

**COMMENTS ON THE 3RD HIGH LEVEL FORUM ON AID
EFFECTIVENESS'
FINAL DRAFT OF THE ACCRA AGENDA FOR ACTION
(AAA)**

SYNOPSIS

This South Centre Analytical Note looks at the 25 July 2008 final draft text of the Accra Agenda for Action (AAA) that is being proposed for adoption by participants at the Third High Level Forum on Aid Effectiveness in Accra, Ghana, in September 2008. It argues that the text of the AAA sets the participation of developing countries within the framework and the norms set by developed country donors and will therefore end up strengthening the OECD-DAC framework and its associated governance structure, and does not suggest any inherent change in the governance structure of the international aid system which continues to be donor-driven and reflective of developed countries' economic and policy reform agendas.

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Executive Summary

The 25 July 2008 final draft text of the Accra Agenda for Action (AAA) that is being proposed for adoption by participants at the Third High Level Forum on Aid Effectiveness in Accra, Ghana, in September 2008 has been recently posted online.

This Analytical Note looks at the overall structure of the text and argues that, like the first and second consultative drafts of 18 March and 30 June 2008, the final draft still does not provide a critical perspective on the current issues and the systemic challenges faced by the existing international aid system to genuinely deliver on development. It sets the participation of developing countries within the framework and the norms set by developed country donors and will therefore end up strengthening the OECD-DAC framework, its associated governance structures and its operational arm. It does not suggest any inherent change in the governance structure of the international aid system which continues to be donor-driven and reflects donors' economic and policy agendas. Additionally, it puts greater and stronger onus on developing countries while provides several flexibilities to donor countries in adhering to the norms set within the framework.

The process modalities used for the drafting of the text of the AAA falls short of actually engendering genuine, full and transparent participation by developing countries in negotiating the final text to be adopted. While it is supposed to be a non-binding instrument, when taken together with the Paris Declaration, it may well give rise to new normative standards and conditionalities with respect to the delivery of aid by donors. These could effectively require aid recipient developing countries to implement the terms of the AAA and the Paris Declaration even in those instances where such implementation might not be appropriate to their development needs and circumstances.

Specific comments are provided with respect to specific paragraphs of the AAA text. Additionally, this Analytical Note provides some textual suggestions that could be considered for purposes of revising the draft AAA text.

COMMENTS ON THE 3RD HIGH LEVEL FORUM ON AID EFFECTIVENESS' FINAL DRAFT OF THE ACCRA AGENDA FOR ACTION (AAA)

I. Introduction

1. The Final Draft of the AAA (dated 25 July 2008) has been posted on-line and can be downloaded from the Accra High-Level Forum on Aid Effectiveness' (HLF3) website which is being hosted by the World Bank's servers at http://siteresources.worldbank.org/ACCRAEXT/Resources/4700790-1205870632880/AAA-Final-Draft_25-July-2008.pdf.
2. The AAA is the document that participants to the HLF are expected to endorse at the end of the forum.

II. General Comments on the AAA Text

A. Overall Structure

3. The overall structure of the AAA as contained in the final draft reflects the following:
 - An uncritical assumption that the Paris Declaration has provided and continues to provide the best framework for improving aid effectiveness;
 - A continued focus on conditionality-based aid delivery approaches;
 - A higher level of actions and commitments to be undertaken by developing country aid recipients as compared to developed country aid providers, thereby continuing the prescriptive approach to aid-promoted development policy approaches that have in the past generally not resulted in improved development outcomes for most developing country aid recipients;
 - The draft does not make any attempt to put measurable targets to monitor the performance of donor countries to improve aid effectiveness on the basis of whether the recipient countries' development objectives are being met;
 - The draft does not present any suggestions or ideas about better enabling aid recipient developing countries to develop better endogenous development capacity and a viable aid dependence exit strategy;
 - Not surprisingly given its provenance, the draft follows very closely the conceptual framework and approach to aid – including the use of policy reforms and policy conditions as the bases for the provision of aid – that are used by the World Bank and developed countries; and

- While the draft does use a lot of politically correct terms such as “country ownership” with respect to aid, but in interpreting their usage, it is evident that the AAA aims to elicit the participation of developing countries within the framework and the norms set by developed country donors and will therefore end up strengthening the OECD-DAC framework and its associated governance structure. In fact, the AAA draft does not suggest any inherent change in the governance structure which continues to be lopsided and donor-driven and far-removed from the “Ownership in Practice” approach favoured by aid recipient developing countries.

