

GEF Council Meeting
November 10 – 12, 2009

Agenda Item 10

**PROPOSAL FOR THE GEF TO FORMALLY ADHERE TO THE
PARIS DECLARATION ON AID EFFECTIVENESS**

Recommended Council Decision

The Council reviewed GEF/C.36/5, *Proposal for the GEF to Formally Adhere to the Paris Declaration on Aid Effectiveness*, and approves that the GEF formally adhere to the Paris Declaration on Aid Effectiveness.

The Council welcomes the GEF's commitment to aid harmonization and alignment and managing for development results.

Background

1. The Paris Declaration on Aid Effectiveness reflects the resolve of donor and recipient countries to increase the effectiveness of aid and achieve lasting development results. It challenges all actors of development cooperation to use aid resources for the greatest impact. The Paris Declaration provides a practical, action-oriented roadmap with specific targets to be met by 2010. The number of participating countries (125) and international organizations (29)¹ putting their signature to the joint roadmap reflects a progressive broadening of the range of actors and their commitment to aid effectiveness.²

2. The purpose of this document is to:

- (a) Provide an overview of the Paris Declaration and the rationale for the GEF to adhere to the framework for harmonization, alignment, and managing for results.
- (b) Outline how the GEF already supports the international agreement and can contribute further to the road map and targets laid out in the Paris Declaration.

The 2005 Paris Declaration on Aid Effectiveness

3. The Paris Declaration has antecedents as far back as the 1967 *Commission on International Development*, chaired by Lester Pearson.³ Among the key precursory documents to the Paris Declaration are:

- (a) 1996: *Shaping the 21st Century: The Contribution of Development Cooperation* (OECD Development Assistance Committee (DAC))
- (b) 1999: *Comprehensive Development Framework* (CDF), initiated by the World Bank
- (c) 2000: *Millennium Development Goals* (MDGs), jointly initiated by the UN, OECD, World Bank, and the IMF
- (d) 2002: *Monterrey Consensus* on financing for development 2003: *Rome Declaration on Harmonisation*

¹ Of these, 6 are GEF Agencies. African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development (EBRD), International Fund for Agricultural Development (IFAD), Inter-American Development Bank, and World Bank, plus The UN Development Group (UNDG), on behalf of the 32 United Nations funds, programs, agencies, departments, and offices that play a role in development. These include GEF Agencies: UNDP, UNEP, INIDO, FAO, IFAD, and World Bank. The UNDG designs system-wide guidance to coordinate, harmonize and align UN development activities.

² Phase 1 Evaluation Reference Group, Framework Terms of Reference for the First Phase Evaluation of the Implementation of the Paris Declaration (unpublished, Copenhagen; 25 April 2007). [http://www.oecd.org/secure/Paris DeclarationofDocument/0,2834,en_21571361_30097720_38478112_1_1_1_1,00.Paris Declarationf 3](http://www.oecd.org/secure/Paris%20DeclarationofDocument/0,2834,en_21571361_30097720_38478112_1_1_1_1,00.Paris%20Declarationf3)

³ See Stern, Elliot D., with contributions by Laura Altinger, Osvaldo Feinstein, Marta Marañón, Nils-Sjard Schultz and Nicolai Steen Nielsen, *The Paris Declaration, Aid Effectiveness and Development Effectiveness*; Ministry of Foreign Affairs of Denmark, Copenhagen November 2008, pp.1-11.

(e) 2004: *Joint Marrakech Memorandum* on managing for development results

4. The 2003 Rome High Level Forum (HLF) identified a general framework for harmonization and alignment, and the 2005 Paris HLF on Aid Effectiveness produced the Paris Declaration on Aid Effectiveness. The Paris Declaration, endorsed on 2 March 2005, is an international agreement to which over one hundred Ministers, Heads of Agencies and other Senior Officials have adhered and committed their countries and organizations to increase efforts in harmonization, alignment and managing aid resources for results with a set of monitorable actions and indicators (refer to Annex 1). The Paris Declaration also emphasizes greater recipient control over the funds provided for development, thus encouraging donors' attention on upstream points in the policy process.

