



The Aid System: Does ‘Mutual Accountability’ Encourage Outcomes?

Panel Discussion at the Civil Society Forum at the World Bank and IMF Board of Governors Meeting

Moderator: [Sam Worthington](#), President, Interaction

Panelists: [Nancy Birdsall](#), President, Center for Global Development

[Hilde Johnson](#), Deputy Executive Director, UNICEF

[Donald Kaberuka](#), President, African Development Bank

[Max Lawson](#), Head of Development Finance and Public Services, Oxfam Great Britain

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Event Description:

The development community has identified and promoted several principles, embodied in the Paris Declaration and Accra Agenda for Action, to make development assistance more effective. A principle that has been one of the focal points of these reform efforts is the promotion of mutual accountability between funders and developing country governments. Has that focus on mutual accountability of funders and recipients to each other distracted them from their accountability respectively to their taxpayers and their own citizens? Has that focus encouraged concern with inputs rather than outcomes? At this event, we discussed accountability relationships in foreign aid in the context of an emphasis on outcomes.

Discussion Overview:

Sam Worthington opened the event by stating that there are advantages and disadvantages to donor efforts to increase accountability of governments to donors. He compared this effort to foster accountability with efforts in place within nation-states. The key difference is that the accountability linkages are broader in nation-states, and they exist from the bottom-up as a result of the accountability mechanism introduced when donors have citizens pay taxes. Sam then introduced the panelists and asked each to share brief comments on the issue.

Nancy Birdsall argued that the mutual accountability of aid programs is a derivative of the more critical accountability linkage. She argued that a stronger focus on outcomes can promote not only mutual accountability, but more importantly, the accountability of governments to their people. She described an approach called Cash on Delivery (COD) Aid. It is an outcomes-focused aid modality that she and her colleagues at the Center for Global Development have developed. Under COD Aid, donors commit to pay for a specific measure of progress on outcomes, and recipients commit to publish data on the specific development outcome for their citizens. The approach locks donors and developing country governments into acting upon promised reforms of aid while generating

information civil society can use to assess and advocate for a more effective provision of public services.

Hilde Johnson discussed the relevance of this topic in the context of the current financial environment, shared some examples of UNICEF's efforts to focus on outcomes and promote accountability to developing country citizens, and commented on the COD Aid approach. She said that under current financial stress, there seems to be a return to donor-driven approaches and a recurrence of ear-marking. And when donors focus on results, they often do so to increase attribution of their work. To counter those pressures and continue improving the outcomes of development projects, UNICEF has worked on ways to utilize technological innovation, such as reporting on the timeliness and quality of public services through the use of Rapid SMS. This technology can be used also to increase accountability and effectiveness in government. Another mechanism used by many developed countries is called Publish What You Pay, where transfers of funding provided to service providers (e.g. schools) is published with the intent of promoting bottom-up accountability. Finally, Hilde commented that COD is a promising approach because it helps focus on results and secure long-term commitments from donors. She is, however, concerned that it may focus on quick wins and not draw attention to marginalized people, that it may lead to the use of short-term approaches to increase progress to receive funding rather than sustainable interventions that will lead to long-term sustainable progress, and she mentioned potential drawbacks of vertical approaches to development.¹

Max Lawson discussed how to better focus and make more effective the discussion of mutual accountability in aid relationships, and he also commented on the COD Aid approach. He argued that recipient country governments should be encouraged to become more focused on the interests of their citizens. He urges that donors be held to account for improving their approaches to providing aid. He argues that they should provide more aid for longer terms and as budget support. He then compared COD Aid to an aid approach launched by the European Commission several years ago called Millennium Development Contracts. Millennium Development Contracts, which have six year terms, provide general budget support through two tranches – one fixed and one variable. Two-thirds of committed funding is provided as fixed, and one-third is variable depending on recipient country performance which is linked to several outcome and output criteria. He argued that the aid provided through the variable tranche is similar in principle to COD Aid.¹