B. Process Modalities

4. Additionally, the modalities used by the Accra HLF with respect to the drafting, consultation process, and negotiation of the AAA text leave much to be desired in terms of encouraging and engaging the active participation of developing countries. The following points may be noted:
 - The Steering Committee for the Accra HLF, which is the body responsible for conceptualizing and preparing for the HLF as well as for drafting the AAA, does not have adequate developing country representation. There are only four (4) developing countries – Vietnam, Nicaragua, South Africa, and Ghana (as vice-chair and HLF host country) – represented in the Steering Committee. The other members of the Steering Committee include: the US, Canada, Japan, UK, European Commission, World Bank, OECD, UN Development Group, UNDP, and the African Development Bank.
 - The consultation process adopted by the Steering Committee did not envision nor allow for actual State-to-State negotiations on the AAA text. Instead, it involved a series of regional consultation meetings NOT ON THE TEXT but were instead “designed to foster continued learning about aid effectiveness and elicit input into the development of the Third HLF.”¹ These consultation meetings, together with other preparatory events, would go in tandem with the preparation by the Steering Committee of the draft text of the AAA. It was the Chair of the Steering Committee that first presented a draft ministerial statement in June 2007 and invited written comments thereon from the members.² The “zero” draft of the AAA text was then prepared for the 8 March 2008 meeting of the Steering Committee in the World Bank office in Paris, with members invited to give written comments thereon.³ With respect to the AAA consultation process, the Steering Committee reviewed and supervised “the elaboration of various consultative drafts with a view to reaching agreement by the

¹ See Accra HLF website at <http://www.accrahlhf.net/WBSITE/EXTERNAL/ACCRAEXT/0,,contentMDK:21690833~menuPK:64861647~pagePK:64861884~piPK:64860737~theSitePK:4700791,00.html>

² See Draft Summary of the Discussions of the Accra HLF Steering Committee Meeting held in the OCED, Paris, on 29 June 2007, at <http://www.oecd.org/dataoecd/57/58/39449236.pdf>

³ See Para. 14, Draft Summary of the HLF-3 Steering Committee Meeting, World Bank Office-Paris, 3 March 2008, at <http://www.oecd.org/dataoecd/8/62/40349024.pdf>.

Working Party in July 2008.”⁴ The Steering Committee formed the “Accra Consensus Group” that consists of “the SC [Steering Committee], the Ghanaian Chair of the Contact Group, three members of the partner country contact group (one each from Africa, Asia and the Latin America & Caribbean regions), and the DAC chair – for the purposes of the discussion of the AAA.”⁵ The OECD’s Working Party on Aid Effectiveness discussed the first consultative AAA draft text and comments thereon at its meeting in April 2008. The second consultative draft was released on 30 June 2008 for discussion at the Working Party’s meeting on 9-10 July 2008, with a second round of comments on the second draft. The final AAA draft was then adopted on 25 July 2008 and will then be submitted for endorsement at the Accra HLF.⁶

- While it is positive in terms of public transparency that the first consultative draft of the AAA text⁷ is open for public comments on the HLF-3 website using an on-line form⁸, and comments on the second consultative draft could be submitted to an email address (aaa@accrahlf.net), it is not clear how and to what extent such comments were incorporated into the final draft. Those Accra HLF participants that are not members of the Steering Committee, the Accra Consensus Group, or the Working Party, may find it difficult to find out exactly how their comments and suggested text revisions, if any, were reflected in the AAA text and its revisions. Neither is there, it seems, any opportunity for the AAA draft text to be reopened for negotiated changes or amendments prior to its adoption at the Accra meeting.
- In short, the drafting process for the AAA text – i.e. the actual act of coming up with and revising the text – was undertaken using exclusionary, closed-group, and non-participatory modalities very similar to the “Green Room”-type negotiating modalities in the WTO that have long been scored by developing countries and civil society as being non-transparent and militates against the effective participation of developing countries. That is, developing country participants in the Accra HLF may well now be faced with a final draft AAA text in which they, for the most part, were not afforded full opportunities to participate in the drafting of.

