

Promoting Mutual Accountability in Aid Relationships *Country-Level Experiences and Lessons*

Stakeholder Workshop
Dar-es-Salaam, 17-18 November 2005

SUMMARY REPORT

1. Background & Objectives

The Economic and Social Research Foundation (ESRF) and the Overseas Development Institute (ODI), with support from the UK Department for International Development (DfID), organised a two-day workshop on 17-18 November 2005 in Dar-es-Salaam (Tanzania) on country-level experiences and lessons in promoting mutual accountability in aid relationships. Participants included government officials, donor representatives and civil society organisations from Tanzania, Mozambique, Vietnam and Afghanistan (see Annex 1 for a list of participants). The main rationale for the workshop was to promote an informal dialogue on the different ways in which these countries have tried or are trying to change the terms of the aid relationship by setting up mechanisms of different kinds to manage their relation with donors, keep donors accountable for their promises and commitments, and enhance aid effectiveness.

At the beginning of the two days, participants were asked to identify their expectations and objectives for the workshop, and to raise the questions that they were hoping to find at least partial answers for. These broadly fell into three categories:

Reaching a common understanding

- There is a need to better define concepts and clarify issues. What do we mean by 'mutual accountability' in aid relationships?
- How does mutual accountability between donors and recipient governments relate to governments' domestic accountability (e.g. to their own parliaments and civil society)?

Sharing Experiences

- Hearing about different experiences and sharing stories and opinions. What lessons can be learnt from other countries?

- Why have different countries developed different models of mutual accountability? Are there limits on the applicability of lessons between countries?
- What impacts have mutual accountability arrangements had (e.g. on aid effectiveness)? Is there a tension between the quantity and quality of aid? How have countries said 'no' to donors without losing donor support?
- To what extent can aid-dependent countries drive the development agenda?

Looking Ahead

- Links between the country-level and international-level processes and mechanisms. How can international processes support country-level ones?
- Are there grounds for expecting improvements in mutual accountability overall?
- Developing networking opportunities. Using cross-country connections to continue learning
- Exploring the potential for collective action between recipients to deal with the donor community as a whole

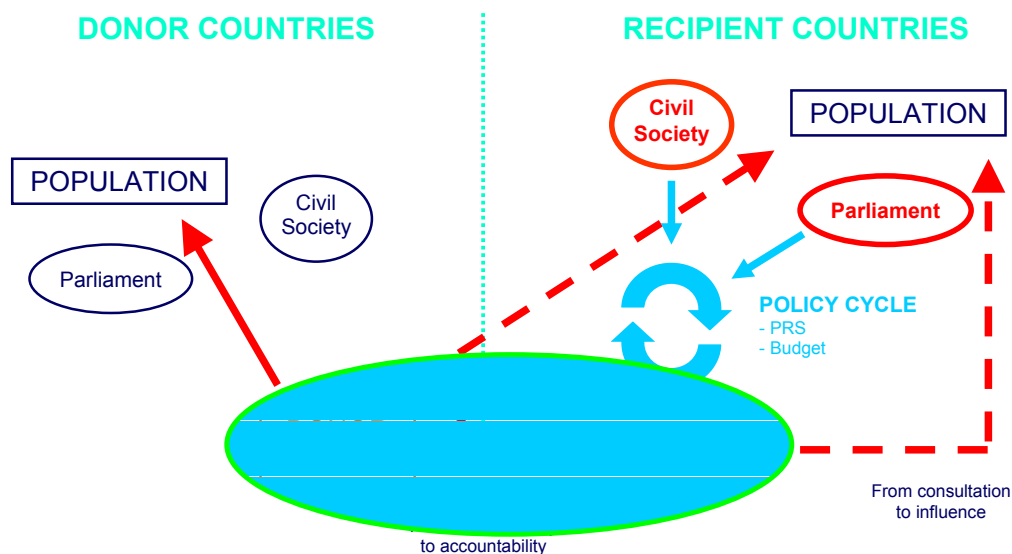
2. Understanding Mutual Accountability: Meanings and Challenges

2.1 What does 'mutual accountability' mean?

There is a growing consensus on the fact that aid effectiveness requires recipient countries to have significant ownership of their development strategies and interventions, and to play a leading role in defining and implementing policies and programmes, including coordinating donor interventions and monitoring their performance.

However, aid relationships are often characterised by significant power imbalances between recipients and donors. Recipient governments often lack the means to hold donors to account for their actions, and accountability relationships within aid-receiving countries can be weakened and distorted by recipient governments' strong dependency on donor assistance. The diagram below is a simple representation of these accountability relationships, with solid arrows showing strong accountability relationships and broken arrows showing weak accountability relationships.