Donald Kaberuka argued that the current financial crisis should be a catalyst for increased efforts to enhance the effectiveness and impact of foreign aid. He cautioned that as economic conditions will remain poor in the immediate future, it will be increasingly important to hold donors to account for financial commitments they have made to developing country governments. He expressed his strong support for efforts made to focus on outcomes, and advocated for these approaches to inform practice beyond the health and education sectors, in particular infrastructure and governance. In conclusion, he stressed that the financial crisis is not sufficient reason to shift focus away from results and accountability linkages, but that it should instead act a catalyst for further reforms.

Sam Worthington opened the discussion by asking each of the panelists questions specific to their institutional and regional perspectives. Hilde Johnson commented that while she was the Minister for International Development of Norway, there was a huge shift to reporting and focusing on outcomes instead of inputs to Parliament. Now, as UNICEF is both a donor and recipient, her institution is in a more precarious situation than bilateral donors, and a focus on results will become

¹ For a discussion of how COD Aid compares and differs from the EC Millennium Development Contracts, please read [this](#) blog discussion on the Oxfam GB website.

increasingly important during this financial crisis. Donald Kaberuka noted that bilateral agencies have greater flexibility to innovate than do the multilateral banks and agencies. The later are subject to the fiduciary constraints defined jointly by their shareholders and, as a result, tend to align with the most prescriptive country requirements. This limits the scope for innovation. He also stressed that the growing trend towards introducing new vertical programs without a corresponding growth in total aid, which not only impose additional transactional burdens on beneficiary countries, but also reduce resources available for country-owned programs. Nancy Birdsall said that for all their disadvantages, vertical programs are very attractive in the US, and outcomes-focused aid approaches are useful tools for aid advocates especially in the US to tell legislators and the public what aid is doing. Max argued that there is utility in transparency of aid transactions even if it enables aid critics at times to find support for their efforts.

Sam Worthington then opened the discussion to the audience. The Director of Publish What You Fund, Karin Christiansen, explained how transparency of donor transactions is critical for both aid recipients and taxpayers in donor countries. She said that donors cannot control accountability in aid-receiving countries, but the development community and taxpayers can better understand whether interventions are helping achieve this through greater donor transparency. An audience member highlighted the challenge presented in countries like Pakistan where there may be no participation by civil society in designing development programs, but some donors will continue to provide a great deal of assistance to the country because of particular circumstances. Another audience member said that there needs to be greater discussion of the accountability of donors and developing country governments to the citizens of those poor countries, and she highlighted the need to engage donors that are not adhering to the standards established at the high-level aid effectiveness meetings in Accra and Paris. Staci Warden, Executive Director of Global Sovereign Coverage of JPMorgan Chase Bank, said that in the case of COD Aid, though the mutual accountability relationship will still be maintained, the approach is likely to increase accountability within governments because different ministries may hold the national government and other ministries to account for providing them with resources that will help the specific ministry to make progress towards the COD Aid goal.

Each of the panelists followed with closing reactions and statements.² Hilde Johnson closed by saying there is a need to engage in more participatory approaches because even in poor countries, people understand the issues and can take action to improve development outcomes. Max Lawson emphasized that donor alignment with recipient country budget-cycles was key, and could help promote a virtuous cycle. Nancy encouraged participants to read the forthcoming book *Cash on Delivery: A New Approach to Foreign Aid with an Application to Primary Schooling* for answers to the questions raised during the discussion. She also advocated that donors support participatory engagement in developing countries by supporting universities, think tanks, and scholarships rather than through more intrusive means. Sam closed the discussion by summarizing three points emphasized during the discussion: 1) a need for more attention to the democratization of development initiatives; 2) a need to better engage citizens in the North; and 3) a need to increase focus on outcomes.

² Due to an overlapping engagement, Donald Kaberuka departed prior to closing remarks.