⁴ Id, para. 15..

⁵ See Para. 8, Draft Summary of the HLF-3 Steering Committee Meeting, World Bank Office-Paris, 17 March 2008, at <http://www.oecd.org/dataoecd/8/40/40349042.pdf>.

⁶ See OECD-DAC Working Party on Aid Effectiveness, Accra Agenda for Action: Consultation Process, DCD/DAC/EFF(2008)9/REV1, 7 April 2008, at <http://siteresources.worldbank.org/ACCRAEXT/Resources/4700790-1205870632880/AAA.ConsultationProcess.7April.2008.pdf> (hereafter Consultation Process notes). See also

<http://www.accrahlf.net/WBSITE/EXTERNAL/ACCRAEXT/0,,contentMDK:21690826~menuPK:64861649~pagePK:64861884~piPK:64860737~theSitePK:4700791,00.html>

⁷ See <http://siteresources.worldbank.org/ACCRAEXT/Resources/4700790-1205870632880/AAA-First-Draft.pdf>.

⁸ The on-line form can be found at <http://www.accrahlf.net/WBSITE/EXTERNAL/ACCRAEXT/0,,contentMDK:21729048~isCURL:Y~menuPK:64861649~pagePK:64861884~piPK:64860737~theSitePK:4700791,00.html>.

- The AAA text is supposed to be adopted by consensus by the Accra HLF participants.⁹ While it is supposed to be a non-binding instrument, when taken together with the Paris Declaration, it may well give rise to new normative standards and conditionalities with respect to the delivery of aid by donors. These could effectively require aid recipient developing countries to implement the terms of the AAA and the Paris Declaration even in those instances where such implementation might not be appropriate to their development needs and circumstances.

III. Specific Comments on the Final Draft Accra Agenda for Action

AAA Paragraph	Specific Comments
Preamble	
2	The first sentence of the paragraph assumes and states as fact that “Progress has been made” in tackling poverty. The paragraph, however, does not provide a complete picture of the continuing poverty and development challenge manifested in widening income gaps between developed and developing countries.
3	The first sentence assumes that achievement of the MDGs reflects the totality of meeting the development needs of developing countries. This is a mistaken assumption, not only because the MDGs are limited indicators in themselves of developmental progress but also because for developing countries, development implies much much more than simply meeting the MDGs.
4	The paragraph treats the Accra HLF as effectively being at par with the two major UN conferences mentioned even if the Accra HLF is a World Bank/OECD initiative that does not have the same legitimacy in terms of universality of participation as these UN conferences.
5 and 6	<p>These paragraphs basically deleted the critique of the implementation of the Paris Declaration that was in paragraph 4 of the first consultative draft.</p> <p>These new paragraphs in the final draft, while recognizing that there have been past failures in development cooperation and despite many critiques about the Paris Declaration framework itself, do not go further in assessing the root causes of such failures and instead simply present the Paris Declaration as the primary basis for further “reforms” in “improving the quality of aid.”</p>
9	The last sentence stating that “all development actors will work in more inclusive partnerships”, when related with the immediately preceding sentence stating “management and coordination challenges” are being created by “more development actors – middle-income countries, global funds, the private sector, civil society organizations”, may imply that in order for such management and coordination challenges to be effectively addressed, such development actors would need to subscribe to the Paris Declaration framework. This could limit flexibility and innovation by these new development actors in terms of delivering development assistance more effectively.
13	This paragraph, while positive in the sense of encouraging greater stakeholder participation in national development efforts and policies, and in strengthening developing country capacity to formulate and implement development programmes, are targeted at developing country aid recipients rather than at

⁹ Para. 14, bullet 3, of the Consensus Process notes.

