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NOTE

From: General Secretariat

To: Delegations

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Subject: Mutual Accountability and Transparency : A Fourth Chapter for the EU
Operational Framework on Aid Effectiveness
– Council Conclusions

Delegations will find in the Annex to this note the above Council Conclusions, which were adopted by the Council on 9 December 2010.

**Mutual Accountability and Transparency : A Fourth Chapter for the EU Operational Framework on Aid Effectiveness
– Council Conclusions -**

The EU and its Member States have agreed to define an EU common approach to accountability and transparency practices, thereby delivering on commitments of the Monterrey Consensus, the Paris Declaration and the Accra Agenda for Action. In its Conclusions adopted on 17 November 2009¹ and on 15 June 2010², the Council invited the Commission to table a proposal for a fourth Chapter on Accountability and Transparency to be added to the Operational Framework on Aid Effectiveness.

The Council underlines that mutual accountability and transparency should be viewed within a holistic approach: transparency fosters accountability, which is a continuum, spanning the spectrum of domestic accountability between governments and citizens, both in donor and partner countries, and mutual accountability between donors and partner countries.

Enhancing transparency and accountability of donors and partner countries is essential for maximising the impact of development policies. Strong domestic accountability in the partner countries is key to ensuring effective governance and, ultimately, the best guarantee for an effective use of resources for development.

The Council emphasizes that partner countries are owning and leading their development process, and that it is the ambition of the EU and its Member States to encourage, facilitate and actively participate in this process at country level. The EU and its Member States will support partner countries in their commitments to increase transparency in domestic systems and processes, including the national budget process.

¹ See paragraph 6 of the Council Conclusions of 17 November 2009, doc. 15912/09.

² See paragraph 36 of the Council Conclusions of 14 June 2010, doc. 11080/10.

The EU and its Member States will work closely together towards an EU common position in preparation for the 4th High Level Forum on Aid Effectiveness in Busan, based on a proposal by the Commission by July 2011.

To this effect, the Council agrees to add the following text to the Operational Framework on Aid Effectiveness.

“IV. ACCOUNTABILITY AND TRANSPARENCY

Transparency and accountability are essential components of aid effectiveness. In the Accra Agenda for Action, donors and partner countries agreed to provide timely and detailed information on current and future aid flows in order to enable more accurate budget, accounting and audit by developing countries. Therefore, taking steps to increase the provision of aid information in country systems and processes is a key priority.

The EU and its Member States¹ will:

A. Increase aid transparency

1. Publicly disclose information on aid volume and allocation following the OECD/DAC Creditor Reporting System (CRS) standard format, ensuring that data is internationally comparable. The EU and its Member States will further explore the possibility of using Transparent Aid (TR AID)² to ensure that information can be easily accessed, shared and, eventually, published³ :

¹ For those Member States who are not yet members of the OECD/DAC this will be implemented taking account of steps required to enable such reporting and the provision of forward looking information on aid allocations. When reporting and publicly disclosing the information on their aid volume and allocations, these Member States will strive to follow the respective methodologies laid out by the OECD/DAC.

² TR AID is a web-based system currently used by the Commission that combines data from multiple sources and provides easy access to comprehensive information so that the data can be used for reporting or decision-making.

³ TR AID Rules of Operation, to be drafted jointly by the EU and the participating Member States, will clearly specify the nature of the data made available, e.g. preliminary and indicative or validated and final.

- a) In the first phase, starting in 2011 with a view to the HLF4 in Busan, on a voluntary basis, with freedom on the chosen data format;
 - b) On the basis of an assessment of their experience in the first phase, which will take place by the end of 2012, the EU and its Member States will decide whether to move to a full-fledged EU-wide roll-out of TR AID.
2. Respecting Member States' national programming cycles, make available among EU Member States, to partner countries and to the OECD/DAC Secretariat indicative forward-looking information on development expenditure at country level, on an annual basis, starting at the end of 2011:
 - a) Based, at a minimum, on the DAC Survey on Donors' Forward Spending Plans methodology disclosing at least three, and up to five year forward-looking data on global aid spending, where available, but working towards full compliance;
 - b) Disclosing at least three, and up to five year forward-looking aid allocations sector by sector where available, but working towards full compliance.
 - c) Working towards the provision of forward-looking data to partner countries on approved projects, such as in the format proposed by CRS/DAC or IATI.
 3. Make available to partner countries disaggregated information on all relevant aid flows, so as to enable partner countries to report them in their national budget documents and thus facilitate transparency towards parliaments, civil society and citizens.
 4. Promote the strengthened capacity of the OECD/DAC to regularly make available statistics and analysis on global aid flows in a timely manner in an open format accessible to the general public.
 5. Encourage increased cooperation by international aid transparency initiatives, including IATI, with the OECD/DAC, working towards consensus on a common international standard.

