

**Guidance to USAID Field Missions**  
**Frequently Asked Questions**  
**March 2006**

**Delivering Aid More Effectively**  
**Organization for Economic Cooperation and Development**  
**Development Assistance Committee (OECD/DAC)**  
**Paris Declaration on Aid Effectiveness**

**TABLE OF CONTENTS**

**BACKGROUND**

1. WHY STRESS AID EFFECTIVENESS?
2. WHAT IS THE PARIS DECLARATION?
3. WHAT DOES THE PARIS DECLARATION OFFER?

**COMMITMENT**

4. WHAT DOES THE PARIS DECLARATION COMMIT US TO?

**IMPLEMENTATION**

5. HOW DOES THE PARIS DECLARATION APPLY TO FRAGILE STATES?
6. WHAT CAN USAID MISSIONS DO TO FURTHER THE PARIS DECLARATION?
7. HOW WILL THE PARIS DECLARATION BE MONITORED?
8. WHAT IS A DAC PEER REVIEW?
9. WHEN IS THE NEXT DAC PEER REVIEW OF UNITED STATES ASSISTANCE?
10. HOW WILL THE MILLENNIUM CHALLENGE CORPORATION BE CONSIDERED?
11. HOW DO WE ALIGN OUR AID WITH NATIONAL PRIORITIES?
12. ARE WE EXPECTED TO MOVE INCREASINGLY TOWARD BUDGET SUPPORT?
13. CAN WE PROVIDE FORWARD FUNDING INDICATIONS?
14. WHEN CAN WE USE COUNTRY FINANCIAL SYSTEMS?
15. WHEN CAN WE USE COUNTRY PROCUREMENT SYSTEMS?
16. MUST WE ABSOLUTELY AVOID PARALLEL IMPLEMENTATION STRUCTURES?
17. ARE WE EXPECTED TO USE COMMON ARRANGEMENTS OR PROCEDURES?
18. ARE WE EXPECTED TO PARTICIPATE IN JOINT MISSIONS AND ANALYTIC WORK?
19. WHY STRESS RESULTS?
20. WHAT IS MUTUAL ACCOUNTABILITY?
21. HOW DO WE ALIGN THE PARIS DECLARATION WITH OUR EXISTING PROGRAMMING POLICY AND PROCEDURES?

**Guidance to USAID Field Missions**  
**Frequently Asked Questions**  
**March 2006**

**Delivering Aid More Effectively**  
**Organization for Economic Cooperation and Development**  
**Development Assistance Committee (OECD/DAC)**  
**Paris Declaration on Aid Effectiveness**

1. **WHY STRESS AID EFFECTIVENESS?**

Real development progress depends less on more money than on more effective use of aid (and other resources) and on partner countries' own efforts, capacities and performance. Partner countries are demanding more ownership of the development process and more cost effective aid delivery. Capacity is increasing in many partner countries. The Administration, Congress, the American taxpayer --and most donor countries --demand greater aid effectiveness and clearer results.

2. **WHAT IS THE PARIS DECLARATION?**

On March 2, 2005, over 100 developing and donor country ministers and heads of multilateral and bilateral organizations -- including USAID Administrator Andrew Natsios -- endorsed the Paris Declaration on Aid Effectiveness. The Paris Declaration commits donor and developing countries and institutions to continue and increase efforts in harmonization, alignment, and managing aid for results.

Link to Paris Declaration: <http://www.oecd.org/dataoecd/11/41/34428351.pdf>

3. **WHAT DOES THE PARIS DECLARATION OFFER?**

The Paris Declaration provides a framework for concrete, mutual steps at the country level to improve aid effectiveness. It offers a chance to spearhead a more mature partnership between donors and developing countries. It is a springboard for simplifying and rationalizing aid delivery at the country level. It offers an avenue to convert good aid principles to general practice, and ultimately, achieve greater development impact. The Paris Declaration offers the potential to change the way we think about doing aid better. Many of the mutual commitments in the Paris Declaration are in line with the Agency's nine principles of development and reconstruction.

Link to USAID Nine Principles: [http://www.usaid.gov/policy/2005\\_nineprinciples.html](http://www.usaid.gov/policy/2005_nineprinciples.html)

4. **WHAT DOES THE PARIS DECLARATION COMMIT US TO?**

.....ACTION AT THE COUNTRY LEVEL, the Paris Declaration focuses on country level dynamics and relations among donors and between donors and partner countries. It recognizes that each country situation is different and that each will determine the pace and scope of improvements in aid management.

