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**Mutual Accountability and Transparency
A Fourth Chapter for the EU Operational Framework on Aid Effectiveness**

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1. INTRODUCTION

Mutual accountability and transparency are central within the international aid effectiveness agenda. **Enhancing transparency and respective accountability of donors and partner countries, towards each other and towards their own citizens and parliaments, is essential for maximising the impact of development assistance.**

In the Paris Declaration on Aid Effectiveness (2005), donors and partner countries agreed to jointly assess progress in implementing commitments through mutual assessment reviews which should be in place by 2010¹. Donors also committed to provide better information on aid flows; partner countries committed to strengthen the role of national parliaments and stakeholders in implementing development strategies. The Accra Agenda for Action (2008) strengthened these mutual accountability commitments, stressing the importance of transparency and ownership and linking these to development results. Mutual accountability is a fundamental principle for EU development policies and strategies. The European Consensus on Development (2005) states that the EU and developing countries share responsibility and accountability for their joint efforts in partnership². The importance of strengthening mutual accountability was reaffirmed in the Council Conclusions in May 2008³ and was singled out as one of four key issues for the EU in the third High-Level Forum on Aid Effectiveness in Accra in September 2008⁴.

The EU has already created practical ways for working together on fulfilling the commitments of the Paris Declaration and the Accra Agenda for Action: The establishment of an **Operational Framework on Aid Effectiveness** in November 2009 is the most recent example of this hands-on practical approach⁵. It contains three chapters on key Aid Effectiveness commitments, specifically Division of Labour, Use of Country Systems and Technical Cooperation, and sets out concrete measures for achieving results on the basis of EU teamwork.

The Framework provides a powerful vehicle for maximising EU impact, thereby building a strong foundation in the run up to the Fourth High Level Forum on Aid Effectiveness to be held in Korea in 2011⁶. **However, transparency and accountability commitments must also be reflected in creating harmonized practises at European level, i.e. practicable arrangements to implement existing principles. Here, the EU must again lead by example.**

¹ In 2008, only 14 of 54 countries were reported to have country level “mutual assessment reviews” in place to hold each other to account for mutual commitments.

² Paragraph 15 of the European Consensus
(http://ec.europa.eu/development/icenter/repository/european_consensus_2005_en.pdf)

³ Council Conclusions on "The EU as a global partner for development: Speeding up progress towards the Millennium Development Goals (MDGs)" 27 May 2008
(<http://register.consilium.europa.eu/pdf/en/08/st09/st09907.en08.pdf>)

⁴ Council of 22 July 2008 (<http://register.consilium.europa.eu/pdf/en/08/st12/st12080.en08.pdf>)

⁵ Council Conclusions of 17 November 2009
(<http://register.consilium.europa.eu/pdf/en/09/st15/st15912.en09.pdf>)

⁶ Council Conclusions of 18 May 2009
(http://ec.europa.eu/development/icenter/repository/COMM_PDF_COM_2009_0160_F_EN_COUNCIL_CONCLUSIONS.PDF)

The Council therefore, in June 2010⁷, invited the Commission to present this proposal for a common EU approach for implementing commitments on mutual accountability and transparency, with a view to establishing a common EU approach at the meeting of the Foreign Affairs Council in November 2010.

2. WHAT IS MUTUAL ACCOUNTABILITY?

Improving development results should be a partnership between donor and beneficiary countries, based on mutual accountability. Mutual accountability lies at the heart of the Paris Declaration, and is a process by which two (or multiple) partners agree to be held responsible for the commitments that they have each voluntarily agreed, to improve development results. It helps build trust and partnership around shared agendas and provides the basis for results-based aid.

In recent years, there has been increased focus on tackling this issue. Despite this, mutual accountability is still a concept which is subject to considerable discussion and debate as to what it really means in both conceptual and practical terms. Nevertheless, most agree on two basic definitional aspects. Firstly, accountability requires that actions be reported, explained, or justified, so as to be answerable. Secondly, accountability should include incentives for donors and partner countries to comply with the assessment of how well they implemented their mutual commitments', and to actually change their practice.

Many forms of mutual accountability exist. . In democratic government structures, agencies and elected officials are held accountable through freedom of information legislation, elections and judicial checks and balances. In the private sector, companies and organisations are held accountable through contractual and legal frameworks. In aid relationships, only partial frameworks exist for mutual accountability.