6. Call upon the Commission to make the EU Annual Report on Financing for Development a model of transparency and accountability by using the Monterrey questionnaire process to track progress at headquarters and country level.
7. Promote increased transparency as an issue of key priority in the multilateral development institutions, including the UN system and the development banks, as well as other partners we fund.

B. Strengthen mutual and domestic accountability

The EU and its Member States will, under the ownership and leadership of partner countries, and where possible including all donors:

At national level:

8. Promote the establishment of a joint framework for monitoring respective joint commitments of donors and partner countries on aid effectiveness, building upon existing systems and processes such as the format of and lessons learned from the Paris Declaration Monitoring Survey and PEFA¹, whenever possible²:
 - a) The EU Delegation will organise a meeting to agree which donor will initiate discussions on mutual accountability; synergies with the FTI facilitators should be sought.

¹ Launched in 2005, the Public Expenditure and Financial Accountability (PEFA) initiative has developed the Public Financial Management (PFM) Performance Measurement Framework, an indicator-based assessment tool. PEFA reports, which have been produced on over 60 countries, provide detailed accounts of the performance of PFM systems along various dimensions.

² In the case of EU candidate countries and potential candidates the Annual Report on the Instrument for Pre-Accession and the joint monitoring committees form a basis for aspects of a Performance assessment framework. These vehicles can be adapted to more systematically provide relevant data such as financial analysis and data on aid effectiveness commitments.

- b) EU Delegations together with Member States will identify existing Performance Assessment Frameworks in partner countries. Where these do not exist yet, the EU will support their speedy establishment under partner country leadership, within partners countries' priorities and targets, and where they do exist, the EU will work to enhance them as necessary, in order to regularly review donor and partner country performance on their country level aid effectiveness commitments. Member States will encourage partner country leadership in this process.
- c) To ensure relevance, efficiency and effectiveness, the joint Performance Assessment Framework should be established on the basis of the following guiding principles:
- Avoid duplication: it should take place within existing joint consultative mechanisms, where these are already in place, and can be gradually developed in line with the local context and available capacity.
 - Inclusiveness: it should aim to include all donors, regardless of the aid modalities used, as well as the national budget authorities;
 - Reciprocity: it should cover both donor commitments and partner country commitments;
 - Comparability: it should monitor performance of individual donors in a comparable manner;
 - Regularity: assessments should be undertaken on a regular basis, aligned with the partner country's systems and timing;
 - Self-reporting: donors and the government should commit to provide data of their operations in-country on a regular basis measured against locally determined criteria.
- d) These Performance Assessment Frameworks should be assessed by EU delegations and Member States in time to share first results of the country level joint performance by November 2011, and to carry out necessary adjustments, together with the partner country, taking into account the ongoing work of the OECD/DAC.

- e) The implementation of these joint commitments will feed into the ongoing policy dialogues between donors and partner countries at project, sector and national levels. The EU will also use policy dialogue to encourage public debate so as to hold both donors and governments accountable.
9. Support the role of civil society organisations including women's groups, as well as the media, local governments, parliaments and national audit institutions, in holding partner country governments and donors to account, including the provision of necessary capacity development support. The EU and its Member States will support more inclusive frameworks for a strengthened involvement of partner countries, including local authorities, parliaments, civil society and the private sector.
10. Explore the feasibility of developing proposals in 2011 to further action on strengthening domestic accountability, which is key to ensuring effective governance, leads to better mutual accountability and, ultimately, is the best guarantee for an effective use of resources for development. These proposals will be based on a mapping and analysis of good practices in the field of domestic accountability and take into account ongoing work of the Working Party on Aid Effectiveness and GOVNET¹ hosted by the OECD/DAC.
11. Where the EU and/or its Member States are already engaged or choose to engage in separate country level mutual accountability processes to ensure delivery of rapid and visible results while more comprehensive negotiations are ongoing, the EU and/or those Member States will ensure that such processes both support and lay the basis for a comprehensive mutual accountability agreement.

¹ The DAC Network on Governance (GOVNET) aims to improve the effectiveness of donor assistance in support of democratic governance in developing countries. It provides a forum for DAC members and partner countries to identify good practice and develop policy and analytical tools.

At international level:

The EU and its Member States will:

12. Coordinate their position in discussions on international mutual accountability under different fora, including the UN Development Cooperation Forum, the Working Party on Aid Effectiveness and the DAC. This includes supporting efforts by the Development Cooperation Forum on mutual accountability.
 13. Integrate the findings of the national mutual accountability frameworks of the concerned partner countries in the DAC Peer Reviews of donors.”
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