5. Specifically, the Paris Declaration calls on partner countries and donors to adhere to the following five principles:

- (a) Ownership: partner countries exercise effective leadership over their development policies and strategies, and coordinate development actions;
- (b) Alignment: donors base their overall support on partner countries' national development strategies, institutions, and procedures;
- (c) Harmonization: donor actions are more harmonized, transparent and collectively effective;
- (d) Managing-for-results: managing resources and improving decision-making for development results;
- (e) Mutual accountability: donors and partners are accountable for development results.

The Accra Agenda for Action

6. The Third Accra High Level Forum (HLF-3) in 2008 gave substance to building more effective and inclusive partnerships through the constructive engagement of new and emerging donors, private foundations, global funds and civil society organizations. The Accra Agenda for Action acknowledges that, although there has been progress, much more work is necessary if the current challenges of development are to be met.

7. The Accra Agenda builds upon the Paris Declaration on Aid Effectiveness and underscores the international community's consensus on the direction and need for reforming aid delivery and management. The Accra Agenda contains stronger commitments by partner countries, donor governments and development institutions to promote greater country ownership, build more effective and inclusive partnerships with a wide range of development actors, and achieve and account for development results. It also contains measures to increase

the predictability of aid and enhance the use of recipient countries' own systems, highlighting the importance of capacity building and South-South cooperation.⁴

8. Specifically the Accra Agenda for Action aims to accelerate progress by increasing:
 - (a) Predictability – donors will provide 3-5 year advance information on their planned aid to partner countries
 - (b) Country systems – partner country systems will be used to deliver aid as the first option, rather than donor systems.
 - (c) Conditionality – donors will switch from reliance on prescriptive conditions about how and when aid money is spent to conditions based on the developing country's own development objectives.
 - (d) Untying – donors will relax restrictions that prevent developing countries from buying the goods and services they need from whomever and wherever they can get the best quality at the lowest price.
9. Importantly for the GEF, the Accra Agenda aims to draw in new development actors—middle income countries, global funds, the private sector and civil society organizations. Key points agreed to in the Accra Agenda for action are provided in Annex 2.

GEF Adherence to the Paris Declaration

Aligning GEF Programming with Country Needs

10. Given the focus on programmatic approaches for GEF-5 and the evolving prominence of these approaches across the wider development agenda, it is natural for the GEF to seek closer alignment with harmonization and alignment processes at global, national and agency levels. Adherence to the Paris Declaration provides the GEF partnership a recognized framework to harmonize and align programs, foster national ownership and collectively manage results with a set of measurable indicators and related targets.

11. The Paris Declaration calls for better integration of global programs and initiatives at the country level as a priority area. Global programs that transfer significant amounts of funding at the country level have made progress in implementing the Paris Declaration principles, including: the Global Fund to Fight AIDS, Tuberculosis and Malaria, the Global Alliance for Vaccines and Immunisation (GAVI), the U.S. President's Emergency Plan for AIDS Relief (PEPFAR), and the Education For All – Fast Track Initiative (EFA/FTI).

⁴ Improving the division of labor; untying aid; adapting aid policies for countries in fragile situations; emphasizing that the aid effectiveness agenda is part of the broader financing for development agenda (linked to both the MDG High Level event in September and to Doha in November).

12. Their experiences have shown that global funds can make better use of flexibility in their governance and implementation processes at the country level, and can effectively complement multilateral and bilateral development assistance to achieve development objectives. Most global funds are adapting their approaches to improve aid effectiveness with the principles of the Paris Declaration in mind.⁵ In this context, the OECD/DAC's Working Party on Aid Effectiveness specifically identified the GEF in its report on progress in implementation of the Paris Declaration. It states that "*the GEF's use of implementing agencies helps to integrate its funding through UN agency and MDB channels already present in country*".⁶

13. Ownership is the fundamental tenet underpinning the Paris Declaration (where developing countries exercise strong and effective leadership over their development policies and strategies). During GEF-4, the GEF has been implementing a number of key reforms directed towards improving the effectiveness and efficiency of the partnership with countries:

- (a) A resource allocation system to direct funds to countries under a more objective set of criteria, and to put countries in the lead when it comes to setting programming priorities; and
- (b) The development of programmatic approaches so that issues of national, regional and global importance can be better tackled in coordination with GEF Agencies and other co-financiers.

