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PARIS DECLARATION ON AID EFFECTIVENESS¹

Application of the criteria for periodic evaluation of global development partnerships – as defined in Millennium Development Goal 8 – from the right to development perspective: the Paris Declaration on Aid Effectiveness.

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¹ Note by the Secretariat: The opinions, findings, interpretations or conclusions expressed in this paper are those of the expert, do not necessarily represent the views of the United Nations and do not commit the United Nations. The designations employed and the presentation of the material in this paper are those of the expert and do not imply the expression of any opinion whatsoever on the part of the United Nations concerning the legal status of any country, territory, city or area of its authorities, or concerning the delimitation of its frontiers or boundaries.

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Executive Summary

The Paris Declaration on Aid Effectiveness (PD) as a non-binding document on ways to disburse and manage ODA more effectively does not deal with any of the commitments spelled out in MDG8 (trade, finance, debt, increased aid) but it can be deemed to indirectly contribute to them if its goal of making aid more efficient is actually achieved. However, while relatively minor gains in efficiency could be obtained from avoiding duplications in delivery and simplifying reporting, the main causes of aid inefficiency (i.e. tied aid and unpredictability of aid income) are not properly addressed. There is a danger that the political momentum around the PD might deviate attention from the need of building global development partnerships around the still largely unmet commitments of MDG8.

The PD does not constitute in itself a partnership, as it brings together national and international actors in the aid cycle with extremely asymmetrical conditions and does not spell out corresponding rights and obligations. As a framework for bilateral partnerships between donors and creditors on the one hand and individual aid recipient countries on the other, the PD fails to provide institutional mechanisms to address the asymmetries in power. Institutional ownership of the PD process rests with the OECD DAC and the World Bank, where donors and creditors have exclusive or majority control, with little or no developing country voice or vote.

Human rights, including the Right to Development (RtD) are not mentioned in the PD. While some of its principles (national ownership and mutual accountability) can be supportive of the RtD, the practical implementation of the PD and the down to earth objectives, as spelled out in its indicators, can work in practice against RtD and erode national democratic processes.

Those conclusions derive from an analysis of the PD and each of its indicators according to the criteria agreed by the Working Group on RtD.

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Criteria for periodic evaluation of global development partnerships from a right-to-development perspective.

I. PARIS DECLARATION ON AID EFFECTIVENESS AND GLOBAL PARTNERSHIPS FOR DEVELOPMENT

1. The Millennium Declaration³ (MD) adopted by the heads of state and government in 2000 states that “in addition to our separate responsibilities to our individual societies, we have a collective responsibility to uphold the principles of human dignity, equality and equity at the global level”⁴. It further adds that “we are committed to making the right to development a reality for everyone and to freeing the entire human race from want”⁵. Those commitments are reflected in MDG8, titled “Develop a Global Partnership for Development”, which includes seven targets⁶, all of them extracted or literally quoted from the MD.

2. The Paris Declaration on Aid Effectiveness⁷ (PD), adopted in March 2005 by an intergovernmental High Level Forum convened by the Organization for Economic Co-operation and Development (OECD), aims at taking “far-reaching and monitorable actions to reform the ways we deliver and manage aid”⁸.

3. As such, the PD can not be considered as fitting within the rubric of “global partnerships” envisaged under MDG8, because a) it is not a partnership and b) it does not deal with any of the targets of MDG8.

The PD as a partnership

4. The Webster dictionary defines partnership as “a legal relation existing between two or more persons contractually associated as joint principals in a business” or “a relationship resembling a legal partnership and usually involving close cooperation between parties having specified and joint rights and responsibilities”.

5. The PD was initially endorsed by 90 countries from all continents, and by mid-December 2007, 115 countries are listed in the OECD website⁹ as having endorsed the declaration. The PD is a non-binding declaration and does not establish a partnership as such, in that it does not constitute a contractual relation between the signatories. Donors and recipients are not peers. Nor do they share rights and responsibilities. Recipient countries are penalized if they do not

³ UN General Assembly A/55/L.2

⁴ Id., para. 2.

⁵ Id., para. 11.

⁶ <http://www.un.org/millenniumgoals/>

Develop further an open trading and financial system that is rule-based, predictable and non-discriminatory includes a commitment to good governance, development and poverty reduction— nationally and internationally Address the least developed countries' special needs. This includes tariff- and quota-free access for their exports; enhanced debt relief for heavily indebted poor countries; cancellation of official bilateral debt; and more generous official development assistance for countries committed to poverty reduction Address the special needs of landlocked and small island developing States Deal comprehensively with developing countries' debt problems through national and international measures to make debt sustainable in the long term In cooperation with the developing countries, develop decent and productive work for youth In cooperation with pharmaceutical companies, provide access to affordable essential drugs in developing countries In cooperation with the private sector, make available the benefits of new technologies— especially information and communications technologies

⁷ <http://www.oecd.org/dataoecd/11/41/34428351.pdf>

⁸ Id., para 1.

⁹ www.oecd.org/dac/effectiveness/parisdeclaration/members

implement the conditionality framework, but they have no way of penalizing their donors/creditors.

6. However, much of the content of the PD is about “partnerships” and its language permanently distinguishes between “donor countries” and “partner countries”. It is probably fair to say that while not constituting a partnership itself, the PD is an attempt to provide a common framework for the many bilateral partnerships established between ODA donors and recipients¹⁰.

7. For recipient countries, the PD creates a new level of supranational economic governance above the World Bank and the regional development banks. The same Western governments that contribute to IDA and significantly control the IMF and the World Bank comprise OECD’s Development Assistance Committee (DAC). At the country level this new international governance increases the asymmetry between the aid recipient country and its donors and creditors, which gather together as a single group in the new aid modalities described below. While this is intended to save costs and make procedures easier for the recipient country (and thus make aid more efficient) the inherent risks of such an increased imbalance in negotiating power at country level are not compensated in any way by the international mechanisms set in motion by the PD.

