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**PARLIAMENTARY OVERSIGHT OF STATE POLICIES ON FOREIGN AID**

***Draft report submitted by the co-Rapporteurs***

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1. Poverty and hunger, which figure on the agendas of all summit meetings and world conferences, have many causes: political, economic, demographic, social, cultural, environmental, and so on. In some parts of the world, they are the result of armed conflicts and the prevailing insecurity, while at the same time being one of the factors generating or perpetuating the strife. To eliminate poverty and hunger, progress must therefore be made in a large number of areas that are both interdependent and complementary. The range of efforts required is summed up in the United Nations development agenda and in the internationally agreed development goals, in particular the Millennium Development Goals (MDGs).
2. Since their adoption by all United Nations Member States in 2000, the Millennium Declaration and the MDGs have become a universal framework for development and a means for developing countries and their development partners to work together in pursuit of a shared future for all.
3. The MDGs, which comprise 18 targets and 48 monitoring indicators to be reached by 2015, place binding commitments on the international community regarding the fight against hunger, universal primary education, gender equality in terms of access to all levels of education, public health (reduce child and maternal mortality and combat major pandemics), improved access to water and sanitation, and, lastly, the consolidation of a global partnership against poverty. The priorities set by the MDGs lay the groundwork, but are in no way sufficient to eliminate poverty worldwide.
4. The 2002 Monterrey Conference on financing for development considered *inter alia* the question of the financial resources required to fulfil the MDGs. At the end of the conference, over 170 countries undertook to spur development in the world's poorest countries. To that end, the rich countries promised to make available 0.7 per cent of their gross domestic product (GDP) and to ease the debt burden; the European Union (EU) made a collective pledge to contribute 0.7 per cent of GDP to development cooperation in the poorest countries before 2015.
5. The same year, the G8, meeting in Gleneagles, promised to increase its overall official development assistance (ODA) to USD 50 billion between 2005 and 2010 and to double the amount of aid for Africa during the same period.

6. Halfway to the 2015 deadline, those pledges have proven to be woefully inadequate. According to the *Millennium Project Report*, which the United Nations Secretary-General asked a multidisciplinary team of international experts to write under the direction of economist Jeffrey Sachs, not only would the 50 billion extra dollars announced at Gleneagles have to be forthcoming as of 2005, the ODA amounts required to achieve the MDGs would have to be gradually increased by 190 billion extra dollars by 2015.

## I. THE MILLENNIUM DEVELOPMENT GOALS AT MIDPOINT

7. "We are now at the midpoint between the adoption of the MDGs and the 2015 target date. So far, our collective record is mixed. The MDGs are still achievable if we act now. This will require inclusive sound governance, increased public investment, economic growth, enhanced productive capacity and the creation of decent work. Success in some countries demonstrates that rapid and large-scale progress towards the MDGs is feasible if we combine strong government leadership, good policies and practical strategies for scaling up public investments in vital areas with adequate financial and technical support from the international community" (Mr. Ban Ki-Moon, United Nations Secretary-General, Foreword to the *Millennium Development Goals Report*, 2007).

8. Between 1990 and 2004, the number of developing country inhabitants living on less than 1 dollar per day dropped from 1.25 billion to under 1 billion, and the proportion of poverty-stricken inhabitants in the same countries fell from 31.6 per cent to 18.4 per cent. China and other parts of Asia have shown that the number of extremely poor people can be sharply and relatively rapidly reduced. In other parts of the world, the number of extremely poor either increased or remained more or less constant, but the poverty rate started to fall. It is now anticipated that all the main regions of the world, with the exception of sub-Saharan Africa, will reach the goal of halving the number of people living in abject poverty by 2015.

9. In most developing countries, the majority of the poor now live in rural areas and live, either directly or indirectly, off the land. In order to reduce global levels of poverty and hunger, action must therefore be taken in rural areas. The United Nations Food and Agriculture Organization (FAO) recently insisted that presiding officers of parliaments mobilize the active support of parliamentarians for developing country efforts to accelerate the pace of agricultural and rural development, with a view to improving food security and making tangible progress towards reducing hunger and poverty, as per the MDGs.

