



CLUB DU SAHEL

Strategy and Policy Group

TOWARDS A CODE OF GOOD PRACTICE IN DEVELOPMENT AID

Strategy and Policy Group (SPG) Meeting
Washington, 15-16 June 2000

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1. Background

Despite high aid volumes over the last thirty years, the performance of official development assistance (ODA) is considered disappointing, and questions have been raised as to how ODA is designed and implemented. The dysfunctions that reduce aid effectiveness are well known, and consideration is now being given to ways of adopting aid approaches, methods and instruments better suited to partners' needs.

The Ministerial Lobbying Group (GMAP) intends to take a prominent role in this process in consultation with its Northern partners. The aim is to create the appropriate conditions for producing a thought-through and concerted vision of development, based on:

- a frank, open and constructive dialogue to review the objectives of aid and improve its implementation;
- a partnership founded on a clear definition of the obligations and responsibilities of both donor and partner countries;
- the application of performance standards for managing and co-ordinating activities financed by aid.

2. Guiding Principles

The lack of strategic vision in development aid, due partly to inadequate leadership from the South, has resulted in donors imposing their own vision and priorities which do not always correspond to partners' needs. Fragmented interventions and the proliferation of aid mechanisms and instruments, exacerbated by the large number of autonomous management structures, have undermined the coherence of the whole system and weakened national capacities. In addition, aid agencies impose conditionalities (most of which are excessive) and management, accounting and evaluation procedures that reveal not only a lack of harmonisation and co-ordination but reflect the various dysfunctions of the system.

To remedy this, a Code of good practices is proposed based on three guiding principles:

1. **For partner countries:** Partner countries will take responsibility for elaborating their own vision of development, defining strategies and the planning, programming and steering instruments for implementing that vision. Development priorities and the use of external financing must be democratically debated, including with major stakeholders at the most appropriate (decentralised) level.

2. **For external partners:** Aid agencies will undertake to respect their partners' strategic vision and the mechanisms and instruments they develop. They will also simplify their own aid mechanisms, instruments and conditionalities following negotiations with partner countries.
3. **For both sides:** Together, partners will undertake to create a favourable environment of good governance, making the aid system visible, predictable and transparent. They will build and/or strengthen human capital in order to improve implementation and better target activities.

3. Code of Good Practices — An Environment Favourable to Good Governance in the Aid System

Development priorities and conditionalities imposed from outside generate problems of governance within the system. The lack of democratic debate on development aid, combined with weak participation of local authorities in identifying priorities and implementing activities and the tied nature of aid, clearly undermine its impact.

The diversity and fragmentation of approaches, mechanisms and instruments make it difficult to develop coherent policy and manage and co-ordinate aid effectively. They reduce the effectiveness of the system as a whole and raise the issue of partner countries' absorptive capacity.

Objectives:

- Create a framework in which visibility, predictability and transparency prevail at every level, and the priorities and use of aid are openly and democratically debated.
- Allow target groups to determine priorities and contribute to implementation.

Proposals to be examined with the development co-operation agencies

- a) Elaborate a vision and strategies for development
 - Adopt a broad poverty reduction framework, use it to define sectoral and cross-sectoral policies, and produce a series of performance indicators to assess progress.
 - Develop the concept of "quality growth" (distribution, sustainability, social and technological innovations) and its corollaries ("quality deficit", "budget balance quality", rather than rely on the accounting principles that have been used so far.
- b) Stakeholders should participate in defining and implementing policies and programmes
 - Institutionalise participation by beneficiaries and national authorities in defining and implementing policies and programmes. Who participates and how must be clearly laid down.
 - Organise public debates within civil society networks on the use of development assistance, and encourage national conferences in which all stakeholders are allowed to participate.
 - Use the services of the central administration rather than parallel management structures, and simplify management procedures so as to take account of the partner countries' absorptive capacity.

- When selecting areas for investment, ensure that local authorities are represented on national committees designated for that purpose .
- Involve the private sector and local authorities when preparing public investment programmes (selection committees to be enlarged).
- Accept the principle of preferential treatment for local companies and expertise in order to help the local private sector to develop.
- Develop a series of indicators for local authority participation in defining and implementing national programmes.

c) Transparency and accountability in managing development programmes

- Establish a High Council, including donors and beneficiaries, to make sure public procurement is transparent and encourage donors to untie aid.
- Agree on "quality standards" in aid management, and "rate" the system (for governance, efficiency, etc.).
- Use national instruments for public expenditure management (budget support), and establish reliable systems for monitoring public expenditures, whether financed by aid or by local resources.
- Formalise the standards for intervention by NGOs and other actors (obligation to inform States and beneficiaries about their interventions and management costs).
- Collect, record and process information on the evaluations of programmes and projects, and make it available to the general public.

Appendix

Process for Negotiating the Proposed Code of Good Practices

Main stages and suggested timetable

- Discussion of the general approach (GMAP and SPG)
- Raising awareness of governments on the proposed Code of good practices (June-July)
- Raising awareness of civil society on the proposed Code of good practices (June-July)
- Draft text submitted to the GMAP (July)
- Draft text debated within aid agencies (September)
- Draft text debated by governments (September)
- Draft presented to Heads of State (November)
- Establishment of a monitoring mechanism (November).