Stop AIDS Alliance briefing paper

The EU and the Paris Declaration on Aid Effectiveness: Implications for the HIV/AIDS response

In 2005, the EU, along with other OECD DAC donors, signed the Paris Declaration on Aid Effectiveness, and set themselves specific targets to improve the quality of their aid in a number of important areas by 2010. The EU aims to take a leading role in implementing the Paris Declaration and has made further commitments to improve aid effectiveness by aligning EU aid with partner countries' plans and systems (budget support) and make EU aid better coordinated (the EU Code of Conduct on the Division of Labour).

In September 2008, the third OECD DAC "High Level Forum" will be held in Accra, Ghana, to take stock, review progress, and address the main challenges to implementing the Paris Declaration. The review is intended to "increase the impact of aid […] in reducing poverty and inequality, increasing growth, building capacity and accelerating the achievements of the MDGs." Health has been selected as one of the tracer sectors by the OECD DAC as an example to monitor aid harmonisation and effectiveness.[1]

This paper aims to give an overview of the current developments with regard to the implementation of the Paris Declaration, health as a tracer sector and the contribution of the EU to the aid effectiveness agenda, including initial entry-points for the Alliance and Stop AIDS Now! to engage in the broader aid effectiveness debates. It will propose recommendations on how the Alliance and SAN should position themselves to ensure that the specificities of the response to HIV/AIDS do not lose out in current donor trends to improve aid effectiveness.

1. The Paris Declaration principles, health as a tracer sector and HIV/AIDS

The Paris Declaration outlines five principles which should shape effective aid delivery:

OWNERSHIP: Developing countries will exercise effective leadership over their development policies and strategies.
ALIGNMENT: Donor countries will base their overall support on recipient countries' national development strategies.
HARMONISATION: Donor countries will coordinate their activities and minimize the costs of delivering aid.
MANAGING FOR RESULTS: Developing countries and donor countries will orient their activities to achieve the desired results.
MUTUAL ACCOUNTABILITY: Donor and developing countries are accountable to each other for progress in managing aid better.

In the context of health as a tracer sector, the OECD DAC proposes donors to examine good practices and challenges of donor and country behaviour in implementing the Paris Declaration's five principles in the health sector.

[1] Proposal to use health as a "tracer sector" for tracking progress on the Paris Declaration, Working Party on Aid Effectiveness and Donor Practices, at http://www.olis.oecd.org/olis/2007doc.nsf/3dce6d82b533cf6ec125685d005300b4/4078e1e501398f88c12572910043bc11/$FILE/JT03222825.DOC

The OECD DAC defines the five principles in the context of the health sector as follows:[2]

- Ownership: Renewed interest in investment in health systems and alignment to priorities defined by countries (one national health plan)

- Alignment: Including through reforms for better integration of vertical programmes at the country level and for joint and pooled financing.

- Harmonisation: Division of Labour and donor harmonisation in the health sector of fragile states.

- Managing for results: Development of health sector benchmarks and the country-led process to develop them as well as the role of multisectoral issues such as gender, and HIV/AIDS.

- Mutual accountability through MOUs, "MDG contracts" and other forms of performance based funding.

In addition, there are a number of complementary streams of work that will feed into discussions on health as a tracer sector. These include:

1) Work on Global Programmes at the OECD/DAC: led by the World Bank, this will explore the implications of changes in the aid architecture for aid effectiveness, focusing in particular on the **emergence of new donors and the creation of new funding mechanisms.**
2) Case studies to be carried out by GAVI and the Global Fund to assess how **Global Health Partnerships (GHPs) are implementing the Paris principles**. How GHPs fit into the overall health environment with instruments such as "diagonal funding" might also be examined.
3) The Strategic Partnership for Africa (SPA) has a working group on **Vertical Funds and Health**, which will carry out six country case studies.
4) **Harmonization for Health in Africa** (HHA) which brings together the African Development Bank, UNFPA, UNICEF, WHO and the World Bank with the aim of supporting countries to accelerate progress towards the health related MDGs.
5) OECD DAC work stream on **Aid Effectiveness in Fragile States**.

Aid effectiveness is of great concern to HIV/AIDS donors as well. As a result, there is already a lot going on in the sector which is relevant to the harmonization and alignment agenda of the Paris Declaration, such as the Three Ones, the Global Task Team (GTT) and the CHAT, as well as the recent creation of specific funding windows for health system strengthening by the Global Fund and GAVI.