This is consistent with the USAID Policy Framework for Bilateral Foreign Aid of January 2006. Link to USAID Policy Framework for Bilateral Foreign Aid:

[http://www.usaid.gov/policy/policy\\_framework\\_jan06.pdf](http://www.usaid.gov/policy/policy_framework_jan06.pdf)

.....PARTNER OWNERSHIP/SHARED GOALS. Effective aid and development is a mutual responsibility. The partner country has prime responsibility for its own development process, for setting priorities through prioritized national plans linked to the budget, and for coordinating donor programs. Partners are committed to reform, upgrade and adhere to transparent and accountable aid governance practices that meet commonly accepted standards. Donors and partners pursue shared objectives.

.....DONORS ALIGNING AND HARMONIZING. In return, donors are expected to align their programs with partner country priorities and plans and report their aid to the Government sector on budget and on schedule. Donors are to rely progressively on country systems, procedures and reporting, as these become stronger and more reliable, in accord with each donor's risk management standards. Donors streamline aid delivery across all modalities (projects, sector-based programs, and budget support). Donors look for ways to complement and mutually reinforce one another's programs in support of partner plans. Harmonize does not mean standardizing on a single delivery model or modality nor does it mean using partner country systems merely because other donors might. The new USAID Policy Framework for Bilateral Foreign Aid is instructive here by stressing the importance of adapting to the country situations rather than employing "one-size fits all" applications in all countries.

..... RESULTS MUTUALLY AGREED. Partners and donors work together to achieve agreed upon results based on common results frameworks linked to national plans, sector strategies and programs.

#### 5. HOW DOES THE PARIS DECLARATION APPLY TO FRAGILE STATES?

Aid effectiveness in fragile states is more difficult, yet even more necessary. The Paris Declaration applies, though in different ways. If the donors can't fully align with a fragile state, effort should be made to at least partially align where a progressive government is emerging. Shadow alignment with non-government actors, systems, and procedures may be required in more difficult countries. Donor harmonization and coordination is seen as imperative, along with whole of government approaches, such as: joint and shared initial assessments among key donors; coordinated diplomatic, defense, humanitarian, and aid within donors. These points are consistent with USAID's Fragile States Strategy ( [http://www.usaid.gov/policy/2005\\_fragile\\_states\\_strategy.pdf](http://www.usaid.gov/policy/2005_fragile_states_strategy.pdf) ) and the new USAID Policy Framework for Bilateral Foreign Aid ( [http://www.usaid.gov/policy/policy\\_framework\\_jan06.pdf](http://www.usaid.gov/policy/policy_framework_jan06.pdf) ). The watchword is: adapt the Paris Declaration to local realities.

#### 6. WHAT CAN USAID MISSIONS DO TO FURTHER THE PARIS DECLARATION?

- Help shape and support country aid effectiveness action plans and implementation agreements.
- Pay greater attention to partner priorities and local capacity development needs.
- Where they meet mutually agreed international standards, rely progressively more on strengthened country institutions, systems, and procedures for implementation,

financial management, accounting, and audit and consider host country contracting and other ways to engaging partner country representatives on aid related procurement.

- Exercise more diversity, flexibility and innovativeness in our implementation arrangements.
- Use broader range of implementation arrangements and modalities with country circumstances and these considerations in mind.
- Favor local sourcing, procurement and spending through use of local contracts and grants to engage host country experts, NGOs and firms, and purchase more goods locally. USAID is considering policy changes to facilitate this effort (Link to PPC survey on local sourcing: [http://inside.usaid.gov/surveys/ppc/local\\_sourcing.html](http://inside.usaid.gov/surveys/ppc/local_sourcing.html).)
- Emphasize shared results and impact.
- Coordinate closer with the host country and other donors on planning and implementation of programs in support of shared objectives and results, especially in key sectors where we are active.
- Join in monitoring progress of aid effectiveness at Consultative Group meetings, periodic donor-partner reviews, or through local monitoring processes.

#### 7. HOW WILL THE PARIS DECLARATION BE MONITORED?

Progress on aid effectiveness will be monitored against the 50 partnership commitments and the 12 indicators in the Paris Declaration, starting at the country level. In August 2005, the DAC Working Party on Aid Effectiveness (Link to DAC Working Party on Aid Effectiveness: <http://www.oecd.org/dac/effectiveness> ) reached substantial agreement on targets for 10 of the indicators and the methodology for measuring them. (Agreement was not reached on targets for 2b and 5b on procurement and 5a.ii on the use of financial management systems under reform because the USG dissented on those targets.)

Country Surveys will be conducted in 2006 to report on progress against the 2005 baseline information to be collected in June-September 2006. Countries selected for first round field testing of the survey include Ghana, Senegal, South Africa, Nicaragua, Uganda, and Cambodia. The DAC will aggregate data across countries and donors report periodically on global progress. These data will be supplemented with desk reviews of World Bank data, qualitative reports, and evaluations. Country Surveys will be conducted again in 2008 and 2010.