10. However, the rural exodus to urban areas has brought about the rapid development of huge megacities encompassing shantytowns and large impoverished neighbourhoods. Increasingly substantial funds will also be required to eradicate poverty there.

## II. ODA: NATURE AND NEEDS

11. Although the concept of ODA is often criticized, especially by NGOs, it has the merit of providing several decades' worth of quantifiable and comparable statistics. As such, it has long been a transparent item in the budgets of donor countries and is subject to oversight by parliaments and specialized cooperation development committees in particular, and by the competent multilateral organizations such as the Development Assistance Committee (DAC) of the Organization for Economic Co-operation and Development (OECD).

12. The current definition of ODA comprises grants or loans provided by official agencies (including state and local governments, or by their executive agencies) to developing countries (countries and territories on the DAC List of Aid Recipients) and to multilateral institutions for flows to developing countries, each transaction of which meets the following test: (a) it is administered with the promotion of the economic development and welfare of developing countries as its main objective; and (b) it is concessional in character and contains a grant element of at least 25 per cent (calculated at a rate of discount of 10 per cent). In addition to financial flows, technical cooperation is included in aid.

13. "The list of activities to be considered as promoting development and welfare has been widened substantially over time. Inter alia, cost of refugees in donor countries, imputed costs of students from developing countries, internally paid interest subsidies, promotion of development awareness, and recording of debt forgiveness on military debt and other non-ODA debt were all added to the list of activities. There is still an ongoing debate on the inclusion of certain expenditures relating to conflict prevention, peace building and security-related activities. The impact of these changes on the recorded ODA volume has been substantial in recent years leading to an increase in total ODA of 33 per cent in 2005, particularly due to debt forgiveness on non ODA debt and to donor administrative costs" (IDA-World Bank, *Aid Architecture: an overview of the main trends in official development assistance flows*, February 2007).

14. In order to fulfil their pledge to increase aid to USD 130 billion and to double aid to Africa by 2010, the donors will have to increase funding for aid programmes faster than for any other public spending programme, according to the OECD's *Development Cooperation Report 2006*. The annual growth in aid will have to rise from the 5 per cent of recent years to 11 per cent between 2008 and 2010. These averages do not reveal the huge differences, in both absolute and relative terms, that exist between donors.

15. The present budget deficits of many developed countries and the ageing of their populations should not affect the pledges they made. When the annual budget is presented and during the budget period, the parliaments of developed countries have to ensure that aid continues to grow at a steady pace. The target of 0.7 per cent of GDP and the possible increase to 2015 could even be the subject of a legislated mandate. Such is the case, for example, in Belgium, where an act of parliament of 31 December 2002 set a deadline of 2010 for reaching the 0.7 per cent target.

16. A legislated mandate for ODA, or foreign aid, has several advantages. Enshrining ODA in legislation would focus aid on poverty reduction, protect ODA from ever-changing "flavour of the week" policies, and heighten accountability to parliament and all citizens. A legislated mandate for ODA can achieve transparency and accountability, as well as build public confidence in aid spending by requiring greater parliamentary oversight and establishing a clear purpose for aid spending. For example, in the United Kingdom, a legislative mandate ties British ODA to the single purpose of poverty reduction. Article 2 of the Belgian law of 9 February 1999 establishes a "Belgian survival fund" intended to bolster the food security of the most vulnerable people in the poorest partner countries.

### **III. CHANGES IN ODA**

17. A look at the past clearly reveals that there has been a steady drop in the average level of ODA since 1960, from an average of 0.5 per cent of GDP to about 0.3 per cent in 2005.

18. In 2006, the ODA received by OECD/DAC member countries fell to USD 103.9 billion, or by 5.1 per cent since 2005 in constant prices and exchange rates. Measured as a percentage of developed countries' GDP, ODA amounted to 0.3 per cent in 2006, compared to 0.22 per cent in 2000. The considerable growth in ODA in 2005 was chiefly due to debt relief (essentially for Iraq and Nigeria, Iraq's entire debt to the United States having been written off that year) and to the humanitarian aid provided in the wake of the tsunami.