In the context of health as a tracer sector with regard to the implementation of the Paris Declaration, it is important to identify how the five Paris Declaration principles should be applied to the HIV/AIDS response to ensure that a more rapid scale-up to achieve globally agreed targets and commitments, including universal access to HIV prevention, treatment, care and support is supported by the aid effectiveness debate, rather than undermined. A growing donor interest in "horizontal" financing and strengthening health systems as a way of implementing the Paris Declaration could result in a reduction of donor aid available to respond to the AIDS pandemic,

[2] Health as a Tracer Sector: Next Steps, OECD DAC, 2007

while recent UNAIDS estimates indicate that US$58 billion will be required to achieve universal access by 2015.[3] In addition, the exceptional aspects of the HIV/AIDS response, such as the reduction of stigma and discrimination and mitigating the impact of HIV/AIDS, which cannot be addressed through the health system, require continued and increased financing.

For this reason, the key message to donors should be that while recognizing the need and importance of improving aid effectiveness through, amongst others, health system strengthening, the HIV epidemic, due to the significant financing gap and its exceptional nature, continues to require urgent and sustained increase in financing.

Ownership and HIV/AIDS

The ownership principle is supposed to be thefoundation of the Paris aid effectiveness agenda. However, the Paris Declaration has only one indicator on ownership, which focuses on whether partner countries have "operational development strategies." There is no assessment of the degree to which these strategies (often known as Poverty Reduction Strategies or PRSPs) were developed by the countries themselves rather than being donor driven, nor are there any indicators that measure donor performance in supporting ownership. Setting national and local development priorities in a country is a complex political process, involving many stakeholders, which must respond to national and local contexts and needs. Ownership of development programmes should therefore be understood not simply as government ownership, but as democratic ownership. Democratic ownership means involving parliaments, citizens and civil society organizations, including key populations[4] and vulnerable and marginalized groups, in the formulation, delivery, evaluation and monitoring of policy and programmes.

Technical and financial resources should be made available to ensure that civil society, including key populations and other vulnerable and marginalized groups, can participate fully and effectively in the dialogue with decision makers at all levels regarding the governance, coordination and prioritization of funding allocations. Engagement of civil society, including key populations, in the development, delivery and monitoring and evaluation of national strategies, such as health plans, should be fully supported.

Alignment and HIV/AIDS

Alignment refers to donor alignment with country partners' strategies by making better use of parners' national budgets and a shift from project financing to budget support. With regard to aid for health, it is often criticized to be not aligned with government priorities and earmarked for specific purposes. An estimated 50% of health aid is off budget. As a result, many countries report difficulties in attracting sustained, flexible funding that can be used to support the health system. These concerns have lead to current debates on funding health system strengthening rather than disease specific programmes (i.e. "vertical" vs "horizontal" funding). At the same time, however, there is a growing recognition of the role that vertical interventions can play in building strong health systems which can be seen in, for example, the Global Fund and the GAVI Alliance having recently established specific funding windows for health system strengthening.

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[3] Financial resources required to achieve universal access to HIV prevention, treatment, care and support, UNAIDS, September 2007

[4] The International HIV/AIDS Alliance defines "key populations" as those most likely to affect, and be affected by the spread of HIV, for example people living with HIV and AIDS, men who have sex with men, sex workers and injecting drug usersh

For this reason, the need to coordinate both "vertical" and "horizontal" financing is becoming more widely recognized among the donor community. The International Health Partnership, for example, aims to facilitate the delivery of all national funding for health in alignment with one national health plan and draws heavily on the "Three Ones" Model.

Given the continuing need for investment in the AIDS response, and the success that has been achieved over the last 20 years in mobilising funds to address the AIDS crisis, there is a need to ensure that existing models of good practice in financing the AIDS response are built on and expanded to better finance gaps in donor aid and government spending on other health priorities and health system strengthening.

Discussions on how to finance health in developing countries need to move from debates on whether vertical and horizontal financing is best to an understanding of how vertical <u>and</u> horizontal financing mechanisms can work together to improve health outcomes for all, including achieving universal access.

Harmonization and HIV/AIDS

Harmonization commits donors to using their different comparative advantage, recognizing complementarity across the donor community, and instituting lead donor responsibilities. The EU Code of Conduct on Complementarity and the Division of Labour is based on this principle. Harmonization can lead to significantly reduced transaction costs, such as in the health sector, with a high number of donors present and a large number of separate health programmes. With regard to HIV/AIDS, the proliferation of donor projects and resources to address the response to the pandemic led to the establishment of the "Three Ones" in 2004. The "Three Ones" refer to one agreed HIV/AIDS action framework which provides the basis for coordinating the work of all partners, one national AIDS coordinating authority with a broad-based multisectoral mandate, and one agreed country-level monitoring and evaluation system. The Three Ones principles attempt to address prevailing dysfunctions in coordinating national HIV/AIDS responses, including weak national plans. Some initial lessons that can be drawn from the implementation of the "Three Ones" framework which could, in turn, be applied to harmonization in the health sector as a whole, are that it provides opportunities for a inclusive and transparent process for strengthening the involvement of civil society, particularly the community sector, in national programmes and aid harmonization. A weakness of the "Three Ones" is the missing "One", namely "one national financing plan.[5]"