#### 8. WHAT IS A DAC PEER REVIEW?

Another tool the DAC uses for monitoring the Paris Declaration is through periodic reviews and assessments of each members development cooperation system, or Peer Reviews. The main objectives of the Peer Reviews include: (i) to monitor DAC members' development cooperation policies and programs and, as far as possible, to assess their effectiveness, inputs, outputs and results; (ii) to assist in improving individual and collective aid performance; (iii) to provide comparative reporting and credible analysis for wider publics in OECD countries and the international community; and (iv) to identify good practices, share experiences, and foster coordination. DAC Peer Reviews will give greater attention to aid effectiveness.

9. WHEN IS THE NEXT DAC PEER REVIEW OF UNITED STATES ASSISTANCE?

The Peer Review of the United States is scheduled to take place from June to December 2006. Examiners from the United Kingdom and Canada supported by the DAC Secretariat will conduct the review. U.S. assistance was last reviewed in 2002.

Link to DAC Peer Review of United States (2002):

<http://www.oecd.org/dataoecd/16/28/1836463.pdf>

10. HOW WILL THE MILLENNIUM CHALLENGE CORPORATION BE CONSIDERED?

The MCC, if present in a country, will be considered as a separate USG agency as will all USG agencies with development assistance activities in a country, and will be asked to report on how its programs and aid flows comport with the Paris Declaration. However, the USAID should work with these Agencies to produce one consolidated USG Questionnaire.

11. HOW DO WE ALIGN OUR AID WITH NATIONAL PRIORITIES?

It should be relatively easy for donors to align their aid programs around a sound Poverty Reduction Strategy (PRS) or other national development plan that has been broadly consulted with civil society and endorsed by the host government, especially if it is linked to expenditure and results frameworks. Missions should use PRSs or similar plans as a reference for their own strategies, seeking consistency in turn with the USAID Policy Framework for Bilateral Foreign Aid. The Paris Declaration encourages the use of the national budget process. Donors should report their aid flows (to the government sector) on budget. (Many Missions do this as a matter of self-interest to ensure that the local currency counterpart contribution to USAID programs is in the budget). The Paris Declaration distinguishes between reporting aid "on" budget and putting aid "through" the budget. "On" budget support is defined as aid flows which at minimum are reported to the recipient authorities, and recorded in the national budget regardless of whether or not resource flows use national budgetary procedures.

12. ARE WE EXPECTED TO MOVE INCREASINGLY TOWARD BUDGET SUPPORT?

No, despite the misrepresentation of the Paris Declaration commitments by certain donors and partner countries who champion this modality. The Paris Declaration purposely (and at our insistence) avoids favoring any particular aid modality. For example, Sector Wide Approaches (SWAs) are understood to include budget support, project support, technical assistance, possible NGO assistance, pooled and non pooled funds, etc. See USAID Policy Paper – Program Assistance –

[http://www.usaid.gov/policy/ads/200/prog\\_asst/proasst.pdf](http://www.usaid.gov/policy/ads/200/prog_asst/proasst.pdf) for the applicable guidance.

13. CAN WE PROVIDE FORWARD FUNDING INDICATIONS?

Yes. Many Missions already share indications of planned obligations and scheduled expenditures, at least informally in consultations with the Planning or Finance Ministry. When we approve strategies and sign agreements (e.g., Strategic Objective Agreements

SOAg) we provide notional multi-year planning levels. These estimates are understood to be subject to the availability of funds through the annual appropriations process. USAIDs also share expenditure projections and our disbursement rates tend to be higher than most other donors. This helps Finance Ministries better predict and manage aid flows.

14. WHEN CAN WE USE COUNTRY FINANCIAL SYSTEMS?

Our ability to rely on country systems will depend directly on the pace at which their systems meet acceptable standards and are reliable. USAID is ready to progressively use "strengthened" financial management systems. We already do so in many places by relying on host country auditing, financial reporting, and seeing that aid projects are included as line items in the budget. It may be useful to support some kind of independent certification system to facilitate the use of country systems. We should continue to support financial system reforms and capacity building where appropriate.

15. WHEN CAN WE USE COUNTRY PROCUREMENT SYSTEMS?

On the procurement side, we have to be more cautious and exacting, but we are ready to consider host country contracting if conditions are right. We made clear in Paris that we have a hard time in most cases using country procurement systems due to the FAR. USAID support for capacity development to strengthen procurement systems would be a welcome contribution. USAID has widespread experience with "mixed" systems and various safeguards. (See ADS Chapter 305 - Host Country Contracts for applicable guidance on procurement: <http://www.usaid.gov/policy/ads/300/305.pdf>).