AAA Paragraph	Specific Comments
	<p>both developed and developing country participants. They are mostly prescriptive and provide the basis for the imposition of “good governance” conditionalities on aid that may be provided to developing country recipients.</p>
<p>14 and 15</p>	<p>These paragraphs are focused on requiring developing country aid recipients to improve, especially, their domestic public financial management, procurement, audit, monitoring and evaluation and social and environmental assessment systems. Footnote 1 to paragraph 15, by clearly listing down the components of country systems in which improvements are expected to be made, provides the basis for donors to push on aid recipient countries the use of systems already developed in donor countries. As such, in its current form, it sets a very high bar for developing countries.</p> <p>Paragraph 15, for example, could provide the basis for pushing aid recipients to adopt the Public Expenditure and Financial Accountability (PEFA) framework as the core tool with respect to public financial management. This would effectively require developing countries to adopt a one-size-fits-all approach to public financial management that is defined and used by developed countries. The first consultative draft in paragraph 12 thereof had initially reflected an intent for donors and recipients to adopt the PEFA.</p> <p>The PEFA “is a partnership between the World Bank, the European Commission, the UK’s Department for International Development, the Swiss State Secretariat for Economic Affairs, the French Ministry of Foreign Affairs, the Royal Norwegian Ministry of Foreign Affairs, the International Monetary Fund and the Strategic Partnership with Africa” which “aims to support integrated and harmonized approaches to assessment and reform in the field of public expenditure, procurement and financial accountability.”¹⁰</p> <p>Paragraph 15(a) does not require donors to use aid-recipient countries’ country systems on a mandatory basis. Rather, it simply states that donors “agree to consider use of country systems as the first option for aid programmes” – i.e. there is no real requirement for donors to really use country systems but rather only a requirement to “consider” using them.</p>
<p>17</p>	<p>The donors’ commitment to better aid allocation expressed in this paragraph is couched very generally, without any specific timelines or quantitative or qualitative benchmarks and monitoring modalities, where appropriate, to determine whether or not aid allocation is actually being improved</p> <p>The focus is on maintaining aid levels, and puts no onus or asks for commitment of donor countries to increase aid levels to meet the 0.7% target.</p> <p>Additionally, paragraph 17(a) and (b) in relation to the division of labour in the allocation of aid by donors could eventually result in the establishment of principles on aid allocation practices that would draw from the EU’s Code of Conduct on Complementarity and Division of Labour in Development Assistance¹¹. The initial proposal in paragraph 18 of the first draft AAA text was for both donors and aid recipients to negotiate and agree on “Good Practice Principles for Complementarity and Division of Labour.”</p>

¹⁰ See the PEFA website at www.pefa.org.

¹¹ See <http://register.consilium.europa.eu/pdf/en/07/st09/st09558.en07.pdf> for the text of this EU Code of Conduct. This was adopted by the EU Council on 15 May 2007.

AAA Paragraph	Specific Comments
	<p>The EU Code of Conduct identifies 11 “Guiding Principles” as follows:</p> <ol style="list-style-type: none"> 1. Concentrate on a limited number of sectors in-country, effectively to a maximum three sectors per donor in each partner country as well as budget support (although a footnote indicates that “in limited cases, where donors face a significant reduction in sector coverage, this target may be increased to engage in more than three sectors ...”); 2. Redeployment out of other sectors towards other in-country activities; 3. A ‘lead donor’ arrangement in which an EU donor would be identified to lead in each sector; 4. Delegated cooperation/partnership, under which donors could work in sectors other than their own three through another EU donor, to whom they delegate authority for policy dialogue and administration of funds; 5. Adequate donor support, with a maximum of 3-5 in the number of donors in any sector; 6. Replicating Guiding Principles 1 to 5 at regional level and with regional institutions; 7. Establishing priority countries for each donor; 8. Addressing the “orphans” gap by redeploying aid to “neglected” countries – i.e. countries that do not receive, but are perceived to need, aid; 9. Analyse and expand areas of strength between donors on the basis of comparative advantage; 10. Pursue progress on other dimensions of complementarity; and 11. Deepen the reforms to promote coherent division of labour among donors. <p>Extending the EU’s Code of Conduct to the broader bilateral and multilateral non-EU ODA arena could have grave implications in terms of the choice and availability of donors that developing countries wishing to obtain aid with respect to specific sectors of national development interest may have. Such a division of labour could lead to further weakening the ability of recipient countries to determine for themselves which donor partner, if any, would best fit their development requirements. This could have the effect of de-emphasizing recipient country ownership over aid – especially in terms of who can provide such aid – and thereby stresses and perpetuates the unequal relationship between donor and aid recipient.</p>
18	<p>This paragraph on untying aid DOES NOT set any specific quantitative, qualitative, nor temporal targets for 100% untying of aid by OECD-DAC donors. Its reference to the 2001 DAC Recommendations on Untying Official Development Assistance to Least Developed Countries¹² conditions the untying of aid to “reinforcing partner country responsibility for procurement, with appropriate guarantees for effectiveness, accountability, probity and transparency”¹³ – i.e. a conditionality that could result in requiring aid recipient LDCs to also effect reforms in their public procurement systems that could entail having such systems allow foreign firms to compete with domestic ones for aid-financed public procurement contracts. Furthermore, the</p>