8. In a wider sense, (which is the one used in this paper) the PD is not just the declaration signed in the French capital in 2005, but also the whole political process that started in the 2003 Rome High Level Forum, continued at the 2005 Paris High Level Forum (which endorsed the PD) and will convene again in a Third HLF in Accra, Ghana, in September 2008.

9. Calling those meetings “Fora” and not “conferences” or “assemblies” can be understood as an attempt to build consensus around certain principles without necessarily creating new institutions or collective contractual obligations. In describing the preparations for HLF 3, the OECD website¹¹ details under “Management” that “the overall responsibility for the substance of the HLF 3 rests with the Working Party on Aid Effectiveness”¹², which itself is described as “an international **forum** (emphasis added) in which equal numbers of bilateral donors and partner countries are represented, with participation from all the multilateral banks, the OECD, and the United Nations”. Further, “under the umbrella of the Working Party, the **Steering Committee**, chaired by the Chair of the Working Party with the World Bank and the Government of Ghana as vice-chairs, meets on a quarterly basis to provide advice on the content of the Forum. The **Core Group**, comprised of the World Bank, the Government of Ghana and OECD, is undertaking much of the preparatory work, including overseeing the planning of preparatory events”. Thus, while one of the three objectives of the preparatory process towards HLF 3 is “build ownership of the Accra agenda”, the institutional ownership clearly rests with OECD and to a lesser extent with the World Bank.

10. While developing and developed countries are represented in equal numbers in the WP, the presence of institutions controlled by OECD members tilts the balance in favour of the latter. Further, in such an ad hoc new body, developing countries lack the tradition and expertise of

¹⁰ While the designation of “recipient countries” has been rightly criticized by some of the RtD literature, the usage of the term “partner countries” as an equivalent in the PD is particularly odd, as it seems to imply that donors and creditors are not partners in the aid process.

¹¹ http://www.oecd.org/document/47/0,3343,en_2649_3236398_39448751_1_1_1_1,00.html

¹² See www.oecd.org/dac/effectiveness

their own negotiating groups that they have put together over the years in other international negotiating fora (such as G77 in the UN or G20 and G33 and several regional groupings in the WTO). Finally, the voice of developing countries in the HLF or the WG is largely ineffective, since those are *fora* and not decision-making bodies.

11. The complex set of assessment criteria and even the definition of the indicators by which the PD is going to be reviewed and the new conditionality packages for disbursement of ODA under new mechanisms such as direct budget support (DBS) and sector wide approaches (SWAs), as well as the criteria for evaluating recipient country governance systems, are all ultimately decided upon by the DAC, in close working relation with the World Bank. All those instruments are still being developed and were not available at the time when the PD was drafted. If the PD was some kind of legal contract, it would be null and void because the “small print” was not known by the partner countries at the moment of signing into it.

The PD and MDG8

12. The main and almost exclusive concern of the PD is to “reform the ways we deliver and manage aid”. Only one of the seven targets of MDG8 refers directly to aid, and it clearly demands “more generous ODA for countries committed to poverty reduction”. The PD recognizes that “while the volumes of aid and other development resources must increase to achieve these goals (the MDGs), aid effectiveness must increase significantly as well to support partner country efforts to strengthen governance and improve development performance.” The PD makes no commitment to increase aid, as demanded by MDG8, but it expresses the belief that more efficient aid delivery “will increase the impact aid has in reducing poverty and inequality, increasing growth, building capacity and accelerating achievement of the MDGs”.

13. Aid is of utmost importance to achieve the MDGs and it seems obvious that an increase in ODA, as requested by the MD and the Monterrey Consensus of 2002, would be inconsequential if that aid is ineffective or serves other purposes. It cannot be forgotten, nevertheless, that making current aid more effective is not enough, and that even increasing aid to the levels estimated by the Millennium Project¹³ is not enough, if the international trade and financial rules are not reformed in the way envisaged by the MD and enshrined in MDG8. If, by focusing on aid delivery and management, concrete helpful steps are being taken towards one aspect that is concomitant with the MDGs or, instead, the larger picture of the necessary global partnerships envisaged by Goal8 is being blurred, is essentially a political question out of the scope of this paper.

14. It is to be noticed, though, that the results of HLF3 will be inserted in the preparatory process of the UN Financing for Development Summit to be held in Doha later next year, which will discuss in a legitimate and representative process of the UN General Assembly all of the MDG8-related issues. Any “consensus” emerging from HLF3 will have enormous political influence on the Doha Summit, whereas it should be the other way around. In fact, to achieve the RtD, the whole PD process would need to be under the auspices of the UN rather than the OECD.

¹³ See <http://www.unmillenniumproject.org/>

II. AID EFFECTIVENESS, HUMAN RIGHTS AND RIGHT TO DEVELOPMENT

15. Human rights and the right to development in particular are not mentioned at all in the PD, which is consistent with the focus of the document on ODA delivery and management. The PD does not even reaffirm the MD, which emphasizes human rights and RtD in its “values and principles” and only refers to the signatories “looking ahead” to the 2005 UN five-year review of the MD and the MDGs.

16. To address this concern, a Workshop on Development Effectiveness in Practice – Applying the Paris Declaration to Advancing Gender Equality, Environmental Sustainability and Human Rights, was held in Dublin in April, 2007.¹⁴ A key message of the workshop, which brought together 120 participants representing Development Assistance Committee (DAC) Members, partner countries, civil society and United Nations agencies, was that “human rights, gender equality and environmental sustainability are key goals of development. They are functionally essential to achieving the ultimate goal of the Paris Declaration -- increasing the impact of aid on reducing poverty and inequality, increasing growth, building capacity and accelerating achievement of the MDGs.”

17. In his closing remarks, Ambassador Jan Cedergren (Sweden), Chair of the DAC Working Party on Aid Effectiveness, reiterated the recurring message from the discussions, that gender equality, environmental sustainability and human rights are fundamental cornerstones for achieving good development results. He stressed that the application of the Paris Declaration framework to these key policy issues would move them to the centre and serve to increase the effectiveness of aid.