Discussions on mutual accountability usually focus on three areas. Firstly, the importance of aid transparency. Without information on the aid being provided, it is not possible to hold anyone to account for agreed commitments. Secondly, there is the issue of how to pursue mutual accountability at the national level, i.e. at partner country level. Thirdly, there is the question of how to pursue mutual accountability at the international level. This aspect is related to the international aid architecture issue.

3. AID TRANSPARENCY - A PRECONDITION FOR MUTUAL ACCOUNTABILITY

Information is key to mutual accountability. Information is a prerequisite to assessing performance against commitments made. If donors are not reporting timely information, it will not be possible to hold anyone to account. Furthermore, a lack of timely, transparent and comprehensive information on aid flows prevent partner countries from being able to report fully on budgets to their legislature and citizens.

In Accra, the following was agreed:

- (1) Donors will regularly disclose detailed and timely information on volume, allocation and, when available, results of development expenditure to enable more accurate budget, accounting and audit by developing countries.

⁷ Council Conclusions of 15 June 2010 (doc. 11080/10)

- (2) Donors and developing countries will regularly make public all conditions linked to disbursements.
- (3) Donors will provide full and timely information on annual commitments and actual disbursements so that developing countries are in a position to accurately record all aid flows in their budget estimates and their accounting systems.
- (4) Donors will provide developing countries with regular and timely information on their rolling three- to five-year forward expenditure and/or implementation plans, with at least indicative resource allocations.

At international level, there are also a number of initiatives being carried out globally to promote the aid transparency agenda:

- Creating common concepts and standards:
 - The [OECD Development Assistance Committee \(DAC\)](#) addresses transparency issues within the context of the Working Party on Aid Effectiveness⁸
 - The [United Nations Development Cooperation Forum \(DCF\)](#) assists the Economic and Social Committee (ECOSOC) in coordinating data on South-South aid flows and analysing the relationship between aid transparency and mutual accountability.
 - The International Aid Transparency Initiative (IATI) was launched at the High Level Forum III in Accra, September 2008, to ensure that donors make information about their aid publicly available in a way that people can easily understand.
- Setting up common technical tools and databases:
 - [OECD Development Assistance Committee \(DAC\)](#) collates and publishes Official Development Assistance (ODA) data from DAC countries through the Creditor Reporting System⁹ (CRS). The CRS is widely considered to be the gold standard in producing verified, high quality statistics on past aid flows.
 - The Development Gateway Foundation runs Aid Data¹⁰ which is one of the largest online directories of development activities worldwide and offers a basic overview of who is doing what in international development. Despite these initiatives, stakeholders still find it difficult to access comprehensive and clear data, sufficiently detailed for their purposes.

The usefulness of data is reduced if published too late (frequently with up to two years delay). The DAC CRS reporting tool is a good basis on which to build, but the information must be published in a timelier, more qualitative, more extensive, more frequent and synchronised manner, and made available to all partner countries in a harmonised way.

⁸ In cluster C of the Working Party, in the related task team on predictability and aid transparency and in the framework of the DAC Aid allocation technical group

⁹ <http://stats.oecd.org/Index.aspx?DataSetCode=CRSNEW>

¹⁰ <http://www.aiddata.org/home/index>

Furthermore, to facilitate mutual accountability, there is a need for forward looking planning data and data which allows assessment of conditionalities, potential social or environmental impacts, or intended outcomes and results. Partner countries also need to be assisted in collecting aid data in their own budget systems.

Currently, EU donors are already publishing some information about their aid. However, no harmonized measures have been put in place in response to the above commitments, so methods vary greatly in terms of quality, quantity, scope, format, and frequency.

Most EU Member States and the Commission report to the DAC (Development Aid Committee), but there is wide variation in their own publication of aid information, the level of detail they provide, on website or in country planning documents.. Not all donors publish detailed information at the level of headquarters; some for example publish it through their embassies' websites.

9 out of 28 EU donors (EU and its 27 Member States) have signed up to the International Aid Transparency Initiative (IATI) (Denmark, Finland, Germany, Ireland, Netherlands, Spain, Sweden, and UK, as well as the EU with the intention to publish aid information according to a common international format.