Harmonization in the health sector should draw on the lessons learned from the implementation of the "Three Ones" principles. In particular, this should include the promotion of a genuinely transparent and multisectoral approach to harmonisation of health financing and planning as well as adding "one national financing plan" and ensuring that donors commit to financing the gaps highlighted by such a plan.

[5] International HIV/AIDS Alliance and the International Council of AIDS Service Organisations, Discussion Paper: Civil Society and the "Three Ones"

Managing for results and HIV/AIDS

Managing for results aims to link partner country strategies with spending, measured through the use of results oriented frameworks. This means "results-oriented" reporting and assessment frameworks that monitor progress against key dimensions of the national and sector development strategies.[6] For the health sector this could, amongst others, mean the development of health sector benchmarks and the country-led process to develop them.

Civil society, including key populations, should be included in the development of results-oriented benchmarks and be part of a multi stakeholder dialogue at all phases, from identifying outcomes to developing and monitoring interventions. Disaggregated data are required to monitor and evaluate impacts on key populations and other marginalized groups.

Mutual accountability and HIV/AIDS

Mutual accountability calls for both donors and partners to be accountable for development, for example through MOUs, MDG contracts and other forms of performance based funding. Accountability at the national level in the health sector could be facilitated through comprehensive national health accounts. This would allow all players to track spending on health by all sectors (including government, NGOs, private sector etc) and could be a valuable contribution to ensuring transparency of spending. It could also, vitally, help to ensure that national health plans reflect the actually, evidence-based needs of communities that access services and identify and respond to relevant gaps.

Scaling up to universal access requires the creation of transparent and accountable mechanisms, such as national health accounts, that will enable civil society and key populations to track and monitor spending for health to ensure that this results in better health outcomes and significant progress towards universal access by 2010 and MDG 6.

2. The EU and aid effectiveness: Implications for HIV/AIDS

As the world's leading aid donor[7], the EU has a key role to play as the central pillar of the international aid architecture. The EU is committed to implementing the Paris Declaration through a number of ways, including untying EU aid, reform EU technical assistance, make EU aid more predictable etc, but its main efforts have been focused on making EU aid better coordinated, amongst others through an "**EU Division of Labour**" and aligning EU aid with partner countries's plans and systems by increasing the percentage of assistance provided through **budget support**.

[6] Paris Declaration on Aid Effectiveness, Ownership, Harmonization, Alignment, Results and Mutual Accountability, paragraph 14

[7] The EU provides over half of global aid. EU ODA amounted to € 46,9 billion in 2006, covering over 160 countries. This includes bilateral aid given directly by the 27 member states and aid which is managed by the European Commission (Annual report 2007 on the European Community's Development Policy and the Implementation of External Assistance in 2006).

The EU Division of Labour

In May 2007, the EU adopted a voluntary **"EU Code of Conduct on Complementarity and Division of Labour in Development Policy**."[8] This Code of Conduct reaffirms that "primary leadership and ownership in in-country division of labour should first and foremost lie in the partner country government."[9]

The guiding principles of the EU Code of Conduct are:

1. Active long term involvement and donor coordination by EU donors in a maximum of **three sectors in-country (**decided by the partner country, having identified the sector as a priority in its poverty reduction strategy or equivalent) and with a maximum of 3-5 donors per sector. The **creation of orphan sectors should be avoided** in this process.
2. If a given sector other than the three concentration sectors is considered strategic by the partner country or the donors, EU donors may enter into a partnership arrangement with another (non EU) donor, delegating authority to the other donor to act on its behalf in terms of administration of funds and/or sector policy dialogue with the partner government.
3. In addition to the three sectors, EU donors will provide **general budget support (GBS)**, where conditions permit to do so, and support civil society.
4. In each priority sector, EU donors will work towards and support the establishment of a **lead donor** in charge of all donor coordination in the sector thereby **reducing the transaction costs** for both partner countries and donors.
5. EU donors will address the problem of "**orphaned" or neglected countries**, based on needs and performances, taking into account all financing flows from ODA and other aid flows, and develop specific response strategies for **fragile states.**
6. The EU Member States and the European Commission commit themselves to increase their participation in **joint multi-annual programming** (joint Country Strategy Papers) based on partner countries' development strategies to advance division of labour.