18. Thus, the reverse question was left open: how does the human rights framework (as well as gender equality, -which is also a human right- and environmental sustainability) applies to the Paris Declaration? In other words, can the human rights legal obligations of all states (be they donors or “partners”) help evolve the principles of the PD into contractual commitments that could make it qualify as a real partnership for MDG8?

19. According to the OECD, “the primary intention of the HLF 3 is to take stock and review the progress made in implementing the Paris Declaration, also broaden and deepen the dialogue on aid effectiveness by giving ample space and voice to partner countries and newer actors (such as Civil Society Organizations and emerging donors). It is also a forward-looking event which will identify the action needed and bottlenecks to overcome in order to make progress in improving aid effectiveness for 2010 and beyond.”

20. It has been stated several times that HLF 3 is not intended to “rewrite” the PD, and therefore there would not be an opportunity to explicitly include human rights language in it. Yet, the Forum “is expected to conclude the HLF 3 with an endorsement of a ministerial statement based on high-level discussions and negotiation around key issues”. And that statement clearly provides an opportunity to explicitly reaffirm human rights and the right to development.

¹⁴ See the documentation at www.oecd.org/dac/effectiveness/inpractice

21. From an RtD point of view, the five principles of the PD (ownership, alignment, harmonisation, managing for results and mutual accountability) have different implications. While “ownership” and “mutual accountability” can easily be understood as a reformulation of the concepts already included in the RtD declaration (even if downgraded from “rights” to “principles”), “alignment, harmonization and managing for results” can be supportive, neutral or detrimental of RtD, depending on how they are understood and implemented.

III. CHALLENGES TO THE INCORPORATION OF HUMAN RIGHTS INTO THE IMPLEMENTATION OF THE PARIS DECLARATION

22. If the conclusions of the Dublin workshop quoted above are indeed shared by all participants, there should be no conceptual obstacle to incorporating human rights in general and RtD in particular in the PD or the ministerial statement that will come out of HLF 3. From a normative point of view, though, a major obstacle could be the reluctance of OECD countries to accept commitments that could be constructed as “entitlements” of developing countries or, symmetrically, as binding obligations of donor countries.

23. Thus, for example, the OECD takes pride in the fact that “back in 1996, the DAC pioneered the International Development Goals as concrete targets in its Shaping the 21st Century report, stating it was time to ‘select, taking account of the many targets discussed and agreed at international fora, a limited number of indicators of success by which our efforts can be judged’”.¹⁵

24. The “Better World for All” report published jointly in 2000 by the OECD, the IMF, the World Bank, and the UN secretariat is mentioned by DAC as an immediate precedent of the MDGs. And, in fact, that report included the first seven goals that later in the year became the MDGs. The “Better world for All” report was heavily criticized by civil society organizations and by developing countries during the Special Session of the General Assembly on the five year review of the Social Summit precisely for not including any commitments by developed countries to support the achievement of those goals, and it was only after the inclusion of goal 8 that the MDG “package” became consensual. Yet, even when MDG8 has largely been recognized as a necessary condition for the achievement of the other seven goals, it lacks time-bound targets for the implementation of the responsibilities of developed countries.

IV. OPERATIONAL ANALYSIS OF THE PARIS DECLARATION AND HUMAN RIGHTS

25. The PD includes 12 Indicators of Progress¹⁶ “to be measured nationally and monitored internationally” that are in turn subdivided in 17 targets for 2010. Those targets have several major implications for human rights standards and obligations.

26. From a conceptual point of view, the positive linkage of the PD with human rights has been made by pointing out that the intended result of the PD is to make aid more effective for the achievement of the MDGs and that this is equivalent to the progressive realization of social and economic rights. Yet, none of the targets make reference to those desired results and they only

¹⁵ http://www.oecd.org/about/0,2337,en_2649_34585_1_1_1_1_1,00.html#gen

¹⁶ <http://www.oecd.org/dataoecd/57/60/36080258.pdf>

refer to how aid is managed and delivered and to several preconditions that developing countries have to meet. Thus, if the implementation of the PD actually produces the intended positive human rights and development results is out of the scope of the official review, monitoring and evaluation. This is a major flaw that needs to be corrected.

27. Actually, many of the targets set in the Paris Declaration, if achieved as currently defined, could result in substantial erosion of the right to development of “partner” countries, as the following analysis shows:

V. PD: THE EXPECTED RESULTS

Ownership

28. **Indicator 1** is the only indicator on “ownership”, defined as “partners have operational development strategies (including PRSs¹⁷)” and the target for 2010 is that “at least 75% of partner countries” have them.

29. PRSs have been requested from low income developing countries for many years as a precondition to apply for debt relief and they require the approval of the World Bank and the IMF. However, as described below, bilateral and multilateral donors have a decisive say in the formulation of those strategies and are frequently say to “steer the government from within”¹⁸ – through their financing arrangements for DBS, SWAps, etc.

30. Obviously, if countries do not “own” their national development strategy, donors have nothing with which to align or harmonize their aid. However, ownership is defined tautologically as countries having plans that conform to what the donor wishes as articulated in conditionalities attached to loans and grants. According to a recent study from the Dutch government¹⁹ “...the international financial institutions are limiting the scope for devolving more control and accountability for policy and aid to the government by “interfering intensively with the PRSP and with macro and sector policies”.

31. “Operational Development Strategies”, as defined by the PD, do not include government plans, national legislation or any other nationally generated “policy, legislative and other measures” as required by the RtD declaration in its article 10, but are internationally negotiated documents between the recipient countries and its donors and creditors.

32. Civil society and trade unions have often opposed the PRS precisely because external actors influence the content of the strategy by, among other things, rating systems such as the World Bank’s Country Policy and Institutional Assessment (CPIA) that the indicators of the PD intensively use (see below). There is little or no civil society or legislative input to the macroeconomic dimension of PRSs and data supports the conclusion that the IMF and World Bank define their own means (e.g. privatization, liberalization) to PRS goals.