Mutual accountability between donors and recipients is important because it applies the logic of ownership and partnership to the aid relationship, identifying and addressing some of the underlying contradictions which shape aid relationships. In this sense, it requires: (a) more recipient country voice, power and capacity to challenge donors, to address the issue of power imbalance; and (b) better mechanisms for promoting shared goals and reciprocal commitments and monitoring, in order to enhance reciprocity.



The Paris Declaration 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 more detailed working definition adopted by DfID takes the concept one step further, to emphasise the importance of ‘enforcement’ in mutual accountability relationships: “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.”

One limitation of the mutual accountability debate is that it often only focuses on relationships between donor agencies and recipient governments, taking a narrow view of aid relationships and the factors that influence them. Participants noted that more account needs to be taken of other accountability relationships, for example between governments and their populations/civil society, both on the donor and on the recipient side. While donor agencies cannot avoid being accountable to their own domestic constituencies, making sure that aid responds to local needs and priorities implies a strengthening of ‘downward’ accountability towards the recipient government and further to the population within the recipient country, especially the poor.

2.2 Challenges in delivering mutual accountability

Mutual accountability is not easily achieved, as both recipient governments and donors face mixed incentives. Mutual accountability can provide recipient governments with opportunities to improve the quality of the aid they receive (e.g. by improving donor coordination to reduce transaction costs) and to exercise more leadership in policy-making. However, recipient governments are often concerned that a more coordinated approach will weaken their position vis-à-vis an increasing number of donors, reducing their scope to independently make policy decisions and further distorting domestic accountability.

On the donor side, mutual accountability has the potential to deliver improved aid effectiveness and improved dialogue/influence with recipient governments. However, mutual accountability may also reduce donors' scope to pursue some of their objectives for aid (e.g. further domestic interests through tied aid) and may cut across accountability to home constituencies. Mutual accountability also often involves a degree of donor coordination which may raise difficult questions about which donors lead and which may produce unwelcome peer pressure on some agencies.

Despite these mixed incentives, mutual accountability mechanisms are emerging, in different forms and to greater or lesser extents, in each of the four countries represented at the workshop. In some cases, mutual accountability has been pushed by donors, rather than by governments, which raises the question of whether the language of ownership and partnership is anything more than just rhetoric.

Discussion focused on what recipient governments can do to make the mutual accountability agenda effective for them. It was emphasised that if mutual accountability is to deliver ownership of development strategies and policies, recipients must be able to hold donors to account for their commitments, including policies as well as procedures and delivery.

Participants emphasised four factors which are needed to allow recipient governments to develop effective mutual accountability relationships with donors:

- **Confidence.** Relationships between a recipient government and its donors must be based on reciprocal trust and confidence, which is often only achievable as the two sides interact over time and demonstrate 'good faith'. Good inter-personal relations and strong leadership on the recipient side can facilitate this, but repeated interaction and constructive engagement in the re-shaping of the rules and processes of the aid relationship provide a stronger institutional basis for sustainable systems.
- **Credibility.** Donor engagement needs to be structured by a clear and credible framework set by the government. Credibility comes from long-term vision, clearly articulated priorities and defined rules of engagement. A long-term vision for aid also allows recipients to diversify their risks and plan for 'graduation' from aid dependence. Several participants noted the benefits of non-negotiable rules for the acceptance of aid. Rules, especially when enshrined in legislation, are more credible and easier to implement and monitor than more general policies (which can be easily changed or interpreted flexibly), and persist even with political change.
- **Coherence.** If governments are to successfully negotiate with donors, their strategy needs to be coherent. A number of participants noted that inconsistency within governments (e.g. between ministries of finance and line ministries) limits recipients' ability to affect and improve donor behaviour. Strong central coordination, either in the form of clear development orientation, or of strong powers invested in the Ministry of Finance, have proven crucial in promoting such coherence.
- **Capacity.** The capacity to develop policies and procedures, and to engage with donors, is a key constraint on mutual accountability in many countries. It was noted that capacity must be political as well as technical – the former limits the

latter. Participants recognised that building capacity might be a medium-long term undertaking, but emphasised the importance of countries having a clear strategy for managing short-term capacity constraints while building up capacity for the medium-long term.