14. The GEF Evaluation Office through the OPS4 strongly supports moving forward with increased adherence to the principles of the Paris Declaration. For GEF-5, the Secretariat has proposed further reforms as outlined in the *GEF-5 Programming Document*. These reforms will be centered on: (i) support to recipient countries to prepare *Voluntary National GEF Business Plans* for GEF Programming; and (ii) delivery of a reformed *Country Support Program* that includes the *National Dialogue Initiative*. Both of these activities, if adopted, will be facilitated by the GEF Secretariat working directly with the recipient countries, giving countries the lead role in developing programs aligned to their national priorities.

15. As the GEF continues to strengthen its programmatic approach, a more effective division of labor will emerge with countries playing a leading role in determining how to sustainably achieve global environmental benefits. The GEF's commitment to increased harmonization and alignment supports the Paris Declaration's objectives of harmonization of all aspects of aid delivery.

⁵ 2008 Report of the OECD/DAC's Working Party on Aid Effectiveness: "Aid Effectiveness- A Progress Report on the Implementation of the Paris Declaration: 3rd High Level Forum on Aid Effectiveness, September 2-4 2008, Accra Ghana", p 144.

⁶ Ibid, p.145.

Managing for Results

16. The monitoring mechanism for the Paris Declaration contains 12 indicators with targets, which the international community has been using since 2008, to review and report on the degree to which the commitments outlined in the declaration have been followed through. The indicators cover such issues as alignment with country priorities, joint analytic work, use of common arrangements and strengthened country systems, harmonized support for capacity building, and more predictable aid flows (refer to Annex 1).

17. The GEF has already begun aligning its strategic results framework with the Paris Declaration results areas. As many of the Paris Declaration indicators are applicable to the GEF as a financing mechanism that supports global environmental benefits and sustainable development, the following indicators form part of the GEF-5 strategic results framework:

18. **Paris Declaration Result Area - Alignment:** Strengthen and rely on country systems to the extent possible
 - (a) **GEF outcome:** National coordination mechanisms in place to coordinate GEF's investments in recipient countries
 - (b) **Indicator:** Sustainable financing mechanisms in place at national level
19. **Paris Declaration result area - coordinated capacity building:** Strengthen capacity as part of a coordinated effort in support of national priorities
 - (a) **GEF outcome:** Enhanced institutional capacities to plan, develop policies and legislative frameworks for effective implementation of global environmental conventions
 - (b) **Indicator:** National plans, policies and legal frameworks developed, disaggregated by focal area:
 - (c) **Indicator:** Strengthened capacities, including funding, for convention implementation
 - (d) **GEF outcome:** Strengthened institutional capacity to respond to the impacts of climate change, including variability, at local, national, regional and global level (LDCF, SCCF)
 - (e) **Indicator:** Development frameworks integrate adaptation measures
20. **Paris Declaration result area - harmonization:** Support program-based approaches with higher levels of budget

- (a) **GEF outcome:** Consultative mechanisms established for proactive and constructive engagement of all interested stakeholders
 - (b) **Indicator:** Percent of resources provided as program-based approaches
 - (c) **Indicator:** Percent of projects/programs with outcomes aligned to national priorities
21. **Paris Declaration result area - results focus:** Work with partners to develop harmonized results frameworks
- (a) **GEF outcome:** Enhanced capacity to monitor and evaluate environmental impacts and trends, and manage knowledge
 - (b) **Indicator:** Monitoring systems established that monitor environmental trends and national forest carbon monitoring systems in place
 - (c) **Indicator:** Knowledge platforms established to share lessons learned
 - (d) **Indicator:** Monitoring systems in place to track vulnerability to climate change, including variability

Recommendation

The achievement of global environmental benefits depends on supportive institutions within and across sectors. Therefore it is important that the GEF and its partner network address systemic issues at the country level with harmonized and aligned approaches. The GEF already actively participates in the Learning Groups of Global Programs on Aid Effectiveness, promoting good aid effectiveness practices. Formal adherence to the Paris Declaration and the working practices aligned to its principles is the logical next step for the GEF.