¹⁷ Poverty reduction Strategies

¹⁸ Interview with Nancy Alexander, Director of the Citizen’s Network on Essential Services (CNES), a project of the Tides Center, Silver Spring, MD, USA.

¹⁹ The Netherlands Ministry of Foreign Affairs, “From Project Aid towards Sector Support - An evaluation of the sector-wide approach in Dutch bilateral aid 1998-2005” (IOB Evaluations, No. 301, November 2006 – Policy and Operations Evaluation Department).

33. Since the PD calls for Joint Assistance Strategies and joint analysis supported by many donor/creditors, much of the analysis and strategic planning for lending to a country will be led by the World Bank.

34. If the PD really promoted partnership, then recipient countries would need to contribute to and sign off on assistance strategies for their countries and analysis of their development challenges, however the JASs are owned by donors/creditors.

35. Indeed, the review of the Paris Declaration draws upon World Bank data²⁰ when they state that no government scores an “A” on its PRS and only 5 score a “B”.²¹ Due to low grades assigned to PRSs, the OECD-DAC and World Bank do not consider PRSs use very operationally useful. According to the World Bank research on Poverty Reduction Strategies (PRSs), “Few of them provide the level of operational detail that specifies how objectives are to be achieved through policy actions.” These problems “often limit the operational usefulness of the PRSP to both national authorities and development partners.”²²

36. Further, programmatic aid facilitates corruption in ways that projectized aid does not. Unlike projects, in which each dollar is allocated for a particular use, programmatic aid (DBS, SWAs, and country procurement) involves large infusions of donor/creditor financing that supports a general policy framework. Accountability of the donor country aid agencies to their own citizens and taxpayers is also undermined, since a “pool” of money formed by a variety of donor contributions is much more difficult to follow and assess than specific projects. Those disadvantages are not compensated by greater recipient country accountability or by new mechanisms for tracking the results of the pooled aid, since as will be shown below those are non-existing in the PD.

37. Undermining national capacity to design its own development strategy, parliamentary ability to oversee those plans and democratic control by civil society can amount to a violation of the RtD and other civil and political rights.

Alignment

38. **Indicator 2**, the first to assess the “alignment” principle, requires “Reliable country systems”, and it is measured by the “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.” This target is clearly not about aligning ODA with the recipient country strategies, but about aligning country governance with the requirements of donors/creditors.

39. The PD “Indicators of Progress” track and score the performance of public financial management systems (i.e., financial management, budget execution, auditing). The performance of each government’s PFM system is rated by the World Bank’s Country Policy and Institutional

²⁰ World Bank Comprehensive Development Strategies (CDFs) and Aid Effectiveness Reviews (AERs).

²¹ 2006 Survey on Monitoring the Paris Declaration: Overview of the Results, OECD 2007, p. 17.

²² S. Koeberle, Z. Stavreski, and J. Walliser, “Budget Support as More Effective Aid?” The World Bank, 2006, p. 49-51.

Assessment (CPIA) as well as the Public Expenditure and Financial Assistance (PEFA) partnership. The World Bank uses the CPIA to provide an annual rating of each government's performance in 16 policy areas, including PFM. The PEFA Partnership of donors and creditors provides another input to the PD PFM indicator.

40. According to the World Bank, the purpose of the CPIA is to measure a country's policy and institutional development framework for poverty reduction, sustainable growth and effective use of development assistance. These ratings are used to allocate aid and credit; design policy conditionality; and to establish debt ceilings.

41. The view of many critics is that "the CPIA rates the extent to which a government has: a) adopted neoliberal economic policies (i.e., liberalization and privatization in the context of strict budget discipline) and b) developed institutions, particularly those that protect property rights and promote a business-friendly environment".²³ There is no participation whatsoever of developing countries in the definition of the criteria that result in better grading by CPIA or in the designation of the experts in charge of assigning the grades.

42. The PD Indicators also track and score the procurement systems of each recipient country. Except for the explicit goal of eliminating corruption, which is consistent with the promotion of human rights, no other human right values are attached to the use of country systems and none of the criteria to assess them explicitly support the practice of requiring suppliers to adhere to core labour standards. The use of government procurement as a tool of affirmative action in favour of local producers or of vulnerable sectors of the population (small business, cooperatives, women or minority-run firms) is an established practice to contribute to the progressive realization of economic, social and cultural rights, but such policies are deemed as "discriminatory" against foreign firms and explicitly forbidden.

43. The OECD has developed a "Methodology for Assessment of National Procurement Systems", based on indicators derived from an OECD-DAC/World Bank round table²⁴ which lays out "compliance and performance indicators" for partner countries. Among those, sub-indicator 1(d) "assesses the participation and selection policies to ensure that they are non discriminatory. As a general principle, firms, **including qualified foreign firms** (emphasis added), should not be excluded from participating in a tendering process for reasons other than lack of qualifications".

44. For some procurement, countries may and frequently do elect to engage foreign firms, but for donors/creditors to insist on international competition for all procurement over a certain dollar level is inappropriate. Industrialized countries gained economic strength by using procurement to strengthen local economic development and the PD curbs this practice.

45. The opening up of procurement to foreign firms "applies to all procurement (goods, works and services, including consulting services) undertaken using public funds" and "to all public bodies and sub-national governments and entities" including "the army, defence or similar expenditures, autonomous or specialized state owned enterprises". This is a standard that OECD

²³ Alexander, Nancy, "Judge and jury: the World Bank's scorecard for borrowing governments" in Social Watch report 2004, available at http://www.socialwatch.org/en/informelmpreso/pdfs/judgeandjury2004_eng.pdf

²⁴ <http://www.oecd.org/dataoecd/1/36/37130136.pdf>

countries do not meet themselves. All national security-related expenditures in developed countries are normally excluded from the transparency norms that apply to other government expenditures and defense-related trade is explicitly excluded from WTO regulations. To impose those conditions on developing countries amounts to a serious violation of their sovereignty.