### Indicators of the global partnership, 2000-2006

	2000	2001	2002	2003	2004	2005	2006
<b>Financial flows</b>							
(billions of dollars)							
<i>Net official development assistance from Development Assistance Committee member countries to all developing countries</i>							
Bilateral development projects, programmes and technical cooperation	32.1	31.1	33.4	38.4	44.8	52.2	48.9
Humanitarian aid	2.2	1.9	2.8	4.4	5.2	7.2	7.8
Net debt relief grants	1.8	2.1	4.6	7.0	4.3	22.7	19.2
Contributions to multilateral organizations	17.7	17.3	17.5	19.3	25.1	24.6	28.1
Total official development assistance (current prices)	53.7	52.4	58.3	69.1	79.4	106.8	103.9
<i>Memo item:</i>							
Total Official Development Assistance (2005 prices)	68.0	69.4	74.1	77.0	81.1	106.8	101.3
Net grants by non-governmental Organizations	6.9	7.3	8.8	10.2	11.3	14.7	...

*Source:* Economic and Social Council, *Strengthening efforts to eradicate poverty and hunger, including through the global partnership for development: Report of the Secretary-General*, 1 June 2007, p. 17.

19. The 22 OECD/DAC member countries remain the source of about 95 per cent of world ODA, a figure that will probably decrease as aid from other countries rises. In 2005, aid from non-DAC donors totalled USD 5 billion, including an estimated USD 1.7 billion from Saudi Arabia. Those figures do not take account of contributions from various Asian donors, including China, which is providing a rapidly growing volume of aid, in particular for Africa. Other emerging countries, such as Brazil and India, are also becoming ODA heavyweights.

20. The report of the United Nations Development Programme (UNDP), *Human Development Report 2005. International cooperation at a crossroads: Aid, trade and security in an unequal world*, emphasizes that closing financing gaps requires real money, but not all of the money counted as aid translates into a transfer of resources. This is especially the case for the three categories of assistance that accounted for more than 90 per cent of the USD \$11.3 billion increase in bilateral aid between 2000 and 2004: debt relief (\$3.7 billion), technical cooperation (\$5.2 billion) and emergency assistance (\$1.7 billion). Increases in these areas generate headline figures that are larger than real aid transfers.

21. In a resolution adopted on 5 June 2007, the European Parliament's Committee on Development, following in the footsteps of many NGOs, encouraged States to increase their cooperation budgets without "inflating" the figures with debt relief amounts. In any case, many poor countries are no longer or not really hardly reimbursing their debts, and debt cancellation therefore does not necessarily give them more means. Europe's parliamentarians therefore

advocate that such "book-keeping operations" not be taken account of, so as to obtain a clearer picture of aid to sub-Saharan Africa, where the MDGs are far from being achieved and where aid – minus debt relief – is stagnating.

22. At the national level, donor country parliaments should encourage their respective governments no longer to enter debt relief into their accounts as official ODA figures. The volume of "real" aid would thus automatically increase in the light of the targets agreed.

23. It is very instructive to compare ODA with military spending. For each dollar invested in development aid, ten are invested in defense budgets. None of the G-7 countries has a ratio of military spending/aid below 4:1. In a world in which the rich countries themselves recognize that threats to their security stem from global poverty and the inequality and hopelessness affecting large swathes of the world's population, the 10:1 ratio of military spending to aid makes no sense.<sup>1</sup>

24. In many rich countries budget priorities do not reflect either a commitment to the MDGs or a coherent response to the security challenges posed by mass poverty and profound global inequality. The disparities between the defense and development budgets cast the issue of aid funding in another light. If the USD 118 billion increase in military spending between 2000 and 2003 had been allocated to development aid, aid would now have reached 0.7 per cent of rich countries' GDP.

