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Promoting Mutual Accountability in Aid Relationships

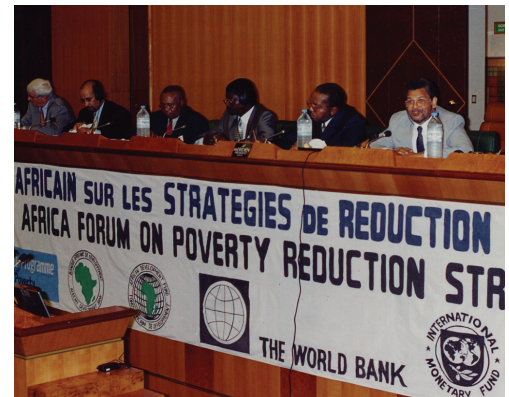
Addressing the power imbalance between donors and recipients is necessary to promote real partnerships

The quality of aid must improve if poverty reduction objectives are to be met. There are two main challenges: first, changing donor practices to increase aid effectiveness (e.g. aid untying, harmonisation), and second, donors recognising that aid will only be successful if it is truly 'owned' by recipient countries. Mutual accountability goes to the heart of these two challenges. In the current aid system, recipients are highly accountable to donors, but donors are seldom accountable to recipients. Making donors more accountable to recipients could encourage them to improve their aid practices, and more leadership by recipients in the aid relationship itself could promote better country ownership.

Definitions

The term *accountability* has gained widespread use in recent years within more general development debates around democratisation, participation and governance. In general terms, it denotes the mechanisms through which people entrusted with power are kept under check to make sure that they do not abuse it, and that they carry out their duties effectively.

We can think of accountability as having two key components: *answerability* (the obligation of power-holders to justify their decisions and actions) and *enforceability* (the existence of mechanisms for punishing poor performance or abuse of power). Answerability requires information to be available for external actors



'Mutual accountability at work'. Second African Forum on Poverty Reduction Strategies, Dakar.

to monitor the performance of power-holders, and their capacity to carry out such analysis. Enforceability requires mechanisms for sanctioning abuse of power or poor performance in power-holders' agreed commitments.

Therefore, the three key determinants of the functioning of accountability mechanisms are availability and use of information, mechanisms for monitoring performance, and the existence of adequate incentives for compliance.

The Paris Declaration on Aid Effectiveness defines mutual accountability in aid as existing when donors and recipients carry out 'mutual assessments of progress in implementing agreed commitments and more broadly their development partnership', a definition which focuses on answerability. A more detailed work-

Key points

- What does mutual accountability mean? What are its key challenges?
- Assessment of existing mechanisms to promote mutual accountability at country level (in Tanzania, Mozambique, Vietnam and Afghanistan) and at international level
- Recommendations for donors and recipients

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Country case studies: Tanzania and Mozambique

Independent monitoring has been at the centre of the mutual accountability process in **Tanzania**. In 1994, the Government of Tanzania (GoT) commissioned an independent group of advisers to investigate the problems with the aid relationship and propose solutions. Its report facilitated the definition of specific commitments on both sides to improve aid outcomes. Progress has been regularly monitored through a formally constituted Independent Monitoring Group (IMG). In 2002 the GoT's strategy for managing its aid was formalised in the form of the Tanzania Assistance Strategy (TAS). The TAS is now being used as the basis for the development of a Joint Assistance Strategy (JAS), initiated by the GoT, DFID and the World Bank. This aims to further improve donor coordination, including identifying donors' comparative advantages and introducing a single review cycle, and will replace the individual country assistance strategies of the participating donors.

