socio-Economic Development Plan (SEDP II)	Strategic Framework for Official Development Assistance Mobilisation and Utilisation	Hanoi Core Statement on Aid Effectiveness Ownership, Harmonisation, Alignment, Results		GBS Policy Matrix	
Yemen	Socio-Economic Development Plan for Poverty Reduction (DPPR)	Aid Policy Paper				Compact between the Government of Yemen and its Development Partners
Zambia	Fifth National Development Plan (FNDP)	Aid Policy and Strategy for Zambia	Wider Harmonisation in Practice MoU	Joint Assistance Strategy for Zambia	PAF	

Annex B: Methodology

The research was conducted between March and July 2008 using the following methods:

- Literature reviews of both academic sources and grey and policy literature related to particular country experiences with MA.
- Desk-based phone interviews with 67 key informants from governments, donor agencies, civil society and research organisations plus desk-based information exchange with 5 donor agencies. 73% of these were based in recipient countries.
- Field visits to Mozambique, Rwanda and Vietnam.

A sample of 19 countries (listed in the table below) was used to ensure an appropriate balance between depth and breadth of findings. The sample includes 12 of the countries reported in the 2006 Survey on Monitoring the Paris Declaration as having a MA mechanism. It also includes a mix of countries that are: heavily- and less aid-dependent; fragile and relatively stable; low- and middle-income; from Africa, Asia, Latin America and Eastern Europe; as well as different colonial histories and political traditions.

Although every effort has been made to ensure findings are reliable, serious caveats apply to a study conducted in such a tight timeframe. We were only able to interview a small number of key informants in recipient country governments due to other pressures on their time, including the fact that other studies were being conducted simultaneously as part of the run-up to Accra. It has also not been possible to conduct more than a rapid review of country-specific literature.

Table: Sample Countries

Country	Fragile state?	MA mechanism as of 2005?	Income level
Afghanistan	Yes	Yes	Low
Albania			Lower-Middle
Bangladesh		Yes	Low
Bolivia		Yes	Lower-Middle
Cambodia	Yes	Yes	Low
Ethiopia	Yes	Yes	Low
Ghana		Yes	Low
Honduras			Lower-Middle
Malawi		Yes	Low
Mali	Yes		Low
Moldova		Yes	Lower-Middle
Mozambique		Yes	Low
Nicaragua		Yes	Lower-Middle
Rwanda			Low
Tanzania		Yes	Low
Uganda			Low
Vietnam		Yes	Low
Yemen	Yes		Low
Zambia			Low
Sources: (Branchflower *et al.*, 2004; OECD - DAC, 2007; World Bank, 2008)			

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Annex D: List of Interviews

The following people gave interviews and/or provided information (in the form of questioners and documentation):

	Name	Affiliation
1.	Alemu, Kidist	Action-Professional's Association for the People, Ethiopia
2.	Angulo, Oscar	Consultant, Bolivia
3.	Bas, Jean-Christopher	Parliamentary Network on the World Bank, France
4.	Benfield, Andy	Independent consultant, Ethiopia
5.	Bergman, Herbert	GTZ, Yemen
6.	Berry, Chris	DFID, Ethiopia
7.	Bierkens, Michiel	Embassy of the Kingdom of the Netherlands, Ghana
8.	Booth, David	ODI, United Kingdom
9.	Bosworth, Joanne	DFID, Uganda
10.	Cabral, Lidia	ODI, United Kingdom
11.	Chhith, Sam Ath	The NGO Forum on Cambodia, Cambodia
12.	Como, Nevila	Donor Technical Secretariat, Albania
13.	Courtnadge, Philip	Adviser to the CRDB, Cambodia
14.	de Beer, Anja	ACBAR, Afghanistan
15.	de Jong, Marius	Embassy of the Kingdom of the Netherlands, Ghana
16.	De Renzio, Paolo	PhD Candidate, University of Oxford, United Kingdom
17.	Draman, Rasheed	Parliamentary Centre, Ghana
18.	Ehmeir, Walter	Austrian Development Agency, Uganda
19.	Evans, Alison	ODI, United Kingdom
20.	Evans, Roderick	DFID, Ethiopia
21.	Fellman, Irena	German Embassy, Yemen
22.	Gómez Pomeri, Ricardo	GTZ, Nicaragua
23.	Haas, Daniel	German Embassy, Cambodia
24.	Hammond, Mike	DFID, Ghana
25.	Hayes, Lucy	Eurodad, Belgium
26.	Hyun, Mia	World Bank, Cambodia
27.	Isenmann, Christoph*	KFW, Bangladesh
28.	Jarquín, María José+	DFID Central America
29.	Jenkins, Gary	DFID, United Kingdom
30.	Joussen, Birgit	German Embassy, Mali
31.	Killick, Tony	Independent consultant, United Kingdom
32.	Kipping, Martin	German Embassy, Afghanistan
33.	Krafchik, Warren	International Budget Project at CBPP, USA
34.	Lerch, Maike	KFW, Vietnam
35.	Lingnau, Hildegard	Adviser to Ministry of Planning, Cambodia
36.	Maleiane, Adriano	Lda Consultoria, Estudos & Projectos, Mozambique
37.	Martin, Matthew	Debt Relief International, United Kingdom
38.	Mfunwa, Mzwanele	UN Economic Commission for Africa, Zambia
39.	Mulley, Sarah	UK Aid Network, United Kingdom
40.	Mutalemwa, Deo	Consultant, Tanzania
41.	Mutasa, Charles	Afrodad, Zimbabwe
42.	Neret, Matilde+	DFID, Nicaragua
43.	Ngwira, Naomi	Ministry of Finance, Malawi
44.	Opancar, Chistopher	Austrian Development Agency, Albania

45.	Pain, Chris	Adviser to Ministry of Finance, Zambia
46.	Palesch, Peter*	GTZ, Bangladesh
47.	Pickle, Birgit	German Embassy, Zambia
48.	Pournik, Muhammad	UNDP, Yemen
49.	Power, Benjamin	AusAID, Australia
50.	Rajani, Rakesh	East Africa Civic Agency Initiative, Tanzania
51.	Raudales, Julio Cesar	CIDA, Honduras
52.	Ritchie, Fiona	DFID, Afghanistan
53.	Rogerson, Andrew	DFID, United Kingdom
54.	Sawadogo, Malik	Pool Technique, Mali
55.	Schnelle, Hans*	German Embassy, Bangladesh
56.	Schulz, Nils-Sjard	FRIDE, Spain
57.	Shaiban, Nabil	Ministry of Planning, Yemen
58.	Shivakumar, Sujai	National Academy of Sciences, USA
59.	Spitzer, Hanno	German Embassy, Tanzania
60.	Ssentongo, Peter	Office of the Prime Minister, Uganda
61.	Ssewakiryanga, Richard	Ministry of Finance, Uganda
62.	Stapenhurst, Rick	World Bank Institute, USA
63.	Sundstrom, Bo	DFID, Bangladesh
64.	Suzuki, Yuko	UNDP, Tanzania
65.	Tembo, Fletcher	ODI, United Kingdom
66.	Tilley, Helen	PhD Candidate, SOAS, United Kingdom
67.	Tranter, Robert	AusAID, Australia
68.	Trivedy, Roy	DFID, Tanzania
69.	Wangwe, Sam	Daima Associates Limited, Tanzania
70.	Williamson, Tim	Praxis Development Limited, Uganda
71.	Wollny, Hans	German Embassy, Honduras

The following symbols have been used:
* to indicate persons that collectively filled out a questioner; and
+ to indicate persons that collectively provided detailed information for a case study.