3. Sharing – Learning Lessons from Country-Level Experiences

3.1 What can Mutual Accountability deliver? The expectations of different actors

Donors represented at the workshop identified a number of objectives for mutual accountability. In part, from the donor perspective, mutual accountability is a way to achieve change in recipient country governments, for example by focusing attention on public financial management and reducing fiduciary risk. Donors also welcome the role of mutual accountability arrangements in facilitating the development of coherent and joined up strategies from recipient governments. Donors also emphasised the importance of strengthening domestic accountability (to parliaments and civil society) in recipient countries to ensure the emergence of internal accountability to support/replace external accountability to donors. Some donors at least are very willing to support strong countries and strong leaders.

Donors also value mutual accountability for the effects it has on their own processes and policies. Mutual accountability is a way to reconcile consistency and flexibility. By focusing on high-level procedural change, rather than on specific policy measures, mutual accountability structures provide a way for donors to maintain coherent overall principles while also decentralising their operations to the country level. The more ‘progressive’ donors also value mutual accountability for its effects on the behaviour of other donors.

Similarly, recipient governments represented at the meeting valued mutual accountability both for its impacts on donor behaviour and for its effects on domestic institutions and actors. Mutual accountability should bring about more decentralisation in donor agencies, so that interventions can be tailored to local needs and circumstances. This should in turn bring about more flexibility in rules, by focusing attention on the development of national systems rather than on strict donor procedures set from headquarters. It was noted that donors behave differently in different countries, responding to political interests but also to government behaviour, which implies a responsibility for recipients to shape donor behaviour. Participants also noted the limits of mutual accountability, and expressed their frustration that donors’ mixed motives (political, commercial, etc) can stand in the way of achieving the benefits outlined above.

Recipient government representatives also felt that mutual accountability, by fostering/demanding government ownership, could help governments build capacity at all levels and encourage the formation of coherent strategies and policies across government. The setting of non-negotiable rules for receiving aid could be a key role for parliaments in recipient countries. .

Civil society representatives raised the question of the appropriate relationship between civil society in recipient countries and donors. CSOs are often dependent on

donors for their funding, which makes it hard for them to challenge/criticise donors - the media may be better placed to play this role. Some also felt that the appropriate role of domestic CSOs was to hold the government to account (including for how it relates to donors) rather than to deal directly with donors.

3.2 Different models of mutual accountability

The four countries represented at the workshop all have significant experience in developing mutual accountability frameworks, but also show a wide range of possible approaches. More details on each of the country cases are included in the background papers circulated before the meeting.

The origins of the mutual accountability models of each country are quite different, but two main sources of impetus are apparent. In Tanzania and Mozambique, the current models emerged at least in part as a response to crises in government-donor relations, but in the context of long-term donor involvement. In Afghanistan and Vietnam, mutual accountability was built into relationships with donors from a very early stage of their involvement, based on a government-perceived need to take a proactive stance and regulate donor intervention.

The four countries have also developed different mechanisms for promoting mutual accountability. Independent monitoring has been at the centre of the process in Tanzania, with the government now focusing on coordinating donor activity and inducing changes in donor behaviour through the Joint Assistance Strategy, which is being developed in dialogue with donors. A more formalised Memorandum of Understanding, which includes reciprocal commitments and a performance assessment framework for both the government and donors is the core of the process in Mozambique, although at the moment this only applies to general budget support. In Vietnam, the government has taken a strong lead in the definition of priority areas and project approval, has gradually adapted the legal framework for aid management, and has actively sought a division of responsibilities and focus among different donors, while pushing for their decentralisation at country level. In Afghanistan, firm rules of engagement for donors set by the Ministry of Finance, a sophisticated aid management database and regular reviews of donor performance have shaped the behaviour of donor agencies, preventing or limiting some of the inefficiencies related to fragmentation.

		ORIGINS	
		<i>Crisis-led</i>	<i>Government-led</i>
RESPONSES	<i>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 engagement ▪ Strong database
	<i>Process-oriented</i>	Tanzania <ul style="list-style-type: none"> ▪ Independent Monitoring Group ▪ Joint Assistance Strategy 	Vietnam <ul style="list-style-type: none"> ▪ Setting of priorities and project approval ▪ Division of responsibilities

The four cases also demonstrate a range of key actors in driving mutual accountability forward. In Mozambique and Tanzania, groups of ‘like-minded’ donors have played a crucial role in driving others forward. In Vietnam and Afghanistan, strong leadership from government initiated the processes, with donors invited to come on board at a slightly later stage. Civil society involvement in the early stages of the process seems to have been limited in all four cases, although the role of the Independent Monitoring Group in Tanzania demonstrates the potential impact of ‘outsiders’ to the government-donor relationship in setting the terms of the process, and in providing a credible voice to lead it forward and bring about change.