46. The procurement standards attached to the PD go beyond the requests about transparency in procurement that developed countries demanded from developing countries in the WTO as part of the so-called “Singapore issues”. Those requests were widely rejected during the Cancun Ministerial in 2003 as contrary to their right to development, even when many developing countries have transparency principles in their procurement, because of the fear that internationally binding the national procurement rules could put them in a slippery path towards complete liberalization and forceful opening to foreign bidders. The PD does precisely that in the small print of the obligations that partner countries have to undertake as a condition to receive aid.

47. The use of country procurement systems is very controversial. For instance, in the U.S., it is a high priority of the National Foreign Trade Council (NFTC) to stop the use of country procurement systems, claiming that country systems are inferior those of donor countries and prone to corruption. The NFTC does not believe that country systems can guarantee U.S. corporations competitive access to bidding. Legislation in the U.S. House of Representatives would withhold 20% of the U.S. contribution to the World Bank’s soft loan arm, IDA, if the World Bank promotes country systems for procurement. Thus, even after having made the effort to get an A or B grade, targets under indicator 5b only promise that by 2010 the reduction in the amount of ODA not using those systems would be of two thirds or one third respectively. At the same time, foreign firms presently excluded from bidding would get access to a major share of the national budgets generated by taxes from nationals and not by ODA. The net result in terms of proportion of the government procurement spent at home or abroad can even be negative.

48. **Indicator 3** is the only one in the “alignment” section of the PD that specifically requires that “aid flows are aligned on national priorities”. Yet, this is to be measured by the “percent of aid flows to the government sector that is reported on partners’ national budgets”. While reporting ODA inflows in national budgets can be helpful to simplify monitoring, both by donor/creditors and by national parliaments or citizens, it does not guarantee by itself that those flows, or the budget itself, are consistent with national priorities.

49. **Indicator 4** aims to “strengthen capacity by coordinated support” and is measured by the percent of donor capacity-development support provided through coordinated programmes consistent with partners’ national development strategies, with a target of 50% of technical co-operation flows doing so by 2010. This indicator has proven particularly difficult to assess, due to the lack of a common definition among donors of what constitutes “technical cooperation”. It is important that the concept be defined properly and so as to curb the practice of substituting local expertise for much more expensive foreign services that are not attuned to the local realities.

50. **Indicators 5a and 5b** calls for the measurement of the actual use by donors of the recipient country’s financial management and procurement systems, which should increase according to the “score” of those systems, as defined in the discussion of **Indicator 2**. It is worthwhile noticing that even when a country procurement system achieves an “A” score, a

substantial part of the donors' aid to the public system may still be disbursed outside the recipient country system. All the comments made for Indicator 2 apply here.

51. **Indicator 6** –Realization of this indicator is intended to “strengthen capacity by avoiding parallel implementation structures” and the target is to reduce by two thirds the stocks of parallel project implementation units. This is consistent with the pressure of the PD on donors and creditors to shift from projectized aid to program aid.

52. **Indicator 7** calls for ODA to be “more predictable”, which should be measured by the percent of aid disbursements released according to agreed schedules in annual or multiyear frameworks. Yet the target for 2010 only calls to “halve the proportion of aid not disbursed within the fiscal year for which it was scheduled” (an unambitious target!), with no mention of longer term commitments.

53. Donors and creditors have such unpredictable aid that, in some circumstances, its late arrival constitutes a major external shock to the economy of the “partner.” The unpredictability of ODA is one of the major problems limiting the use of aid to achieve the MDGs. Promoting the realization of Economic, Social and Cultural Rights (ESCR) and achieving the MDGs implies essentially more and better delivery of public services (in particular health, education and water) to the poor, which in turn requires hiring teachers, doctors and nurses. However, there is ample evidence from the IMF's Independent Evaluation Office (IEO) that the IMF imposes inflation targets and fiscal limits of government spending that often result in suppressing governments' ability to hire key personnel.²⁵ Moreover, because aid is so unpredictable, governments are not able to commence hiring or spending on additional wages and salaries based upon volatile, unreliable aid inflows.

54. According to a study published by Social Watch²⁶, “the 2007 UN MDG progress report shows that adequate resources are still not being made available to countries in a predictable way. Genuinely predictable and long-term aid is not being delivered. Donors are still – by and large – unable to commit to three-year budget support cycles that would facilitate medium term expenditure framework planning. In practice, even longer-term commitments would be necessary to assure partner governments that they have a stable source of financing for MDG-related recurrent costs of social and other public services. Social security types of expenditures need to be predictable, continuous, and not subject to the ‘stop-go’ features of aid politics.”

55. Further, “experience shows that budget support, and especially general budget support, is especially vulnerable when there is a deterioration in political relations. This undermines budget support as a long-term instrument. Apart from immediate disruptive effects, it makes partner governments less likely to treat budget support as a reliable source of financing for medium and long-term planning, and this in turn may undermine some of the distinctive benefits of budget support.”

56. Donors can also stop the flow of aid when a government fails to meet the conditions contained in the Performance Assessment Framework (PAF) attached to budget support

²⁵ IEO, IMF, “The IMF and Aid to Sub-Saharan Africa,” March 2007.

²⁶ Carter, Rebecca and Stephen Lister, “Budget support: As good as the strategy it finances”, in Social Watch 2007, ITeM, 2007 available at http://www.socialwatch.org/en/informeImpreso/pdfs/budgetsupport2007_eng.pdf

agreements. It is ironic that the goal to make aid less volatile and more predictable does not in any way limit or discipline the power of donors to pull the plug from recipient government budgets, just as the IMF currently does²⁷. According to consultants for the EU, “This implies a danger for “stop-go” resource allocations from donors to the partner countries and this may have serious, devastating effects on development in partner countries. Apparently, however, such risks are not sufficiently analyzed and discussed, neither among the donors, nor among the partner countries.”²⁸

57. The modest target associated with Indicator 7 does not ensure that this situation is corrected in the near future.

58. **Indicator 8** has as its goal the untying of aid and the measure is the percentage of aid that is untied, yet the target for 2010 only promises “continued progress over time” without specific figures.