Some countries provide detailed information in their planning documents (such as Ireland), whilst others post information on their websites: for instance, Spain provides information on Official Development Aid (ODA) split by funding public entity, and by sector. Information on the following year's allocations are not all available at the same time, but follow each donor's budgetary cycle (in August for Finland, in October for Spain, by November for the Netherlands), which undermines transparency and predictability of funding for the partner countries.

Nowadays, the only EU level tool for providing both information on aid volumes, and monitoring aid-related commitments, is the annual Monterrey report presented by the Commission. However, it does not make information available to the partner countries' governments, who need timely and comprehensive data for their planning and budgetary processes, or to other stakeholders (civil society).

A practical tool - TR-AID (Transparent Aid) - is being developed by the European Commission with the objective of coordinating humanitarian and development aid funding amongst EU donors. TR-AID is a web-based system that combines data from multiple sources and provides easy access to comprehensive information, so that the data can be used in decision-making. TR-AID supports the implementation of the various EU commitments on aid effectiveness. It was initially conceived as a tool to help EU donors' transparency towards each other by sharing information about their aid, and as an instrument for increased EU coordination. In the medium-term, it aims to ensure broader transparency towards other stakeholders: other donors, partner counties, civil society and the general public.

There is a genuine added value to acting jointly at EU level: adopting the same standards, quality and frequency of information publication. Developing the right EU approach should enable us to better meet the commitments made in Accra, while using the opportunities offered by the EU framework, the tools already developed at EU level and the potential benefits of an EU approach for partner countries in terms of reducing financial and administrative burdens.

4. MUTUAL ACCOUNTABILITY AT NATIONAL LEVEL

At present, no common practice exists whereby donor and partner countries can be held mutually accountable to their respective commitments.

The Monterrey report indicates that some EU donors took part in mutual assessment reviews (Austria, Finland, Ireland, the Netherlands, Portugal, Spain, Sweden and the UK) but very little information was provided on the framework used, the criteria, the scope of the assessment, and the stakeholders. Moreover, they did not always provide a full overview because this information was not monitored at headquarters level.

Donors are partially accountable to partner countries through the national Public Expenditure and Financial Accountability (PEFA) reports on the predictability of budget support, financial information provided by donors for budgeting and reporting on project and programme aid, and how much aid is managed using national procedures. For each of these criteria, scores are provided.

Some partner countries are accountable towards donors according to a specific donor approach, related to each donor's requirements, strongly linked to tendering procedures, contracts and specific financing agreements.

The Monterrey questionnaire is currently the only monitoring tool at EU level that provides information on aid-related commitments by EU donors. But it does not provide donors' and partner countries assessments of progress in implementing their mutual *commitments*. *Instead*, donors report on whether/how they implemented mutual accountability *frameworks*.

A common EU approach to hold EU donors and partner countries accountable towards their mutual commitments makes sense for all EU donors. Such a harmonised approach would be useful also to increase the impact, coherence and results focus of our aid. In addition, it would reduce costs for the partner countries by having only one common framework through which they need to be accountable to all EU donors.

At national level, there is a need for some basic building blocks in order to facilitate mutual accountability.

Firstly, it must be clear ***who is holding whom to account***. Mutual accountability involves not only the governments of donors and partners, but equally involves those who are governed. This aspect, known as domestic accountability, can involve a wide range of domestic stakeholders including parliaments, local authorities, civil society organisations, women's groups, the media, political parties, etc. These domestic actors have vital roles to play in terms of providing input for national development strategies, scrutinising progress in fulfilling aid effectiveness and development commitments, and ultimately sanctioning governments for poor performance.

Mutual accountability also requires an arena, i.e. agreement on ***where the process is to take place***. One way of accomplishing this is by establishing frameworks for aid management such as joint Performance Assessment Frameworks (PAF) where development partners can meet and assess the fulfilment of commitments and decide on how to follow-up. There is no universally-agreed template for how a PAF should be designed and carried out. Preferably, it should be based on existing relationship forums. These could have more formalised rules and procedures, or be based on more informal arrangements. They can take the form of annual consultations, consultative groups, joint review panels, etc. The most important aspect is that

a PAF provides an arena conducive to establishing reciprocal trust and confidence. It should help to create synergies between existing local aid management processes and should be integrated into existing frameworks for dialogue.

