

Mutual Accountability and Policy Coherence

Presentation to the Committee of Experts

by Elene Makonnen
Principal Advisor
Economic Commission for Africa

May 29, 2003
Addis Ababa, Ethiopia

Thank you Mr. Chairman,

I would like to make my presentation in three parts.

First, I will review, by way of background, the rationale and objectives of the principle of mutual accountability, its importance to Africa - and, to the New Partnership for Africa's Development (NEPAD).

Second, provide information on how the Mutual Accountability discussion has played out in the NEPAD context

In the third part of my presentation, I want to focus on the joint review of development effectiveness itself. We see this review both as a tool for monitoring the commitments on both sides of the development partnership and as a practical approach to implement the mutual accountability principle.

I will conclude by tabling the issues and challenges that we envisage in undertaking such reviews, on which we are soliciting the views and suggestions of the Experts.

Some of these issues are listed at the end of Part I of the Background Paper before you.

Mr. Chairman,

The imperative for Mutual Accountability stems from the recognition that the policies and actions of both developed and developing countries have an impact on the effectiveness of aid and on the outcomes of development efforts.

The origins for Mutual Accountability are enshrined in various international and regional mandates. The most important of these include:

- At the international level, the Monterrey Consensus
- At the regional level for Africa, the NEPAD with its focus on country ownership and governance
- On the side of partners, OECD commitment to support NEPAD, together with the commitment to good governance of aid (Shaping the 21st Century)
 - The above mandates have in common: -
 - A focus on results-oriented development partnerships;
 - Commitments on both sides of this partnership; and
 - An emphasis on systematic review and monitoring of mutuality of

This brings me to the significance of the **mutual accountability principle to NEPAD**.

As this Committee of Experts is well aware, NEPAD is a strategic vision and framework for Africa's development

NEPAD also represents a paradigm shift towards a transformed framework for Africa's engagement with its development partners.

The principle of mutual accountability is central to this transformation.

On the side of Africa, a distinguishing feature of this partnership is the commitment by Africa to engage in systematic peer learning and self-monitoring - a commitment that has born fruit in the adoption of the Africa peer review mechanism by African Head of States.

On the side of Africa's development partners, the centrality of the mutual accountability principle to NEPAD requires that, in addition to self-monitoring of African efforts, we also examine at the policies and actions of our partners as they affect the attainment of the desired development outcomes.

It is in this context that African Heads of State and Government have requested a framework for monitoring and tracking progress of both Africa and its development partners in meeting the commitments to development effectiveness.

Mr. Chairman,

Let me now touch upon how the mutual accountability discussion has played out in the contexts of NEPAD

- We, in ECA, have been doing work with OECD on how to advance the mutual accountability principle in practice.
- We have had on going consultations for some time now on the institutional arrangements for reviews of development effectiveness.
- It is against this background that the Heads of State and Government of the NEPAD Implementation Committee at their meeting in November 2002 requested ECA and the OECD to conclude their work on the institutional framework for this review.

In response to this request, ECA prepared a paper entitled "**Towards an Institutional Mechanism for Mutual Review of Development Effectiveness Between Africa and Its Partners**".

Based on this paper and the work that we have done jointly with OECD on the framework for mutual reviews, the ECA Executive Secretary made a presentation to the Heads of State of the NEPAD Implementation Committee at their meeting in Abuja in March 2003.

In particular, he outlined how we in ECA envisage the joint reviews of development effectiveness as a tool to monitor the progress of efforts on both sides of the development partnership.

He also stressed that such reviews must be comprehensive. That is, they should go beyond the monitoring and reviewing of issues related to official development assistance, to cover issues of market access, subsidies, debt, and commodity prices.

The Heads of State endorsed the framework for the mutual reviews and also stressed the importance of such a comprehensive approach that would ensure coherence of partner policies in meeting Africa's development challenges.

The Heads of States also requested us to present the issues related to the implementation of mutual reviews for technical discussion by the Ministers of Finance. As such, we have put this on the agenda for this meeting.

In the third part of my presentation that follows, I would like to share with this Committee how we propose to proceed with the joint reviews and highlight the related technical issues and challenges that merit this Committee's attention.

My remarks will be based on the presentation that the Executive Secretary made to the NEPAD Implementation

Committee at its March meeting.

But, before doing so, let me add here that the OECD/DAC has also gone through its internal processes in responding to the request from the Heads of State.

They have had a series of internal consultations that culminated in a discussion of the mutual accountability and policy coherence by the OECD Development Assistance Committee High Level Meeting in April 2003.

Here again, the ECA Executive Secretary presented ECA's perspectives to on the proposal for joint development effectiveness review to the OECD High Level gathering.

The DAC HLM reacted positively to the idea of mutual reviews of development effectiveness.

It also agreed that further work and reflection was necessary in this area and encouraged the OECD/DAC to continue its work with ECA.

Mr. Richard Carey of the OECD/DAC is here with us to elaborate further on the process within the OECD.

Let us now zero in on what the development effectiveness review will focus on? What we are going to monitor?

On African Side - we will be looking at the progress that African countries have made in the contexts of NEPAD and in particular in the context of its focus on governance in its broadest sense.

The African Peer Review Mechanism (APRM) gives us the framework for monitoring African commitments.

You will recall that at our last meeting in Johannesburg, the Committee of Experts and Conference of Ministers discussed in some detail the peer review mechanism.