In 2000, budget support donors in **Mozambique** formalised their coordination efforts in a Joint Programme, superseded in 2004 by a Memorandum of Understanding (MoU) between the Government of Mozambique (GoM) and its programme donors, outlining commitments on both sides to improve the quality and effectiveness of programme aid. The GoM has signed up to a Performance Assessment Framework (PAF) which now provides the basis for an annual joint review process whereby donors assess GoM progress and make aid commitments for the following year in a coordinated way. Since 2003, donors in Mozambique have themselves been assessed under the Programme Aid Partners Performance Assessment Framework (PAP's PAF), which is proving effective in generating pressure on donors to improve their performance in key areas such as alignment, predictability, reduction of conditionality, and reducing transaction costs. The MoU/PAF system's main limitation is that it applies only to programme aid (budget support accounts for only one third of total aid).

ing definition proposed by DFID takes the concept one step further, emphasising enforcement: 'Two or more parties have shared development goals, in which each has legitimate claims the other is responsible for fulfilling and where each may be required to explain how they have discharged their responsibilities, and be sanctioned if they fail to deliver.'

Key Challenges

Aid relationships present specific challenges in terms of accountability:

- **Power imbalance:** There is a clear asymmetry of power in aid relationships. Donors determine the quantity and quality of their development assistance, monitoring closely the performance of recipient governments. Recipient countries, for their part, have little influence over donor policies, and few mechanisms for monitoring donor performance.
- **Broken and distorted feedback mechanisms:** Donor agencies are accountable to their domestic constituencies (or to their Boards in the case of multilateral agencies), but the consequences of their actions are felt by recipient governments and their populations. There is currently no direct 'feedback loop' that allows aid recipients to influence policy-making in donor countries. Moreover, in aid-dependent countries, aid can distort domestic accountability frameworks.
- **Risk-sharing and 'mutual pain':** Mutual accountability and reciprocal commitments imply shared

responsibility for the outcomes and impact of development interventions. While in private sector contracts risk is always shared in an effort to link incentives with performance, this is not true in aid relationships, where recipient governments bear full responsibility for repaying debts even in the case that the project fails to deliver on its objectives.

Mechanisms

Attempts to promote mutual accountability need to generate:

- shared goals between donors and recipients, supported by reciprocal commitments and monitoring, in order to enhance answerability;
- greater recipient country voice, power and capacity to challenge donors, to enhance enforceability; and
- more coherent practices at the country and international level.

Enforceability poses particular challenges. At the moment, donors face only weak incentives to improve the quality of aid, based on reputation and peer pressure (i.e. being seen as a 'bad' donor), but little or no regulation or competition (i.e. bad donors being penalised, or losing 'market share').

Country Level Mechanisms

The boxes describe four country cases where some progress towards mutual accountability in aid relationships has already been made. Figure 1 below sets out some of the key characteristics of the cases. In Mozambique and Tanzania, mutual accountability mechanisms emerged in the context of long-term relationships with donors, and were precipitated by crises in those relationships. By contrast, in Vietnam and Afghanistan, mutual accountability mechanisms were developed by the recipient government from the outset of their relationships with donors. In Afghanistan and Mozambique, mutual accountability mechanisms are formalised/rules based – donors' behaviour is constrained by clear rules and procedures set at country level through semi-contractual arrangements. In Tanzania and Vietnam, mutual accountability mechanisms have emerged more informally, although both countries seem now to be moving towards more rules-based models of mutual accountability, for example through the use of legislation.

There seem to be four main conditions for the development of mutual accountability at country level:

- **Confidence:** Relationships between a recipient government and its donors must be based on reciprocal trust and confidence.
- **Credibility:** Donor engagement needs to be structured by a clear and credible framework set by the recipient government.
- **Coherence:** If recipient governments are to successfully negotiate with donors, their strategy

needs to be coherent. Strong central government coordination has proven crucial in promoting such coherence.

- **Capacity:** The capacity to develop policies and procedures for aid management is a key constraint on mutual accountability in many countries. Capacity must be political as well as technical (i.e. capacity to negotiate, not only to manage).

Mutual accountability mechanisms at the country level have had some positive impacts:

- Government/donor relationships have evolved, developing a better structured, more open and trust-based dialogue;
- Donor behaviour has improved in a number of ways (e.g. response to local needs and priorities, shift to programme modalities, more predictability);
- Government policies have gradually become more coherent, and there is increased ownership of the reform agenda.

However, it remains to be seen whether the mechanisms that have been put in place are sustainable. Experience suggests that the more institutionalised forms of interaction (i.e. regulated by legislation) are more durable, which may account for the move from informal to formalised mechanisms. Moreover, formal mechanisms allow for enhanced enforceability of mutual commitments.