59. Together with unpredictability, the tying of ODA is one of the major factors in reducing aid efficiency. The percentage of tied aid over total aid can be as high as 69% for Italy and 57% for the United States. The Washington-based Center for Global Development estimates that “tying raises the cost of aid projects a typical 15–30%”²⁹

60. Untying aid is probably the single most important factor that could contribute to aid efficiency and one that depends only on donors. Its non inclusion with binding targets in the PD does not help to build the credibility in the process among “partner” countries.

Harmonization

61. **Indicator 9** calls upon donors to use common arrangements or procedures, as measured by the percent of aid provided as programme-based approaches, e.g., Direct Budget Support (DBS) and Sector-Wide Approaches (SWAs) or Poverty Reduction Support Credits (PRSCs). The target for 2010 is that 66% of aid flows should be provided in the context of programme-based approaches from a baseline of 43% in 2005. Already, the Netherlands channels approximately 70% of its development assistance through sectoral and general budget support. DFID (UK) disburses approximately 50% of its development assistance through budget support and approximately 25% through SWAs.

62. As of June 2006, the World Bank provided approximately 40% of its new lending through budget support. In FY04-06, the Bank committed funding to 46 operations using these approaches in 28 countries; and in Bangladesh, Brazil, Malawi, Morocco, Nepal, Nicaragua, Philippines, Poland and Tanzania, the Bank has supported more than one sector wide approach.

63. The sectors that move quickly toward a SWAp are health, education and water and sanitation. But, SWAs are increasingly being used not only for single sectors, but also for

²⁷ Alexander, Nancy, “The New Aid Model: Implications for the Aid System”, September 2007.

²⁸ Case study by Oxford University, Global Economic Governance Program (undated), p. 44.

²⁹ Roodman, David, “An Index of Donor Performance”, Center for Global Development, available at <http://www.cgdev.org/content/publications/detail/3646>

multiple sectors and cross-cutting institutional areas such as private sector development, justice, law and order.³⁰

64. DBS and SWAs are believed to reduce transaction costs, increase efficiency in public spending, lead to greater predictability in aid flows and ensure greater convergence of ODA with public funds. The Netherlands, which has undertaken an extensive assessment of its engagement in DBS and SWAs, found that in “the education sector in Zambia, (...) the number of donor support accounts managed by the Ministry declined from about 800 in 1999 to 10 in 2004. The number of donor missions in the sector per annual also declined: from about 120 to about ten.” However, a case study on Zambia³¹ challenges the notion that transaction costs necessarily decline when shifting from projectized to sector-wide approaches.

65. The critique of SWAs³² centers on the fact that SWAs focus predominantly on the “supply-side” dimensions of service delivery rather than the “demand side.” The implications of this problem are significant. For instance, if donors create a “basket fund” for a sector that “ringfences” a minimum percentage of total resources for delivery of a particular local service, then it is essential that the specified service be a priority of the local government that receives the earmarked resources.

66. In part, the solution to this fundamental problem lies in implementing policy dialogue to bridge the macro-meso-micro (or national-state-local) divide. The dialogue should have this vertical dimension (national-regional-local); a horizontal dimension that embraces tripartite social dialogue; and an external-domestic dialogue between donors and creditors, on the one hand, and domestic constituencies, on the other.

67. In practice, SWAs have come to be perceived by many donors and partner governments not as a multi-stakeholder process, but as a specific public expenditure programme funded by (a select group of) donors. The focus is on the national government’s policy and budgetary framework rather than on the diverse set of actors engaged in the sector.

68. Sector strategies are “highly influenced by donor priorities. They tend to be technical, uniform documents, which lack an in-depth insight into local (political) dynamics. Proposed solutions are often based on experiences elsewhere, including the donor countries’ own systems, which usually do not reflect the local dynamics at hand.”³³

69. In Nicaragua, donors and the government have not been able to agree on overall strategies in the agricultural sector. Some European donors and the UNDP favor the development of smallholder agriculture, whereas the government and other donors (including USAID) prefer to assist large-scale producers with more commercial and export potential.

³⁰ OECD DAC, “2006 Survey Monitoring the Paris Declaration,” May 2007:

<http://www.oecd.org/dataoecd/0/45/38597363.pdf>

³¹ Patrick, Watt, “Transaction Costs in Aid: Case Studies of Sector Wide Approaches in Zambia and Senegal,” Human Development Report 2005, Occasional Paper, 2005.

³² “Bridging the macro-micro gap: Micro-meso-macro linkages in the context of sector-wide approaches” Ellen van Reesch, 2007.

³³ Id.,p.87

Perhaps due to conflicts, such as this, some responsibilities have shifted from line ministries to the Ministry of Finance.

70. While most SWAPs are negotiated for traditional sectors, such as education, health and water supply, others focus on a theme, such as private sector development (PSD). In the case of Ghana,³⁴ donors and consultants were aggressive in terms of forging a PSD strategy to which the government would agree. The Ministry for Private Sector Development (PSD) was staffed with 8 donor-funded consultants and 5 civil servants. Attempts to form a PSD “pooled fund” floundered since the majority of donors were funding the private sector directly and by-passing government. Donors also rejected the government’s initial procurement plans and, ultimately, the government had to use a World Bank template for procurement that was utterly unsuited to the small scale purchasing required by the projects.

71. Donors are rhetorically in favor of government ownership, but in practice, they openly disagreed with the Government of Ghana’s priorities for funding. According to the Oxford University study, “Ministry staff went in circles trying to get a prioritization that the donors would approve. Furthermore, transaction costs were very high.”