25. This does not mean that the armed forces cannot, as in some countries, be involved in development cooperation projects. Soldiers also have a key role to play in peace-building and peace-keeping initiatives, which can be a prerequisite for a country's or region's development. Insecurity and instability in conflict and post-conflict countries can make long-term development efforts extremely difficult. In turn, a failure to achieve the MDGs can further heighten the risk of instability and conflict. Yet in spite of a technical consensus that development and security are mutually dependent, international efforts all too often treat them as independent of one another.

26. According to the British NGO Action Aid, one quarter (25 per cent) of aid from donor countries goes to consultants or specialists from those same countries – who earn exorbitant fees and whose reports do nothing to alleviate poverty on the ground. Whenever possible, local consultants and specialists, whose services tend to cost far less, must be used.

27. In terms of quality, international development cooperation is much more focused on the poorest States and peoples, as is to some extent demonstrated by the fact that ODA for the least advanced countries more than doubled between 2000 and 2005. The aid programmes of international financial institutions have paid more attention to poverty reduction, and several donor governments have followed suit. There are large numbers of poor people in middle-income countries, however. The global fight to reduce poverty will only bear fruit if the attention paid to the poorest countries does not preclude solving the problems of poverty in other developing countries, in particular middle-income nations.

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<sup>1</sup> According to the SIPRI (Stockholm International Peace Research Institute), in 2006 military spending amounted to approximately 900 billion euros against 87 billion euros for development cooperation (DS 12/06/07).

#### IV. STRENGTHENING THE EFFECTIVENESS OF AID

28. The key question is how effective aid is. It is essential to maintain taxpayer support in the developed countries, and therefore crucial, in order to continue mobilizing ever greater amounts of aid, to manage development aid in such a way that tangible results are obtained.

29. The increase in ODA is a necessary condition for achieving the MDGs, but this alone will not suffice. Two conditions must be met if financial development aid is to bear fruit: the beneficiary countries must apply the principles of good governance and they must create a climate in which entrepreneurship and private investment, the driving forces of all economic growth, can thrive.

30. In its groundbreaking 1998 report *Assessing Aid: what works, what does not and why*, the World Bank aimed to understand when aid works and when it does not, so that the lessons can be used to make aid more effective. A key theme of the report is that aid is a combination of money and ideas. Money has a big impact, but only if countries have good political as well as economic institutions and policies. In other words, the rule of law and good governance is key to development

31. Building more efficient States is therefore a prerequisite of economic growth and social progress. Poor governance, corruption and weak democratic institutions are major obstacles to the achievement of the MDGs in all too many countries. Strengthening public institutions and eradicating active and passive corruption, international, nationally, locally and in private corporations, would significantly improve the growth outlook in developing countries.

32. An important component of good governance is the fight against corruption. This requires that measures be taken by both emerging and developed countries, and by ODA "beneficiary" countries.

- The governments of beneficiary countries must in particular improve the transparency and oversight of their public markets and financial flows, strengthen the independence and means of action of the judiciary, and impose harsher penalties for infractions.
- The governments of developed and emerging countries must fight the mechanisms of corruption (there are no corrupt without corrupters). They must facilitate the restoration of unlawfully gained assets to the countries concerned.
- The international community, for its part, must step up the fight against money laundering, in particular in tax havens.

33. In addition, all sustainable development and poverty eradication efforts are of necessity based on economic growth in the developing countries. This requires a propitious climate for entrepreneurship, private investment and national and international trade. To that end, the governments concerned must establish a legal framework and macro economic policy guaranteeing the stability and legal security needed to win national and foreign investor confidence.

34. Despite recent progress in improving the livelihoods of millions of poor people in the developing world, poverty reduction remains a daunting challenge even in countries with positive economic growth rates. Considering that economic growth is a necessary but not sufficient condition for poverty reduction, pro-poor policies are required for appropriate income distribution. Parliaments of the receiving countries should play an important role in designing these policies and in making sure that aid and economic growth really contribute to the achievement of the MDGs.