International Level Mechanisms

There are a number of existing mechanisms at the international level which incorporate some dimension of mutual accountability.

- The *Cotonou Agreement* regulates aid and trade issues between the EU and ACP countries in a ‘compact’ which emphasises equality, ownership, mutual obligations and dialogue.
- The *Paris Declaration on Aid Effectiveness* represents the most advanced and credible international attempt at promoting mutual accountability in aid. The Declaration focuses on improving the quality of aid through a series of reciprocal and agreed commitments and targets.
- The UN Secretary General’s *‘In Larger Freedom’* also emphasises that aid relationships based on ‘mutual respect and accountability’ is a requirement. The 2005 World Summit called for the substantial strengthening of the Economic and Social Council (ECOSOC) as the forum where aid issues should be discussed and coordinated.
- The *World Bank* and the *IMF*, in cooperation with the DAC, UNDP and others, have developed a *monitoring framework* to track donor commitments. Annually produced Global Monitoring Reports (GMRs) chart progress on key development issues and are meant to hold developing countries and their donors mutually accountable for their performance.

Figure 1. Country Level Mechanisms – Origins and Forms

		Origins	
		<i>Precipitated by crisis in government/donor relations</i>	<i>Led by recipient governments</i>
Forms	<i>Formalised/ Rules-oriented</i>	Mozambique <ul style="list-style-type: none"> • MoU regulating GBS • Donor performance assessment framework 	Afghanistan <ul style="list-style-type: none"> • Rules of donor engagement • Strong aid management database
	<i>Informal/ Process-oriented</i>	Tanzania <ul style="list-style-type: none"> • Independent Monitoring Group • TAS and JAS 	Vietnam <ul style="list-style-type: none"> • Setting of priorities and project approval • Division of responsibilities

- The *Africa Partnership Forum (APF)* was created in 2003 to provide a venue for a more inclusive partnership between Africa and the G8, and as the political mechanism for monitoring progress on mutual accountability. Parallel to this, the UN Economic Commission for Africa (ECA) and the DAC have undertaken a Mutual Review of Development Effectiveness (MRDE), aimed at tracking the implementation of existing reciprocal commitments by African governments and their OECD partners.

Country case studies: Vietnam and Afghanistan

In the mid-1990s, **Vietnam** faced a difficult economic situation and began to engage with aid donors and investors. Initially, the Government of Vietnam (GoV) welcomed all investors and donors and exercised little control, while focusing on capacity building and evaluation. From 2000 onwards, the GoV developed a more proactive strategy based on the experience and knowledge gained. The GoV has now established some divisions of responsibility among donors, and has also established legal rules that structure relationships with donors, for example with respect to procurement. Although Vietnam has not yet implemented a centralised system for handling donors, the GoV ensures that it is involved with project/programme design with donors from an early stage. At the same time, it has displayed very strong ownership of its public policy agenda and has provided real leadership in managing donor relations. The Hanoi Core Statement was a rapidly formulated local response to the Paris Declaration, with targets more ambitious than the Paris targets themselves.

The aid architecture established in **Afghanistan** in 2001 was designed when there was no government in Afghanistan, and the initial needs assessment and development framework was negotiated and agreed largely between donors. However, the Government of Afghanistan (GoA) quickly gained control through a combination of clear national policies and systems and some hard conditions for the acceptance of aid. The GoA took steps to create/strengthen government systems, to ensure that donors would feel confident enough to use them. Rapid centralisation of revenue and expenditure allowed for more effective budgeting and reporting to the Ministry of Finance. Hard conditions for the acceptance of aid included limiting the number of sectors any donor could work in, and required minimum contributions before donors could expand to new sectors. Crucially, the GoA has been prepared to say no to some aid proposals, for example where overhead costs are excessive, or where proposals involve the use of expensive technical assistance. Transparency and the availability of data about donor behaviour has also helped the GoA manage its donors. The Development Assistance Database now records over 90% of the aid coming into Afghanistan, and makes data about donors’ pledges and disbursements publicly available.