¹² See <http://www.oecd.org/dataoecd/14/56/1885476.pdf> for the text of this Recommendation.

¹³ Id., para. 4.

AAA Paragraph	Specific Comments
	<p>2001 Recommendation – and hence the AAA by inference – does not have any specific targets for untying aid because it speaks only of untying aid only “to the greatest extent possible” by 1 January 2002 only in the areas listed in Paragraph 7(i) of the 2001 Recommendation.¹⁴</p> <p>Puts a low-bar for donor countries on using national procurement systems by stating that “(Donors) will promote more local and regional procurement by building”. It does not put explicit targets or quantitative benchmarks to measure how much donors have promoted more local and regional procurement.</p>
19	<p>This paragraph’s phrasing is much improved from the previous paragraph 18 in the second consultative draft, because it no longer explicitly calls on providers of South-South development cooperation to “use the Paris Declaration principles as a guide in designing their programmes.” Instead, paragraph 19 of the final draft simply suggests that the Paris Declaration be used “as a point of reference in providing development cooperation” and does not call on middle-income countries who provide development cooperation to go under the Paris Declaration. It should be noted that such providers do view the Paris Declaration as being more appropriate to the aid being provided by OECD-DAC donors rather than to South-South development cooperation. This is in view of the fact that the Paris Declaration is effectively an OECD-DAC output, and that it is therefore not necessarily appropriate as a guiding framework for shaping modalities for South-South development cooperation.</p>
21	<p>Sub-paragraph (c) states that “Donors will provide demand-driven, tailored and coordinated capacity building for core state functions and for early and sustained recovery.” There is no stress, however, on the extent to which donors should engage with the affected populations and local groups in fragile and conflict states for purposes of strengthening state institutions.</p>
23	<p>This paragraph provides the mandate to further deepen the implementation of paragraphs 43 to 46 of the Paris Declaration on “Managing for Results: Managing resources and improving decision-making for results.” More specifically, paragraph 44 of the Paris Declaration commits aid recipient developing countries to strengthen the link between national development strategies and budget processes and to establish results-oriented reporting and assessment frameworks with measurable indicators. Paragraph 23 of the AAA provides the mandate for the injection of developed countries’ long-standing agenda on “good governance” directly into operational results management instruments that developing countries are to use for their development strategies and budgeting processes. Again, this could result in a one-size-fits-all prescriptive solution based on developed country approaches that might not be appropriate nor useful to developing country contexts.</p>
24	<p>This paragraph on establishing “mutual accountability” among donors and recipients, requiring all countries that endorsed the Paris Declaration to establish mutual accountability mechanisms, and ensuring that such mechanisms “are guided by internationally agreed good practice” would provide the basis for the following: (i) establishment of a mutual accountability conditionality for aid delivery; and (ii) require developing country recipients as another aid conditionality to undertake “good</p>

¹⁴ These areas are “balance of payments and structural adjustment support; debt forgiveness; sector and multi-sector programme assistance; investment project aid; import and commodity support; commercial services contracts, and ODA to Non-Governmental Organisations for procurement related activities.”

AAA Paragraph	Specific Comments
	governance” reforms, possibly at a pace and level that may not be appropriate to their own contexts.
25	This paragraph, while recognizing some of the problems of aid conditionalities and benchmarks, does not, however, push for the complete elimination of such conditionalities. Instead, it continues to accept that conditionalities may be imposed, only that the design, application, and overlapping of conditions may need to be improved. In short, it lays the basis for the continuation of aid-based conditionalities to be imposed on developing country aid recipients.

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