Although country contexts vary significantly, participants felt that lessons could be learnt from others’ experiences of mutual accountability:

- Some models which have proved to be effective in one country can be ‘transplanted’ into others relatively straightforwardly (e.g. the donor performance monitoring framework used in Mozambique could be adapted for use in other countries);
- Seeing the impact of strategies in different countries can give governments the political confidence to deal with donors in different ways (e.g. the Afghanistan experience suggests that recipients can be firm with donors and change behaviour);
- Even where country circumstances are very different, they may be on the same ‘trajectory’, allowing lessons to be learnt for the future (e.g. Vietnam shows what can be done once dependence on aid is reduced);
- The same donors work across the different countries but often apply different policies (e.g. Japan provides some budget support in Tanzania but not in Mozambique). There is scope for donors to learn from their experiences in different countries. There is also scope for governments to use their knowledge of donor policies in other countries to argue for change in their own countries.
- Recipients could do more to document and assess their own experiences to ensure that they, and others, can effectively learn from them.

3.3 The actual impact of Mutual Accountability mechanisms

Evidence from the countries represented at the workshop suggests that mutual accountability can and does lead to changes in donor behaviour, and also has some impact on government institutions and behaviour.

In **Mozambique**, programme aid donors are now assessed according to a performance assessment framework (the PAP’s PAF) based on the principles of the Paris Declaration and weighted according to the government’s priorities. Since the baseline study of donor performance in 2003, there has been a clear trend towards improvements in donor behaviour. The framework has stimulated a useful discussion on performance measures, and has generated significant pressure on donors to improve their performance, even though some disagreement with the evaluation methodology persists. However, improvements on the donor side and improvements on the government side are clearly interdependent (e.g. donors will need more reassurance about fiduciary standards before they channel more funds through GBS). The gradual shift towards programme modalities has already contributed to increasing

the government's focus on setting strategic priorities and its ownership of the reform agenda. Nevertheless, the fact that current arrangements are limited to budget support, and the large extent of donor activities that are not included or reported in the budget, means that mutual accountability arrangements are still having a limited impact. On one hand, they need to bring on board other donors and different aid modalities, and on the other they need to move beyond the process of dialogue to better tackle policy content and other more substantive issues.

In **Tanzania**, the emergence of mutual accountability over the last decade has first allowed for a normalisation of donor-government relations, and then for gradual changes in the behaviour of donors and the government. Donors are increasingly working together to align their procedures to government processes, and the Joint Assistance Strategy currently being formulated will deepen these trends, by promoting a stronger division of roles and responsibilities based on comparative advantage, enhanced coordination and innovative solutions such as silent partnerships and delegated cooperation. More aid is being given as general budget support, even though its proportion of total aid is not increasing significantly. The government's objective is to set limits to the use of project funding in the future, using projects only as pilots for new policy options. Alongside these changes in donor behaviour, reforms on the government side, including the National Framework for Good Governance and the National Anti-Corruption Strategy and Action Plan are starting to deliver improvements in governance.

From 2002 onwards, the rules that the government of **Afghanistan** set for donors have been the corner stone of mutual accountability. However, the application of these rules recognised that donors need to be treated differently according to their own constraints and needs. A combination of effective systems and institutions on the government side, and trust-based relationships helped to secure changes in donor behaviour. The government has been willing to turn down aid (for example where capital projects do not come with funds for running costs) but has been careful to give donors the opportunity to come back with revised proposals and modalities. The use of legal frameworks (e.g. to prevent loan funding for the social sectors) has also proved effective in changing donor behaviour. These changes have also supported institutional change on the government side (e.g. the centralisation of budgeting processes), despite the fact that capacity constraints remain significant.

4. Looking Ahead

4.1 Linkages between international and country-level processes

The global aid system in its current shape is characterised by: (a) a multiplicity of players with mixed motives, (b) limited voice and choice available to recipient countries, (c) lack of external regulators/monitors and limited self-regulation, (d) independent, supply-driven aid allocations decided at headquarter level, and (e) short commitment horizons. These characteristics do not promote mutual accountability for a number of reasons. They perpetuate the main contradictions inherent in aid relationships, create donor 'darlings' and 'orphans', and limit country control of aid flows and aid relationships.

In this context, commitments by rich countries to scale up aid offer both risks and opportunities. Risks are that most increases come from non-like-minded donors and through non-traditional and possibly non-additional and potentially ineffective channels such as debt relief, technical assistance and vertical funds. Opportunities are that recipients, including donor orphans, could manage to gain more power and keep donors more accountable to their promises.