Figure 2. Pros and Cons of different international mechanisms

	Pros	Cons
Cotonou Agreement	<ul style="list-style-type: none"> Contractual nature Recipient country representation through ACP Secretariat 	<ul style="list-style-type: none"> Enforcement remains asymmetric No independent monitoring ACP Secretariat mostly ineffective to date
Paris Declaration	<ul style="list-style-type: none"> Comprehensive commitments Specific targets Many signatories 	<ul style="list-style-type: none"> Limited to aid quality No sanctions Limited recipient representation
ECOSOC	<ul style="list-style-type: none"> UN-based Supported by General Assembly 	<ul style="list-style-type: none"> No specific targets Lack of credibility of ECOSOC
GMRs	<ul style="list-style-type: none"> Interesting analysis and useful information 	<ul style="list-style-type: none"> No specific targets No enforcement mechanism
APF/MRDE	<ul style="list-style-type: none"> High-level political support Includes reciprocal commitments in all areas 	<ul style="list-style-type: none"> No enforcement mechanism Unclear NEPAD/AU support

The pros and cons of these different mechanisms are analysed in figure 2. The main limitation on all the mechanisms described is the absence of any means of recipients sanctioning donors, or of making donor commitments enforceable. This may be partly explained by the lack of a credible and organised forum for recipient countries to meet and develop a collective response to donor policies and behaviour at the international level.

Links between international and country-level processes

International mutual accountability mechanisms can support country-level mechanisms. The Paris Declaration, for example, has provided a useful backdrop for country-level dialogue on how to promote mutual accountability, including by providing a basis for recipient governments to hold donors to account for internationally-agreed commitments.

However, there are three limitations that need to be kept in mind:

- Knowledge of the Paris Declaration is much stronger within donor agencies than in recipient governments.
- So far, country-level mechanisms have existed in a sort of vacuum, with little cross-country learning and exchange. The importance of sharing lessons from countries with more advanced mechanisms in place cannot be overstated.
- There is a risk that the monitoring process meant to follow-up the Paris Declaration will only focus on the limited set of targets and indicators, ticking boxes rather than changing country-level dynamics.

Recommendations

The value and purpose of enhancing mutual accountability is clear: it can begin to address the power imbalances intrinsic in aid relationships, it focuses aid resources on commonly defined objectives, and

it allows recipient governments to influence donor behaviour. This, in turn, makes aid more responsive to local needs and priorities.

For donors

- Support the generation and dissemination of information on aid, aid policies/commitments and donor behaviour, both at global and at country level.
- Encourage independent and recipient-led monitoring of aid practices and donor behaviour, both at the global and country level.
- Ensure that the follow-up process to the Paris Declaration defines clear mechanisms for monitoring the Declaration’s indicators and targets, sanctions for poor donor performance, and the nature and scope of country-level mutual assessments.
- Promote research and debate on the introduction of ‘regulation’ or ‘competition’ mechanisms in the aid system, as avenues to promote mutual accountability.
- Adopt and promote more coherent and responsible donor behaviour, ‘empowering’ recipient governments to set rules for donor engagement and abiding by them, or providing incentives for more government coherence.
- Invest in capacity building for aid management, supporting government institutions in charge of aid coordination to better negotiate with donors and monitor their behaviour.

For recipient countries

- Support the generation and dissemination of information on aid and donor behaviour at country level, to allow for independent local monitoring of aid and its impact. The creation of comprehensive aid databases is an important first step in this respect.
- Create better conditions for donor engagement, looking at issues of confidence, credibility, coherence and capacity. The use of legislative or semi-contractual means of structuring aid relationships has proved to be a durable instrument for developing mutual accountability.
- Don’t be afraid to say ‘no’ to aid which fails to meet quality standards. With credible government ownership, donor behaviour is more flexible than many recipient governments believe.
- Seek cooperation with other recipient countries, as a way of sharing lessons and resources on mutual accountability mechanisms and experiences with other recipient countries, and building a more effective collective voice for recipient countries in international arenas.

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