Aid Effectiveness - Securing donor confidence, VFM and accountability

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A. Moustapha Ndiaye
Manager, Financial Management
Europe and Central Asia
The World Bank

Three key messages

- Aid-Effectiveness is a joint responsibility of donors and aid recipients
- There have been significant efforts and achievements to-date leading to Aid Effectiveness.
- But the remaining challenges to be addressed are equally significant.

Development challenges

- The World Bank's vision
  - To contribute to an inclusive and sustainable globalization—to overcome poverty, enhance growth with care for the environment, and create individual opportunity and hope.
  - $140 billions committed July 08 – September 2010
- Development needs are great
- Aid resources are limited

Aid Effectiveness

- Core to all development assistance
  - Essential to ensure the aid is delivered efficiently and effectively.
  - Essential to use each dollar as effectively as possible
- Decade long efforts
  - Monterrey (2002), Rome (2003), Marrakech (2004), Paris (2005), Hanoi (2007) and Accra (2008)

Aid Effectiveness

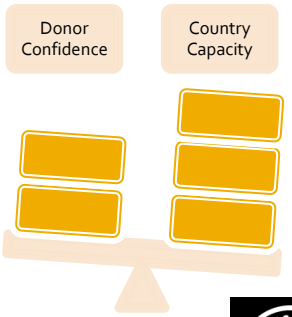
- Gradual shift of the core principles of AE

Heavily donor-driven agenda	Country ownership and country-led processes and systems
Donor inputs	Development results

- The two sides of AE
  - Aid modalities
  - Actual development impact of aid

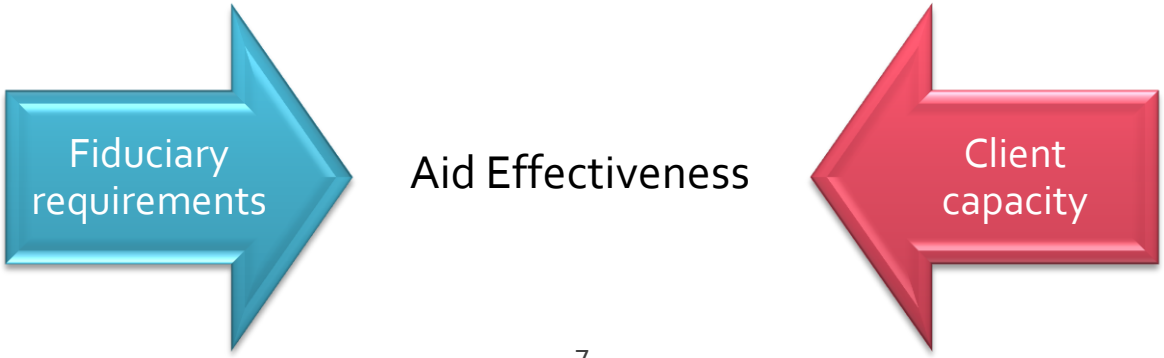
Aid modalities and Donor Confidence

- Donors' fiduciary responsibility
- Traditionally weak fiduciary environment in client countries
- Low level of trust and confidence
- "Ring-fencing" approach
  - High transactions costs
  - Negative impact on countries capacity



Aid modalities and Donor Confidence

- Increased efforts to use country systems
  - Paris Declaration, Accra Agenda for Action
  - World Bank Governance and Anti-corruption agenda
  - World Bank Financial Management Strategy
  - Enabling Policy Environment



Donor Confidence - Challenges

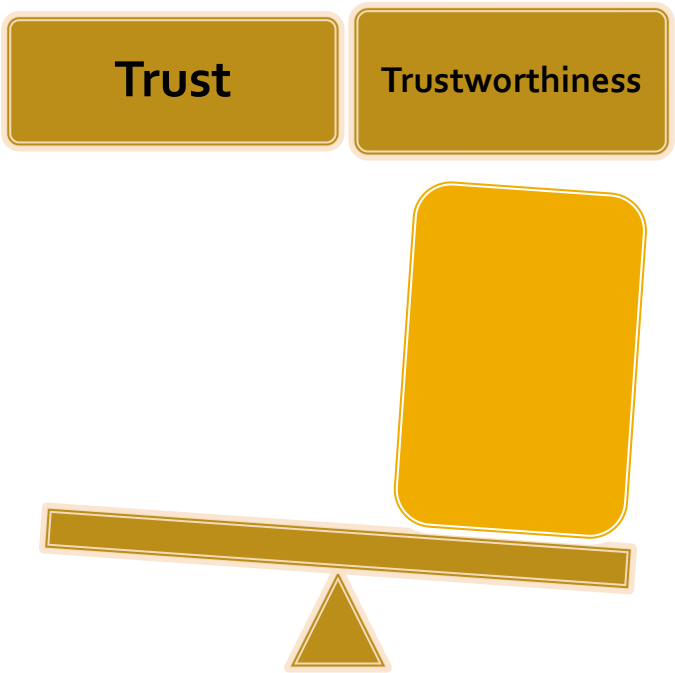
PFM assessments still point out to significant weaknesses, lowering donor confidence.

- Composition of **expenditure out-turn** compared to original approved budget
- Oversight of aggregate fiscal risk from other public sector entities.
- **Multi-year perspective** in fiscal planning, expenditure policy and budgeting
- Effectiveness of **payroll controls**
- Competition, value for money and controls in **procurement**
- Effectiveness of **internal audit**
- **Availability of information** on resources received by service delivery units
- Quality and timeliness of in-year **budget reports and annual financial statements**
- Scope, nature and follow-up of **external audit**
- **Legislative scrutiny** of the annual budget law and external audit reports

Future directions

- Consolidate the use of country system
- Greater focus on results

Conclusion



Thank you