35. So-called fragile States require a distinct approach because they are home to very many poor people. The MDG indicators show that their situation is not improving, indeed it is deteriorating, and that these countries may not meet the conditions of ownership and governance. A set minimum of the aid given to them each year should be allocated to strengthening parliamentary institutions and administrations in charge of assuming the functions that are State prerogatives.

36. Whether the aim of monitoring aid quality is to comply with accounting standards, to ensure that resources are allocated properly or that aid achieves the desired impact, one has to bear in mind that not all development outcomes take the form of social products that can be measured at all times.

37. The monitoring and oversight of aid quality is not the prerogative of the sole State institutions at the central level. Even though established entities such as parliamentary committees, auditor-generals and national audit offices should play an important role in providing assessments of aid quality, local governments should also be part of the monitoring system. In addition, civil society organizations should complement that picture by assuming the role of local accountability agents. Monitoring of aid quality should therefore be looked at as a process involving all stakeholders.

38. More generally, international development organizations, especially those of the United Nations family (such as UNDP, UNICEF, FAO), are very well equipped to lead the fight against poverty. Countries' governments and parliaments should play an active role in the multilateral organizations that work in the field of development, and get actively involved in the international development agenda that is debated and decided in the framework of multilateral bodies.

39. In the new aid-"paradigm" that emerged at the end of the 1990s, the PRSPs (Poverty Reduction Strategy Papers) play a central role. PRSPs are prepared by governments in low-income countries through a participatory process involving domestic stakeholders and external development partners, including the International Monetary Fund and the World Bank. A PRSP describes the macroeconomic, structural and social policies and programs that a country will pursue over several years to promote broad-based growth and reduce poverty, as well as external financing needs and the associated sources of financing. It aims to provide the crucial link between national public actions, donor support, and the development outcomes needed to meet the MDGs, which are centred on halving poverty between 1990 and 2015.

40. According to the IMF, five core principles underlie the PRSP approach. Poverty reduction strategies should be:

- country-driven, promoting national ownership of strategies through broad-based participation of civil society;
- result-oriented and focused on outcomes that will benefit the poor;
- comprehensive in recognizing the multidimensional nature of poverty;
- partnership-oriented, involving coordinated participation of development partners (government, domestic stakeholders, and external donors); and
- based on a long-term perspective for poverty reduction.

41. Working on the basis of the Declaration adopted at the High-level Forum on Harmonization (Rome, February 2003) and the core principles presented at the Second International Roundtable on Managing for Development Results (Marrakech, February 2004), over one hundred ministers from industrialized and developing countries in charge of promoting development and leaders of bilateral and multilateral development aid organizations, meeting in Paris on 2 March 2005, adopted the Paris Declaration on Aid Effectiveness.

42. They recognized that while the volumes of aid and other development resources must increase to achieve development goals, aid effectiveness also had to increase significantly to support partner country efforts to strengthen governance and improve development performance. This will be all the more important if existing and new initiatives lead to significant further increases in aid. Since its adoption in March 2005, most donors have subscribed to the principles set out in the Paris Declaration.

43. The Declaration is based on five guiding principles:

- (i) ownership: partner countries exercise effective leadership over their development policies and strategies and coordinate development actions;
- (ii) alignment: donors base their overall support on partner countries' national development strategies, institutions and procedures;
- (iii) harmonization: donors' actions are more harmonized, transparent and collectively effective;
- (iv) managing for results: managing resources and improving decision-making for results;
- (v) mutual accountability: donors and partners are accountable for development results.

44. The first round of monitoring of the Paris Declaration showed that much remains to be done to improve the impact of aid on development and meet the Paris targets for 2010. Many partner countries, for example, are voicing concerns about the slow pace of change in donor practices. They see a strong disconnect between headquarters policies and in-country practices, as illustrated by continued donor-driven technical cooperation and lack of visible progress on untying aid.

45. At country level, this monitoring also raises serious concerns about the high costs of delivering and managing aid. In 2005, the 34 developing countries covered by the survey received 10,507 donor missions, more than one for each working day. Even those that explicitly asked for "quiet periods" to get on with their day-to-day work were not always spared. As the volume of aid increases and new (emerging) donors enter the development arena, transaction costs for partner countries might be expected to increase significantly and undermine the effectiveness of aid.