Furthermore, it is also necessary to define the focus of accountability, i.e. agreement on *what the relevant parties are to be held accountable for*. This involves creating a shared agenda to set out clear goals and commitments for both sides. This shared agenda could include elements regarding national or sector development plans and strategies, i.e. agreement on what the assistance should be used for. It could also focus on aid effectiveness commitments, for instance agreement on how assistance is to be channelled. The important point is that clarity is established as to each party's responsibilities, and thus what they will be held accountable for.

Joint Performance Assessment Framework in Practice – Examples

Mozambique

The Mozambican mutual accountability framework is based on an independent evaluation of the Programme Aid Partners performance in Mozambique.

Donors scrutinise Government performance on the basis of country's monitoring and evaluation framework for its poverty reduction plan and on monitoring progress in development.

Donors are assessed on the basis of a matrix of commitments and a rating (points) system, aggregated into global levels of performance (very good, medium high, medium, medium low, low)

Aid performance monitoring efforts are further enhanced by the ODA Mozambique (ODAMOZ) database - which provides vital information on donor financing – and the Development Observatory. Mozambique is one of the few countries to have developed an institutional framework for participatory poverty monitoring at national, provincial and local levels. Efforts to support better transparency and domestic accountability need to be further strengthened.

Rwanda

Two Joint Review Mechanisms: Common Performance Assessment Framework (CPAF) and Donor Performance Assessment Framework (DPAF)

A total of 26 indicators are used to assess the performance of the donors, grounded in internationally and nationally agreed targets on the quality of aid. The assessment is done on the basis of an annual cycle, timed to coincide with the assessment and discussion of government performance in the context of the Government Performance Assessment Framework.

- Donors facilitate data collection and aggregation by self-reporting on a number of indicators on a timely basis. It is anticipated that the Development Assistance Database will be upgraded to facilitate this reporting.
- Collection, aggregation and analysis of data into DPAF matrix (led by the Ministry of Economy and Finance).
- Results are presented and discussed in the Development Partners Coordination Group, with more focused discussions taking place in the Budget support Harmonisation Group.

- Donor internal responses/planning, action plans shared with the government and Development partners.

5. MUTUAL ACCOUNTABILITY AT INTERNATIONAL LEVEL

Mutual accountability is also being promoted in many international fora. These include independent peer reviews such as the OECD DAC peer reviews, the annual EU Report on Financing for Development (Monterrey Report), non-official assessments of performance such as the EU Aid Watch by Concord (Confederation of European civil society organisations), and other types of reporting and analysis carried out by the IMF/World Bank (Global Monitoring Report), ECOSOC Development Cooperation Forum, UNECA/OECD (Mutual Review of Aid Effectiveness), the G8 (Accountability Report on Development issued in 2010), the Paris Survey and the Working Party on Aid Effectiveness.

Mutual accountability at the international level should reinforce accountability at the national level. However, this does not always occur effectively, sometimes due to the lopsided aid relationship between donors and partners. The agenda for accountability at the international level could at times better reflect the concerns and interests of partner country governments and stakeholders. Moreover, partner country stakeholders often lack sufficient analysis and information, and as a result are unable to engage fully and on equal terms with donors. Furthermore, international efforts to promote mutual accountability lack the means for partner country countries to sanction donors, or of making donor commitments enforceable.

6. ACCOUNTABILITY AND HUMANITARIAN AID

Good Humanitarian Donorship principles and good practices were established by 16 donors in 2003¹¹. These principles seek, *inter alia*, to promote partnership and good donor practices in financing, management, accountability. By firmly endorsing these principles through the European Consensus on humanitarian aid¹², the EU has shown its strong commitment to promoting effective, responsible and accountable humanitarian donorship¹³. The accountability framework addresses the specificity of humanitarian aid and in particular: its needs based approach, the speed of delivery, the short term horizon and its reactive nature.

Various mechanisms and tools exist to ensure transparency and coordination of the EU humanitarian assistance:

- An operational strategy with a well established methodology for budgetary allocations on a needs based approach. This strategy and detailed forward-looking planning is shared and coordinated with all relevant stakeholders;
- A reporting system developed and managed by the Commission, called "14-points", which provides real-time information on humanitarian assistance implemented by the Commission and Member States. This system is linked to the Financial Tracking System

¹¹ The Principles and Good practice of Humanitarian Donorship, Stockholm, 17 June 2003; endorsed by the OECD

¹² Official Journal C 25/1, 30.1.2008 – Section 3.3 on effectiveness and accountability of humanitarian aid

¹³ idem

operated by UN-OCHA which provides similar information on the worldwide humanitarian assistance.