There are already a number of well-developed indicators that are adopted by the APRM covering the three broad areas to be covered under the country peer reviews. These include: -

Political governance

Economic and corporate governance

Social development

We have summarized in the Background Paper the key indicators on which the APR mechanism will focus.

As you know, the Heads of State of the NEPAD Implementation Committee met yesterday and were expected to appoint the independent panel of eminent persons who will guide the work of the APRM

It is expected that the peer review will actually start later this year.

But as we move towards the implementation of the African peer review, it is important to recognize that the APRM does and will have its technical and political challenges. It will take time to address these challenges.

Expectations have also build up on both sides of the partnerships that need to be managed prudently. Continued technical exchange will also be required with OECD/DAC.

On the side of Partners

As is well known, and in line with the Monterrey Consensus and other initiatives such as the G-8 Africa Action Plan, development partners have committed to intensify efforts to increase the quality and quantity of their support to Africa

The mutual review will look at progress by partners in meeting these commitments.

On the issue of Aid Quantity

- We want to look at the effort of partners in meeting the 0.07 % ODA target globally and Africa's share of this.
- Levels of support consistent with national plans to meet MDGs, and consistent with the Monterrey consensus.
- Shortfalls from promised aid

On Aid Quality: The issues that concern us have to do with harmonizing of donor practices and alignment of donor support to national priorities and plans.

A lot of work is ongoing in this area within the OECD and by the Strategic Partnership with Africa (SPA) group. But it will be important for us on the African side to be diligent in monitoring progress in this area.

- For instance, we want to look at the predictability of partner support as reflected in the proportion of aid channeled through the medium term expenditure framework;
- Alignment of partner support to national priorities;
- The timing of donor assistance to national planning cycles and processes;
- The harmonization of disbursement cycles and procedures
- Proportion of aid that is untied;
- Alignment donor reviews by donors to national cycles of sector and financial reviews; and
- Streamlining of reporting requirements as measured by a move to using common formats.

An increasing number of countries are engaging their partners in promising approaches at the national level to improve the coherence and effectiveness of donor support and to monitor both government and partner actions.

- For example:
 - Tanzania - is using the Consultative Group mechanism in an innovative way to engage its partners in mutual reviews. The work is supported by an Independent Monitoring Group
 - Zambia - has recently started an initiative involving a group of like-minded partners
 - Rwanda - has for some time now an understanding with DFID for a long- term predictable support.
 - Ghana - has in place a code of conduct for donor behavior in the context of a multi-donor budget support framework
- Similarly, there is planned work under the SPA on aligning donor support to national poverty reduction strategies

Discussions are underway to initiate this work Burkina Faso, Ethiopia, Rwanda, and a few other countries.

The SPA will also be reviewing the harmonization and alignment issues in the context of budget and sector support.

Clearly, from all this, a diversity of experience is emerging. We hope that during the discussion, Experts will share with us their experiences with national level partnership arrangements.

Policy Coherence

The more pressing issue in the context of the mutual review of development effectiveness has to do with monitoring the coherence of policies of Africa's development partners particularly, as these relate to debt, market access, trade distorting agriculture subsidies, tariff escalations, and commodity price risks. The next session on making the IMF Work Better for Africa will touch upon these issues.

The objective is to ensure that all policies impacting on African development, including those in the above areas are coherent with the MDGs and the development outcomes we are seeking.

The specific indicators that we might want to look at in the mutual reviews include

- The status and changes in agriculture subsidies, and in debt stocks/and debt reductions;
- Coherence between debt reduction arrangements and the fiscal requirements that can accommodate national plans having to address the various dimensions of poverty reduction;

The background paper discusses in some detail the various sources of data that the mutual review would be drawing upon. Clearly, there is relatively good data on aid quality and quantity. And we know that ongoing efforts within OECD and the Strategic Partnership with Africa will generate will more data of relevance to the mutual review in these two areas.

Clearly, where further work is needed is on the framework and indicators for monitoring policy coherence.

There is emerging work in some organizations that have well-defined mandates and comparative advantages in tracking developments on such policies as trade, debt, and agricultural subsidies.

The mutual reviews will need to draw upon this work in analyzing trends towards policy coherence.

But by and large, progress in addressing the related issues on policy coherence must occur in the context of multilateral negotiations including at the WTO and the EU, for example with respect to the common agriculture

However, in the meantime, we do need to find ways of making progress on this issue. To do so, we need buy-in from Africa's partners to mutual reviews that are holistic and include policy coherence.

What would we want to produce based on all this?

What we would like to do is produce a report every two years that will capture all the elements that I have discussed.

We envisage that this report would show trends that Africa and its development partners are making towards meeting their mutual responsibilities to delivering on their commitments and to development effectiveness.

It will highlight country experiences and best practices.

It will identify gaps or shortfalls in performance.

And it will provide a basis for a candid dialogue and constructive engagement on these issues.

It will contribute to the development of common African positions on ODA reform issues such as debt, market access, and agriculture subsidies.

We believe that the institutional architecture for the mutual reviews already exists. As such, we will be using existing institutions and drawing on the comparative advantages that such institutions offer.

The report will be presented to the ECA Conference of Ministers of Finance and Development Planning and other forum such as the Big Table.

Mr. Chairman,

In concluding, I want to draw the attention of this Committee to the questions that we have posed at the end of Part one of the Background Paper. We look forward to having the views of the experts on the issues raised there. This will help guide our work as we move forward.

Thank you.