Paris Declaration Indicators and Targets

OWNERSHIP		TARGET FOR 2010	
1	<i>Partners have operational development strategies</i> — Number of countries with national development strategies (including PR5s) that have clear strategic priorities linked to a medium-term expenditure framework and reflected in annual budgets.	At least 75% of partner countries have operational development strategies.	
ALIGNMENT		TARGETS FOR 2010	
2	<i>Reliable country systems</i> — Number of partner countries that have procurement and public financial management systems that either (a) adhere to broadly accepted good practices or (b) have a reform programme in place to achieve these.	<p>(a) Public financial management – Half of partner countries move up at least one measure (i.e., 0.5 points) on the PFM/ CPIA (Country Policy and Institutional Assessment) scale of performance.</p> <p>(b) Procurement – One-third of partner countries move up at least one measure (i.e., from D to C, C to B or B to A) on the four-point scale used to assess performance for this indicator.</p>	
3	<i>Aid flows are aligned on national priorities</i> — Percent of aid flows to the government sector that is reported on partners' national budgets.	Halve the gap — halve the proportion of aid flows to government sector not reported on government's budget(s) (with at least 85% reported on budget).	
4	<i>Strengthen capacity by co-ordinated support</i> — Percent of donor capacity-development support provided through co-ordinated programmes consistent with partners' national development strategies.	50% of technical co-operation flows are implemented through co-ordinated programmes consistent with national development strategies.	
5a	<i>Use of country public financial management systems</i> — Percent of donors and of aid flows that use public financial management systems in partner countries, which either (a) adhere to broadly accepted good practices or (b) have a reform programme in place to achieve these.	PERCENT OF DONORS	
		Score*	Target
		5+	All donors use partner countries' PFM systems.
		3.5 to 4.5	90% of donors use partner countries' PFM systems.
		PERCENT OF AID FLOWS	
		Score*	Target
5+	A two-thirds reduction in the % of aid to the public sector not using partner countries' PFM systems.		
3.5 to 4.5	A one-third reduction in the % of aid to the public sector not using partner countries' PFM systems.		
5b	<i>Use of country procurement systems</i> — Percent of donors and of aid flows that use partner country procurement systems which either (a) adhere to broadly accepted good practices or (b) have a reform programme in place to achieve these.	PERCENT OF DONORS	
		Score*	Target
		A	All donors use partner countries' procurement systems.
		B	90% of donors use partner countries' procurement systems.
		PERCENT OF AID FLOWS	
		Score*	Target
A	A two-thirds reduction in the % of aid to the public sector not using partner countries' procurement systems.		
B	A one-third reduction in the % of aid to the public sector not using partner countries' procurement systems.		
6	<i>Strengthen capacity by avoiding parallel implementation structures</i> — Number of parallel project implementation units (PIUs) per country.	Reduce by two-thirds the stock of parallel project implementation units (PIUs).	
7	<i>Aid is more predictable</i> — Percent of aid disbursements released according to agreed schedules in annual or multi-year frameworks.	Halve the gap — halve the proportion of aid not disbursed within the fiscal year for which it was scheduled.	
8	<i>Aid is untied</i> — Percent of bilateral aid that is untied.	Continued progress over time.	

Key Principles of Accra Agenda for Action

Recipient Countries

- (a) **Predictability** – developing countries will strengthen the linkages between public expenditures and results, and donors will provide 3-to 5-year advance information on their planned aid to partner countries.
- (b) **Ownership** – developing country governments will engage more with parliaments and civil society organizations.
- (c) **Country systems** – partner country systems will be used to deliver aid as the first option, rather than donor systems, and donors will share their plans on increasing the use of country systems.

Donors

- (a) **Conditionality** – donors will switch from reliance on prescriptive conditions about how and when aid money is spent to conditions based on the developing country's own development objectives.
- (b) **Untying** – donors will elaborate individual plans to further untie their aid.
- (c) **Aid fragmentation** – donors will avoid creating new aid channels, and donors and countries will work on country-led division of labor.
- (d) **Partnerships** – all actors are encouraged to use the Paris Declaration principles, and the value of South-South cooperation is welcomed.
- (e) **Transparency** – donors and countries will step up efforts to have mutual assessment reviews in place by 2010. These will involve stronger parliamentary and citizen engagement and will be complemented with credible independent evidence