46. The 2005 World Summit mandated the United Nations Economic and Social Council (ECOSOC) to convene a biennial high-level Development Cooperation Forum (DCF). Anchored in the global partnership for development set out in the Monterrey Consensus, the Johannesburg Plan of Implementation and the Millennium Declaration, the DCF will work to enhance implementation of the IADGs (Internationally Agreed Development Goals) and to promote dialogue to find effective ways to support it.

47. By bringing together all relevant development cooperation actors (including representatives of national parliaments), the Forum is expected to become a significant platform for discussing key trends and challenges to enhancing the coherence and effectiveness of global development cooperation. This will include facilitating coordination between the

development activities of various development partners and helping align national development processes and the international development agenda. The first DCF took place in Geneva on 5 July 2007. Since the United Nations is working itself on system-wide coherence, it appears to be an adequate, politically neutral forum to discuss and steer development cooperation.

48. The distinction between development effectiveness and aid effectiveness has to be highlighted since development assistance is only part of the overall financing for development in a given country. The experiences of a number of countries in mobilizing resources for development through trade, investment and business activities, and thus escaping aid dependency, are important lessons to be learned from.

49. The practice that probably most seriously compromises aid effectiveness is that known as "tied aid", where the transfer of funds and technical aid are made contingent on the purchase of goods and services in the donor country. The partner countries lose out at several levels. The absence of free market contracting means they cannot obtain the same goods and services at a lower price elsewhere. Tied aid may result in the transfer of unsuitable products, services and technology. Comparisons of purchase prices have shown that tied aid reduced the value of the aid by 11 to 30 per cent. Tied food aid costs an average 40 per cent more than food bought on the free market.

50. Tied aid decreases not only the value of a resource that is in desperately short supply in the fight against poverty, it is also incompatible with the other objectives set by the donors. It undermines the development of national ownership. The procurement policies and mechanisms associated with tied aid in the donor countries lack transparency and pave the way for frequent abuse. Paradoxically, tied aid constitutes a form of support for donor industries that the donors condemn when it is practiced by the beneficiary countries. Tied aid is therefore an ineffective use of taxpayer money by ODA donors. Since its establishment, the OECD/DAC has called for aid to be "untied" and the level of "untying" varies widely among its members.

51. Ghana will be hosting, in *early September 2008*, the third High-Level Forum on Aid Effectiveness, which will assess progress made since the Paris Declaration was adopted two years ago. It is fundamental that the development community step up its efforts in order to make tangible progress not only in improving the performance of aid but most importantly on demonstrating development results. The true test of aid effectiveness is improvement in people's lives.

## **V. STRENGTHENING THE ROLE OF PARLIAMENTS IN ACHIEVING THE MDGS**

52. Responsibility for development falls first and foremost to the developing countries. It is up to them to identify the most pressing needs, to define their priorities, and to prepare and implement national policies to eradicate poverty and hunger.

53. Any "aid architecture" requires mechanisms of accountability and oversight. Parliaments have a fundamental role to play in this respect, notwithstanding the crucial role that civil society and free media also have to play. Over the past five years, there has been a chorus of loud voices calling for greater parliamentary engagement.

54. In seeking to improve governance in developing countries, donors have tended to work primarily with the executive or with civil society organizations. This is beginning to change as donors, increasingly recognize that parliaments – and other components of the state, such as

the judiciary system – can have an important role to play in delivering governance which is effective both in reducing poverty and strengthening democracy.

55. Parliaments are an essential component of national governance systems. The key functions of parliaments are legislation, oversight and representation. By playing these roles effectively, parliaments can contribute to enhance the elements of effective governance: state capability, accountability and responsiveness.

56. In practice, parliaments in many developing countries should increase their efficiency. The African Governance Report (UNECA) for 2005 found that: "In terms of enacting laws, debating national issues, checking the activities of the government and in general promoting the welfare of the people, these duties and obligations are rarely performed with efficiency and effectiveness in many African parliaments".