72. **Indicator 10** calls upon donors to collaborate in (a) field missions and/or (b) country analytic work, including diagnostic reviews. The 2010 targets are: (a) 40% of donor missions to the field are joint (up from the 2005 baseline of 18%); and (b) 66% of country analytic work is joint (up from a baseline of 42%).

73. In addition, donors and creditors are preparing World Bank-led Joint Assistance Strategies (JAS). Historically, the World Bank prepares a Country Assistance Strategy (CAS) for each recipient country that outlines the institution’s investment plan over the medium-term, e.g., 3 years. Increasingly, however, the Bank participates in formulating JASs with other donors and creditors. Thirteen countries have JASs in Africa. In the case of Tanzania, 35 countries and multilateral organizations of the Development Partners Group endorsed and/or adopted the JAS for the country.

74. One danger of such harmonization is that, once a JAS has been approved by such a large number of donors, after lengthy negotiations, it becomes “written in stone” making it impossible for any democratic country-driven process to change it, undermining the power of parliament (and even the executive branch of government) to introduce changes if practice demonstrates they are needed and therefore eroding local democracy and human rights.

75. Another danger is further empowerment of the World Bank relative to other donors that take a less ideological view of development. A concern expressed by diplomats participating in a retreat on Financing for Development organized by the Friedrich Ebert Stiftung in NY, October 4-5, 2007, “is that the donor coordination process may impede innovation by donors and reduce the range of choice of programs by aid recipients. There is value in competition among donors, especially with the entry of new donors, who have not signed on to the Paris Declaration”.³⁵

³⁴ Case study by Oxford University, Global Economic Governance Program (undated).

³⁵ FES, “Challenges in Financing for Development: Policy Issues for the Doha Conference”, report prepared by Barry Herman, Frank Schroeder and Eva Hanfstaengl.

Managing for Results

76. **Indicator 11** aims at having “result-oriented frameworks” by “reducing the proportion of countries without transparent and monitorable performance assessment frameworks by one-third”. All direct budget support (DBS) programmes and SWAs (Sector Wide Approaches) have a corresponding PAF with policy conditions. Parliaments and citizens groups are not meaningfully involved in the construction of the PAF, whose conditions are a requirement for the release of successive budget tranches.

77. In 18 budget support operations already in place by the World Bank (the number is rising fast), the policy conditions attached to World Bank budget support loans or grants are derived from the PAF. Since those conditions involve lengthy negotiations with a variety of bilateral and multilateral donors, civil society advocacy and even parliamentary participation in decision-making becomes virtually impossible, since the elimination or modification of conditionality would need to be pursued not only with the recipient government, but also with multiple donors and creditors.

78. Contrary to what the title of “managing for results” might indicate, the “results” upon which disbursements are tied are not measured in terms of poverty reduction or MDG achievement, but usually refer to governance and macroeconomic policies. “Result management” will be deemed successful if those policies are in place, even if poverty actually increases, which has frequently been the case in the past when similar structural adjustment programmes have been implemented without proper social impact assessments and “safety nets”.

Mutual accountability

79. **Indicator 12** is the only one about “Mutual accountability”, one of the five principles of the PD. It should be measured by the “number of partner countries that undertake mutual assessments of progress in implementing agreed commitments on aid effectiveness including those in this Declaration” and the target for 2010 is that all partner countries have “mutual assessment reviews” in place.

80. Since no such reviews have taken place so far, to the author’s knowledge, it is difficult to assess their scope and format. Yet, it is surprising that one of the key principles of the PD is reduced in its implementation to separate exercises to be conducted at country level in the recipient countries.

81. Considering the experience of the OECD DAC in conducting “peer reviews” of donor’s aid practices, one would expect a mutual accountability exercise to be undertaken at the international level, with opportunities for developing countries to be advised by international NGOs and other experts and to share experiences among themselves about the performance of donors individually or collectively. A country-level exercise where the aid recipient country sits in front of the whole of its donor community implies an enormous imbalance of power and resources, where the developing country can be easily made accountable for its part in the “partnership” under threat of seeing its aid cut or reduced but where the donors can hardly be made accountable for any eventual shortcomings. The sum of those reviews cannot be expected to add up to a fair “mutual accountability” exercise.

82. Further, there is neither developing country representation, nor that of any international institution where the interests of developing countries are predominant, in the standard-setting and scorekeeping bodies of the PD, which are essentially the OECD and the World Bank, even when it is recipient country governments, not donors, which are penalized if those standards are not met.

VI. LINKAGES BETWEEN HUMAN RIGHTS, GOVERNANCE AND AID EFFECTIVENESS

83. As seen in the detailed analysis of several of the key indicators of the PD, many of them are related to governance, particularly in the fields of government procurement and financial management. Yet, while major changes in recipient country governance are required, donors are not calling for symmetrical efforts among themselves by, for example, untying aid or making it more predictable. The new aid modalities, by aligning bilateral and multilateral donors around certain governance requirements might even undermine local democratic processes and the “policy space” that developing country governments need to make their own plans, and in principle work against the RtD. Opportunities to promote human rights by, for example, making basic labor standards or equal opportunity employment for women a condition for participation in government procurement are not only missed but even viewed as contrary to the rules promoted by the PD.

VII. PARIS DECLARATION AND DEVELOPMENT OBJECTIVES

84. As seen above, the effectiveness of aid delivery and management, as measured by the Paris Declaration, does not assess the impact of aid on poverty reduction or realization of human rights. While it is expected that more efficient aid contributes positively both to poverty reduction and the realization of human rights (even when the latter is not even mentioned as an objective by the PD), technically the 12 indicators can be deemed as fulfilled by the review of the PD without any reference to actual results in those areas.

VIII. AREAS OF POTENTIAL CONGRUENCE AND SYNERGY WITH RIGHT TO DEVELOPMENT

85. While there is congruence and synergy between the principles of country ownership and mutual accountability with the RtD, its implementation and assessment, as seen above, implies many risks of potential violations of the RtD against which no insurance, complaint mechanisms or exceptions are provided.

86. The RtD and human rights in general should be explicitly included as goals in the PD and the ministerial declarations of HLF 3.