Certainly there exists, at least in the rhetoric of the new aid paradigm, a strong focus on promoting mechanisms to support mutual accountability. Some examples of existing mechanisms and proposals include contractual partnerships such as the Cotonou Agreement, regional monitoring forums such as NEPAD and its link with the Africa Partnership Forum, the already mentioned work of the DAC, proposals for UN reform which would strengthen its role as neutral ‘watchdog’, ideas about South-South cooperation, and the development of common ratings standards to assess donor performance, such as those promoted by ActionAid, Debt Relief International and the Centre for Global Development.

Without any doubt, the international process which until today has had the strongest relevance for country-level mutual accountability mechanisms is the DAC work on harmonisation and alignment, which received great impulse from recent global events such as the Monterrey conference and the Rome Declaration on Harmonisation, and is now captured in the commitments and targets included in the Paris Declaration on Aid Effectiveness. The Paris Declaration has provided a useful backdrop for country-level dialogue on how to promote mutual accountability, despite its focus on a very limited set of issues and indicators. In many of the countries present at the workshop, there is ongoing work related to translating the principles and content of the Paris Declaration into country-specific instruments. For example, Vietnam has already produced a local version called the Hanoi Core Statement, with targets that are more ambitious than the ones set in the Paris Declaration. Mozambique is looking into reconciling the indicators which form the local performance assessment frameworks with the indicators set at a global level.

In this sense, the DAC process can be considered to have given great impulse to country-level processes, also by giving recipient countries more leverage in terms of keeping donors accountable for what they signed up to at international level. At the same time, some of the experiences in the countries present at the workshop has, over the past few years, informed some of the debate which led to the global consensus around the Paris indicators, by showing what is possible and what seems to work better.

On the other hand, the follow-up work to the Paris Declaration will be key to further advancing the agenda and proving its potential effect on aid effectiveness and mutual accountability. At the moment, there is lack of clarity about how exactly to interpret many of the indicators, and some doubt about how much this process will actually lead to serious changes in aid relationships, for three main reasons. Firstly, many recipient countries’ knowledge of the scope and content of the Paris Declaration is still quite limited. Secondly, a clear monitoring process is only now being designed by a DAC sub-committee, based on common principles for application, guidance notes and a questionnaire, including clarification of ambiguities in the language used in the indicators. The difficulty of this process is compounded by the lack of complete and

reliable data on many of the areas to be monitored. Finally, the mechanisms involved rely mostly on donor self-regulation, without any clear sanctions foreseen for lack of compliance with the targets, apart from reputational effects.

Given these shortcomings, some basic elements of mutual accountability which the DAC should identify for assessing progress could be summarised as:

- To what extent is donor performance being monitored and how comprehensive is such review?
- To what extent is the monitoring credible, e.g. independent?
- To what extent has it been institutionalised, e.g. with some form of secretariat and other resources?
- Is there a process in place for donors to respond to shortcomings and recommendations coming from the monitoring process? What is the role of the recipient government in this?
- How transparent is the process and to what extent are its proceedings/results disseminated (this also relates to issue of CSO participation)?

4.2 Next Steps

Participants discussed ways to take forward this incipient dialogue on mutual accountability mechanisms, and agreed on the following points:

- The workshop has increased overall understanding, both of the concepts involved and of different experiences and their shaping factors
- Such sharing has spurred reflections on country models – some of the ideas from this forum will find their way into national policy agendas in the countries present
- The report from the workshop should feed into DAC discussions via DfID
- The main messages from the workshop should also be spread to other countries embarking in similar processes, e.g. Rwanda and Cambodia. The document that will be prepared is a way of disseminating its content/ideas
- The small, informal nature of the event, bringing together countries which much in common has made this a successful event

Participants also discussed ways to promote follow-up activities. These included:

- The summary of the proceedings should be disseminated to donors, NGOs, governments, etc., and feed into further work promoted by ODI/ESRF/GEG
- Participants agreed to think about ideas for information sharing, proposals, requests for support, etc. including follow-up meetings in their own countries and of the same group at a later stage, possibly including some other countries, or different groupings of countries (e.g. post-conflict countries)
- Follow-up work could focus on more specific mechanisms, such as (a) setting rules for donor engagement and different ways of doing so, (b) Joint Assistance Strategies in different countries, their pros and cons, and (c) ways of engaging with political leaders in recipient countries to share some of the issues discussed, such as how to say ‘no’ to donors and how to improve government leadership in aid relationships

ANNEX 1
List of Participants

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