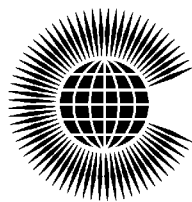


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UPDATE ON THE REVIEW OF IMPLEMENTATION OF THE PARIS DECLARATION

Paper for the Commonwealth Secretariat*

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Marlborough House
London SW1Y 5HX

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* Paper prepared by Dr Bishakha Mukherjee. The views expressed do not necessarily represent the position of the Commonwealth Secretariat or member Governments of the Commonwealth.

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UPDATE ON THE REVIEW OF IMPLEMENTATION OF THE PARIS DECLARATION

Background

This report responds to Ministers request at the Commonwealth Finance Ministers Meeting (2007) to receive annual reports on the implementation of the Paris Declaration.

2. The Paris Declaration on Aid Effectiveness sets out practical steps with specific targets to be met by 2010. There are clear provisions for regular monitoring and independent evaluation which will assess its relevance, contribution to aid effectiveness and ultimately to meeting development objectives. The OECD has already published a 2006 Survey on Monitoring the Paris Declaration¹ and – at the time of drafting – was completing the 2008 Survey. These monitoring surveys assess progress in strengthening aid effectiveness against 56 specific actions, from which 12 indicators were established and targets set for 2010².

3. The first evaluation (covering the period March 2005 – late 2007) is in two phases and is based on a complementary parallel monitoring process. The first phase is now completed.³ This paper summarises the findings and recommendations of the DAC synthesis report on it. The evaluation seeks to assess changes in behaviour and identify better practices for both partners and donors in implementing the Paris Declaration. The results will feed into the 3rd High Level Forum on Aid Effectiveness in Accra, in September 2008. It is early days in the implementation of the agreement, consequently the evaluation focuses on how implementation can be strengthened, rather than judging effectiveness. The second phase is expected to start in 2009 and be completed in time for the 4th High Level Forum in 2011.

4. The evaluation comprised 8 country level implementation evaluations – Bangladesh, Bolivia, the Philippines, Senegal, South Africa, Sri Lanka, Uganda and Vietnam. (Summaries of the reports on the four Commonwealth countries are at Annex 1.) These were supplemented by 11 donor agency evaluations which looked at how the Paris Declaration is represented in their policies and guidelines. (Summaries of the assessments of four Commonwealth donors are also at Annex 1.)

The evaluation addressed three questions:

- *What important trends or events are emerging in the early implementation of the Paris Declaration?*
- *What major influences are affecting the behaviour of countries and their development partners in relation to implementing their Paris commitments?*
- *Is implementation so far leading toward the Declaration's five commitments of ownership, alignment, harmonising, managing for results and mutual accountability? If so, how and why? If not, why not?*

The evaluation was expected to examine three “enabling conditions” in both donor and partner countries.

¹ Please see FMM(07)12 and Annex for a summary.

² Paris Declaration Indicators and Targets at Annex 2.

³ OECD, Evaluation of the Implementation of the Paris Declaration – Synthesis Report, July 2008.

- Commitment and leadership
- Capacities to act
- Incentives to do so

Introduction

5. On March 2, 2005, more than 100 countries and donor organisations endorsed the Paris Declaration on Aid Effectiveness. The aim was to improve the quality of aid and consequently its impact on development. It is a road-map of commitments, based on the key principles of ownership; alignment; harmonisation; managing for results; and mutual accountability. The context for the Declaration was the sense that aid spending had not led to adequate progress in development outcomes and to learn the lessons of the period of structural adjustment. The Declaration reflected the changing understanding of what works in promoting development with particularly a greater emphasis on joint actions to improve aid effectiveness based on a new set of relationships between countries and their “development partners”.

6. Of course, the progress towards the achievement of the objectives of the Paris Declaration predated its signing. This makes evaluating the impact of the Declaration itself challenging. However, from the point of view of the promoting better development outcomes, it is unimportant whether the progress came before or after 2005, it is the progress (or lack of it that is crucial).