7. PROPOSAL FOR A FOURTH CHAPTER OF THE OPERATIONAL FRAMEWORK

In order to address the wide discrepancies between the different EU donors, both regarding transparency and mutual accountability practices, it is important to define an EU common approach, and practical steps to be taken jointly at EU level in order to implement our joint commitments.

The following section constitutes the proposed text to be included as a fourth chapter to the Operational Framework on Aid Effectiveness.

7.1. Aid Transparency

The Commission and EU Member States will provide comprehensive and comparable information on development expenditure on a regular basis by:

1. Publicly disclosing information on aid volume and allocation following the OECD/DAC Creditor Reporting System (CRS) standard format, on a quarterly basis, by the beginning of October 2011, with a maximum information time lag of three months.
2. Provide country-level information on forward-looking data, on an annual basis, starting as of the beginning of July 2011:
 - 2.1 Based on the DAC Survey on Donors' Forward Spending Plans methodology disclosing at least three, and up to five year forward-looking data on global aid spending, for all partner countries;
 - 2.2 Disclosing at least three, and up to 5, year forward-looking aid allocations sector by sector, for all countries of the Fast Track Initiative on Division of Labour.
3. Make the EU Annual Report on Financing for Development a model of transparency and accountability by using the Monterrey questionnaire process to track progress at headquarters and country level.
4. Use the TR AID tool in order to publish and share their data with each other;
 - 4.1 In a first phase on a voluntary basis, with no specific data format required;
 - 4.2 In a second phase on a mandatory basis, after the Fourth High Level Forum on Aid Effectiveness in Korea in 2011, using a common standardised data format to be determined in line with international standards.

7.2. Mutual Accountability at National Level

The Commission and EU Member States will, in and with, all partner countries:

1. Establish a joint framework for monitoring joint commitments, building upon existing systems whenever possible¹⁴:
 - In countries under the Division of Labour Fast Track Initiative (FTI), facilitators will, in cooperation with EU Delegations, initiate discussions on mutual accountability with the partner government and other domestic stakeholders. In non-FTI countries, the EU Delegation will organise a meeting to agree which donor will initiate discussions on mutual accountability.
 - Within partners countries' priorities and targets, establish a joint **Performance Assessment Framework** by July 2011 to regularly review donor performance on their country level aid effectiveness commitments. Member States will encourage partner country leadership in this process.
 - The joint Performance Assessment Framework should be established on the basis of the following guiding principles:
 - Inclusiveness: it should aim to include all donors in-country as well as the national budget;
 - Reciprocity: it should cover both donor commitments and partner country commitments;
 - Comparability: it should monitor performance of individual donors in a comparable manner;
 - Regularity: assessments should be undertaken at least once a year;
 - Self-reporting: donors and the government should commit to provide data of their operations in-country on a regular basis measured against pre-determined criteria.
 - These Performance Assessment Frameworks should be assessed in time to publish results of the country level joint performance and share with headquarters by November 2011, and to carry out necessary adjustments.
 - The implementation of these joint commitments will feed into the ongoing policy dialogues between donors and partner countries at project, sector and national levels. The EU will also use policy dialogue to encourage public debate so as to hold both donors and governments accountable.
2. In the process described above, the EU and its Member States will support the role of civil society organisations including women's groups and media, local governments and parliament, in holding governments and donors to account, including the provision of necessary capacity development support.

¹⁴ In the case of EU candidate countries and potential candidates the Annual Report on the Instrument for Pre-Accession and the joint monitoring committees form a basis for aspects of a Performance assessment framework. These vehicles can be adapted to more systematically provide relevant data such as financial analysis and data on aid effectiveness commitments

7.3. Mutual Accountability at international level

The EU and its Member States will work together towards a common vision on the future aid architecture following the 4th High Level Forum on Aid Effectiveness in Busan, by July 2011.

They will:

1. Coordinate their position in discussions on international mutual accountability under different fora, including the UN Development Cooperation Forum and the Working Party on Aid Effectiveness. This includes supporting efforts by the Development Cooperation Forum to collect and disseminate independent and authoritative analysis and assessments on mutual accountability.
2. Support a more inclusive framework for a strengthened involvement of partner countries, local authorities, parliamentarians, and civil society.