87. An additional review and evaluation framework and the corresponding targets and indicators need to be included, where the results of the PD should be assessed in terms of its impact on the RtD, HR and the MDGs.

88. Mutual accountability reviews should be conducted at international level and not at country level, with participation of international civil society organizations with development and human rights expertise. The Development Cooperation Forum (DCF) of ECOSOC, which

will meet for the first time in 2008, was created by the 2005 World Summit³⁶ “to enhance the implementation of the internationally agreed development goals, including the MDGs, and promote dialogue to find effective ways to support it”. The DCF will “discuss issues relating to effectiveness and coherence – and will provide policy guidance and recommendations on how to improve international development cooperation”. It is therefore an adequate, existing mechanism for mutual accountability and should be identified as such by the PD.

89. Developing countries, civil society organizations and international organizations such as UNCTAD should be included in the groups and consultations that define the implementation criteria, targets and review of the PD. Exceptions have to be provided in the PD conditionality (in the PAF) to allow for policy space when the PD criteria might undermine RtD or other human rights, similar to the WTO exemptions.

IX. SUGGESTED ADDITIONS TO THE CRITERIA FOR IMPLEMENTATION OF THE RIGHT TO DEVELOPMENT

90. The Declaration on the RtD establishes that effective international co-operation is essential (Article 4.2).

91. MDG8 commits countries to “develop a global partnership for development” which includes the interlinked aspects of trade and finances, debt relief, increased ODA for poverty reduction, access to essential drugs, sharing of the benefits of technology and employment generation for youth, with specific attention to the needs of least developed countries, landlocked countries and small island developing states.

92. Those objectives are entirely consistent with RtD and can jointly or separately contribute to its realization. Even when MDG8 lacks the timetables linked to the other Goals that make them more easy to monitor, seven targets and 16 numerical progress indicators have been agreed to under MDG8, that make it possibly to at least assess progress if not to define “achievement” of the goal.

93. Given the universal acceptance and high degree of support for the MDGs, MDG8 can be useful for monitoring international agreements from the perspective of RtD, by the addition of the following criteria to those already agreed upon:

- (a) The extent to which a partnership contributes to one or more of the internationally agreed targets included under MDG8
- (b) The extent to which the monitoring and evaluation mechanisms of a partnership include the agreed progress indicators of MDG8

94. For the already agreed criteria to better meet their aim of improving partnerships, it could be helpful to elaborate on the methodology of assessment, including the development of a simplified “scorecard” that allows for comparisons among partnerships or between different versions of a partnership as it evolves over time.

³⁶ [A/RES/60/1](#)

LIST OF ACRONYMS

- CPIA - Country Policy and Institutional Assessment
- DAC – Development Cooperation Directorate (formerly Development Assistance Committee) of the OECD
- DBS – Direct Budget Support
- DCF – Development Cooperation Forum
- HLF – High Level Forum
- IMF – International Monetary Fund
- JAS – Joint Assistance Strategy
- MD – Millennium Declaration
- MDG – Millennium Development Goals
- ODA – Official Development Assistance
- OECD - Organization for Economic Co-operation and Development
- PAF – Performance Assessment Framework
- PEFA - Public Expenditure and Financial Assistance
- PFM – Public Financial Management
- PD – Paris Declaration (on Aid Effectiveness)
- PRS – Poverty reduction strategy
- PRSC – Poverty reduction support credit
- PRSP – Poverty reduction strategy paper
- RtD – Right to Development
- SWAps - sector wide approaches
- UN – United Nations
- WP – Working Party (on Aid Effectiveness)

CRITERIA FOR PERIODIC EVALUATION OF GLOBAL DEVELOPMENT PARTNERSHIPS FROM A RIGHT-TO-DEVELOPMENT PERSPECTIVE

The criteria for periodic evaluation include:

Structure/enabling environment

- (a) The extent to which a partnership contributes to creating an environment and supports a process in which all human rights are realized;
- (b) The extent to which partnerships for development promote the incorporation by all parties concerned of all human rights, and particularly the right to development, into their national and international development strategies, and the extent to which partner countries receive support from international donors and other development actors for these efforts;
- (c) The extent to which a partnership values and promotes good governance, democracy and the rule of law at the national and international levels;
- (d) The extent to which a partnership values and promotes gender equality and the rights of women;
- (e) The extent to which a partnership reflects a rights-based approach to development, and promotes the principles of equality, non-discrimination, participation, transparency and accountability;
- (f) The extent to which a partnership ensures that adequate information is available to the general public for the purpose of public scrutiny of its working methods and outcomes;
- (g) The extent to which a partnership respects the right of each State to determine its own development policies, in accordance with its international obligations;

Process

- (h) The extent to which, in applying the criteria, statistical and empirically developed data are used, and, in particular, whether the data are disaggregated as appropriate, updated periodically, and presented impartially and in a timely fashion;
- (i) The extent to which a partnership applies human rights impact assessments and provides, as needed, for social safety nets;
- (j) The extent to which a partnership recognizes mutual and reciprocal responsibilities between the partners, based on an assessment of their respective capacities and limitations;
- (k) The extent to which a partnership includes fair institutionalized mechanisms of mutual accountability and review;
- (l) The extent to which a partnership provides for the meaningful participation of the concerned populations in processes of elaborating, implementing and evaluating related policies; programmes and projects;

Outcome

- (m) The extent to which policies supported by a partnership ensure the constant improvement of the well-being of the entire population and of all individuals, on the basis of their active, free, and meaningful participation in development and in the fair distribution of the benefits resulting therefrom, as required by article 2, paragraph 3, of the Declaration on the Right to Development;
- (n) The extent to which the priorities set by a partnership are sensitive to the concerns and needs of the most vulnerable and marginalized segments of the population, and include positive measures in their favour;
- (o) The extent to which a partnership contributes to a development process that is sustainable and equitable, with a view to ensuring continually increasing opportunities for all.