16. MUST WE ABSOLUTELY AVOID PARALLEL IMPLEMENTATION STRUCTURES?

Most free-standing parallel implementation systems (i.e., project implementation units PIUs) are bypass mechanisms that contribute little to local capacity development, institutional strengthening, or sustainability. The Paris Declaration recognizes that some of these PIUs can be useful if well-integrated into Ministries or other country entities. The aim is to reduce the overall number of parallel PIUs. The commitment is that there will be no new parallel PIUs established. Missions and MCC representatives are encouraged to find creative solutions to local capacity deficits that do not result in PIU structures that are parallel with and free-standing from host country structures. Integrated TA teams that provide mainly advice while handling some USAID project management functions should be considered as integrated PIUs.

17. ARE WE EXPECTED TO USE COMMON ARRANGEMENTS OR PROCEDURES?

Yes, to the extent practical and sensible. Ultimately, this commitment is related to another commitment in the Paris Declaration: to increase donor reliance on local systems. However, there are a number of potential intermediate steps that preserve necessary accountability but reduce the transactions cost of assistance. At present, operating units are encouraged to join with other donors in using sector wide approaches and program-based approaches. Missions are increasingly using pooled project assistance, silent partnerships and other implementation arrangements that fall under the common

arrangements/procedures rubric. Missions also can participate in joint assessments, designs, monitoring and evaluation efforts that will reduce transaction costs.

#### 18. ARE WE EXPECTED TO PARTICIPATE IN JOINT MISSIONS AND ANALYTIC WORK?

The Paris Declaration aims to reduce the burden on partner countries of the many multiple and often duplicative visiting delegations and studies. The Declaration encourages better scheduling, more joint efforts, delegating tasks to a lead donor and more sharing of information and analyses in terms of efficiency. To be sure, this may be more important and easier for the 26 European Union donors to do than for us. Thanks to our presence on the ground, delegated authorities, and streamlined business model we have far fewer visiting missions and overlapping studies relative to our program size than many donors. Moreover, Agency strategic management reforms have reduced analytical requirements at the strategic planning stage. That said, missions are encouraged to participate in joint work in areas related to their programs, especially when the program is implemented via a sector-wide approach or other program-based approach.

#### 19. WHY STRESS RESULTS?

The U.S. led the effort to include Managing for Results in the Paris Declaration. Reporting on the results is critical to demonstrating aid effectiveness and to sustaining public and Congressional support for U.S. assistance. It is also crucial to host country governments' and non-state actors' accountability to its citizens and to the international community. PPC offers a tool kit for preparing Results Frameworks, available at <http://www.usaid.gov/policy/ads/200/200sbn.pdf> that may be useful in helping build local capacity. USAIDs have considerable experience with program results frameworks. The DAC's Joint Venture on Managing for Results in cooperation with the World Bank has developed a Source Book that also may be useful. It is available at <http://www.mfdr.org/sourcebook.html> .

#### 20. WHAT IS MUTUAL ACCOUNTABILITY?

This refers to the shared responsibility that partners and donors have for advancing the implementation of the Paris Declaration. The Declaration encourages the use of existing country level dialogue and coordinating mechanisms to periodically review mutual progress and discuss ways to further improve aid effectiveness in country. It is hoped that the Paris Declaration Monitoring Surveys will kick off such a process. Consultative Group and Round Table meetings may also be used for this purpose. Missions are encouraged to actively participate in such fora. Also, individual countries may develop schemas for monitoring assistance commitments and performance, while the donors monitor the host government's commitments and performance. Tanzania has such a system in place.

#### 21. HOW DO WE ALIGN THE PARIS DECLARATION WITH OUR EXISTING PROGRAMMING POLICY AND PROCEDURES?

ADS Chapters 200 to 203 establish the Agency's programming policies and procedures for strategic planning, implementation, and evaluation at the Agency, bureau, and mission levels. The Paris Declaration is consistent with those policies and procedures.

The PPC Guidance for USAID Missions on Implementing the Paris Declaration on Aid Effectiveness supplements existing Agency approaches and therefore must be addressed in the context of the ADS Chapters 200 to 203.

LINKS TO ADS 200-203:

ADS 200, Introduction to Managing for Results <http://www.usaid.gov/policy/ads/200/200.pdf>

ADS 201, Planning <http://www.usaid.gov/policy/ads/200/201.pdf>

ADS 202, Achieving <http://www.usaid.gov/policy/ads/200/202.pdf>

ADS 203, Assessing and Learning <http://www.usaid.gov/policy/ads/200/203.pdf>

Doc. P/PPC/DCO/PUB/AID Effectiveness/FAQ Guidance on Aid Effectiveness 3.28 version 12