The EU Division of Labour and HIV/AIDS

The EU has a well-developed joint EC/EUpolicy framework for its response to HIV/AIDS in developing countries "the European Programme for Action to Confront HIV/AIDS, Malaria and TB in external Action (2007-2011).[10]" The EU is still to implement his Programme for Action in a coordinated way. As the implementation is a joint responsibility of the European Commission and the EU Member States, it requires a concrete and effective EU **division of labour**, taking into account all activities undertaken in a partner country by both EU and non-EU donors and the HIV/AIDS funding gap.[11]

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[8] EU Code of Conduct on Complementarity and Division of Labour in Development Policy, at http://register.consilium.europa.eu/pdf/en/07/st09/st09558.en07.pdf

[9] Idem, p.3

[10] http://ec.europa.eu/development/body/tmp_docs/communication_programme_hiv_aids_malaria_tuberculosis_2007_2011_en.pdf#zoom=100

[11] In 2006, there was an overall funding gap of US$ 6 billion between available resources and required resources. The Global Fund estimates that at least US$ 23 billion for HIV/AIDS financing in low- and middle income countries will be needed by 2010.

The overall HIV/AIDS funding gap is compounded by the uneven distribution of global ODA. This has resulted in a situation in which certain countries receive high levels of funding from numerous donors (the so-called "aid darlings") while other countries are largely neglected (the so-called "aid orphans").

The EU Division of Labour in Development Policy will only improve the effectiveness of the EU's response to HIV/AIDS in partner countries if this response is correlated to countries' needs as defined in terms of the HIV/AIDS financing gap in this country. In aid orphan countries, the European Commission, as a major donor present in the largest numbers of countries globally, has a particular responsibility to ensure that adequate support to the response to HIV/AIDS is provided.

Budget support and HIV/AIDS

Budget support is still a relatively small part (5%) of total ODA. However, in recent years several donors have moved towards channelling more aid through budget support rather than through project aid. This is particularly true for the European Commission, which aims to spend more than 30% of the 23 billion Euro of the European Development Fund for 2008-2013 through general budget support. Bilateral champions of budget support include the UK, Ireland, the Netherlands, Sweden and Canada.

Budget support is an aid modality that embodies all the principles of the Paris Declaration. It is a way to provide long-term predictable aid that is aligned to country-owned national poverty eradication plans and national budget processes as it is channelled directly through the budget of the receiving country. It can be used to finance recurrent costs such as salaries for health workers. It has low transaction costs and contributes to donor coordination. It can be linked to outcomes. And it has the positive side-effect of strengthening national budget processes and accountability.

However, despite the fact that budget support, if implemented properly, is based on Paris Declaration principles, such as ownership, accountability and alignment, it is still very difficult to assess if it works or not. If there are no clear outcome indicators in place to monitor the achievement of important benchmarks such as the universal access targets, it can not be assumed that budget support effectively contributes to poverty reduction and the achievement of the MDGs

In addition, budget support, as it is channelled through national governments, may result in a dilution of resources allocated to tackle specific diseases, especially highly stigmatised diseases such as AIDS, that primarily affect those most vulnerable and marginalised within society, including people living with HIV and AIDS, sex workers, injecting drug users and men who have sex with men. The model used by the Global Fund recognizes the key role that the non-governmental sector plays in ensuring that services are delivered in a manner that meets the needs of affected communities, as determined by the communities themselves and supports the meaningful involvement of vulnerable and marginalised populations in the HIV response. Based on such experience, it is essential to ensure that in addition to budget support, the specific resources required to deliver an effective response to the epidemic are made available by donors and that mechanisms are established to ensure the ongoing participation and involvement of civil society in the development, implementation and monitoring of funding allocations.

Budget support should be channelled based on a performance and results oriented approach with specific indictors on sustainable health outcomes including access to health care and comprehensive HIV services for the most vulnerable and marginalized populations. To maximise the effects of budget support, it is important for donors not to depend solely on this instrument alone, but to use a range of different aid modalities, including sector and programme support and project aid, depending on each specific country context.

In addition, democratic mechanisms for improved collaboration with and engagement of civil society should be firmly in place. Capacity building and empowerment of civil society, including community based organisations and marginalized populations to monitor government spending is essential. At least 15% of budget support should be allocated to civil society capacity building in each partner country to empower them to become equal partners in the political dialogue in budget support processes and to play a meaningful role in assessing and monitoring national budget allocations.