57. There are various reasons for poor parliamentary performance. Often, parliamentarians lack the knowledge and skills to do their jobs effectively, may be more concerned with retaining their seat than with holding the executive to account, or – if they do seek to vigorously hold the executive to account – may find that they lose their seat before long. And parliaments themselves lack the institutional, administrative and legislative capacity and resources which they need. Fundamentally, parliaments often receive insufficient finance to be effective.

58. A large number of organizations are involved in parliamentary strengthening. Apart from the IPU, which has a distinctive feature of being owned and driven by the parliaments themselves, they range from bilateral donors to multilateral organizations including UNDP and the World Bank, to political party foundations such as the National Democratic Institute, and an assortment of research and capacity-building organizations think tanks, not-for-profits and private sector organizations.

59. Responses to the call for greater parliamentary involvement have included interventions like workshops for MP's on the PRSP process, handbooks and similar tools on the PRSP process, the establishment of networks for MP's, etc.

60. It is clear however that, if the goal is to genuinely engage parliaments into the PRSP process, interventions will need to go beyond simply awareness raising, individual training, and networking and will have to include a continued greater integration of the PRSP process into the domestic political process, including the parliament as well as a greater emphasis on capacity building of parliaments and parliamentarians.

61. If parliaments are to be able to address poverty reduction more effectively as an institution – in particular to provide oversight over government expenditures made from savings on debt relief or through direct budget support – donors need to scale up institutional support to parliaments to ensure that they have the specific institutional capacity necessary to assume this responsibility effectively. Most important is that parliaments could rely upon an independent and efficient Court of Audit to control the budget process.

62. The importance of effective financial scrutiny is bound to increase as donors increasingly move beyond conditionality to direct budget or sector support. To be effective, and to mitigate fiduciary risk, this approach requires robust oversight institutions at the country level. Central to this is the role of legislators in financial scrutiny.

63. Legislative financial scrutiny and oversight relates to all stages of the budget process, i.e. drafting, approval, implementation and audit. Traditionally, the main focus of legislative involvement has been the approval stage as well as ex post scrutiny of audit findings. However, to be fully effective, scrutiny should be continuous. Legislators can become more involved in the formulation stage by formally debating medium-term priorities, and they should closely monitor in-year information on budget execution as well. Underpinning the ability of a legislature to exercise effective financial scrutiny is access to comprehensive, accurate, appropriate and timely information throughout the budget cycle.

64. Parliaments must also ask governments to prepare and submit to them draft legislation aimed at strengthening democratic institutions, heightening the effectiveness of State administrations, enhancing the independence and functioning of the judicial apparatus and stepping up the fight against corruption. Should the governments fail to do this, parliaments must use their right of legislative initiative.

65. Inter-parliamentary organizations provide important forums for mobilizing support for development and for sharing experiences across different political cultures, as a result of co-operation between recipient countries (the Pan-African Parliament was launched in 2004 with the specific purpose of ensuring that governments deliver on their development promises). Parliaments should use this tool to its full potential.

66. Parliaments should also engage in the clarification and evaluation of follow up mechanisms to the ongoing initiatives, specifically in the framework of Peer Review Mechanisms to improve governance and fight corruption, and in the creation of a knowledge sharing network on the different types of corruption and the best strategies to combat them. So-called "south-south cooperation" should be encouraged by donors.

67. The parliaments of donor and beneficiary countries should engage in bilateral and multilateral dialogue, in particular on following up and monitoring the quantity and quality of aid and its effectiveness on the ground. This can be done during seminars and on-site visits, or by creating appropriate databases.

68. Regional parliaments of both the North and the South have a major role to play as forums for sharing experiences, and should become the driving force behind the move for aid effectiveness within the framework of national development strategies.

69. The IPU must work with the United Nations specialized services, in particular UNDP, and with any other multilateral or bilateral donor wishing to reinforce the parliamentary institutions in countries receiving ODA, especially countries that are fragile and/or emerging from a conflict.