7. Looking forward the development cooperation landscape of which aid is a part is ever changing as experience changes. It is important that the Paris Declaration process remains dynamic and incorporates new features including the effect of non-aid flows (including South-South cooperation) and growing aid flows which remain outside the Paris Declaration frameworks (particularly from major foundations and other private sources; non-traditional official donors; and development NGOs).

8. The evaluation shows a mixed picture with a range of commitment, capacity and incentive to change even in the relatively small sample of countries. In many cases, the political context was an important determinant of the degree of engagement i.e. shifts were linked to political changes and pressures. Other contextual factors were a country’s relative political cohesion and administrative capacity; levels of aid dependency; the number of donors involved in the country; traditional aid relationships; levels of national income, as well as economic and social systems; centralised or decentralised systems of governance; and the role of civil society and the private sector. The contexts faced by donor agencies also differed significantly – these included champions of high volumes of aid; global or regional programmes; some quite small programmes; varied administrative systems, including involvement of different ministries and agencies; and levels of centralisation, staffing and authority in the field.

Evaluation Findings

Ownership⁴

⁴ Partner countries exercise leadership over their development policies and strategies and co-ordinate development actions.

9. Ownership is considered the key factor for implementing the Paris Declaration. The other pillars are seen to represent practical tests of ownership. Ownership is a complex concept and difficult to define. The evaluation highlights that there has been an improvement in national development policies since 2005. However, within countries it is important to distinguish between the strong ownership of national plans by central government, especially in Treasuries and Ministries of Finance. Ownership in line ministries, sub-national governments and within civil society, broadly defined is often less strong. At least partly as a consequence, it has been challenging to translate national strategies into sector plans and operational results-oriented and de-centralised programmes; as well as to co-ordinate donors. Ownership also varies across sectors, with education, health, energy and infrastructure primarily government-led and a greater space for civil society in cross-sector and humanitarian areas of development. There remains a challenge to ensure broad based democratic ownership at all levels of society of development strategies.

10. To some extent, difficulties in achieving the leadership essential to ownership is the result of capacity constraints. Weak bureaucracies and high staff turnover generate constant tensions and changing priorities; and short-term expediency tends to over-ride longer term capacity building and strengthening ownership. Some multilateral agencies have attached priority to strengthening countries' capacities to prepare and execute strategies.

11. The evaluation considers the obstacles to donors providing the space for partner countries to exercise ownership. Often donors face their own political pressures to maintain the visibility of their individual contributions, to satisfy their own fiduciary and accountability requirements and to be able to pursue foreign policy, commercial and/or institutional interests through their aid programmes. Whilst understandable, these are all severe impediments to allowing developing countries to be 'in the driving seat'. Other constraints include "supply driven programming" is a major disincentive as are the pressures to "get things done quickly" and demonstrate "maximum development for the money". Similarly over-reliance on expatriate technical assistance and seconded staff to build capacity tends to undermine ownership (and undermines long term sustainable effectiveness). The evaluation points out that there is also the danger of "mechanical" implementation of Paris, rather than allowing countries to adapt.

12. The key behavioural change expected of donors is to reduce past strategic control and leadership. International political support and peer pressure have resulted in a stronger commitment to ownership among most donors at the level of rhetoric. However, at the level of policy and practice, the picture is more mixed. There are wide differences among donors. Those with deeper and broader domestic support (and stronger understanding by Parliaments) are able to adapt to country ownership by accepting lower national visibility and more realistic expectations for results. In countries where the Declaration is considered a technical and bureaucratic exercise, the base for changing behaviour is weaker. The multilateral agencies also face pressures for their own visibility and attribution of results; as well as institutional rigidities and interests. The evaluation also showed that personnel on the ground, belonging to decentralised and field-oriented agencies are the most empowered to accept greater national ownership. However, a good deal more work remains to be done at the headquarters level in accepting partner ownership.

13. The evaluation highlighted the following incentives or disincentives for

implementation both for partner countries and donors: national or institutional policy direction; institutional profile; organisational targets; individual targets; clear and important mission and responsibilities; career recognition and compensation for performance; synergies and learning; and intrinsic professional or personal motivation. A major challenge is to change the conditions long associated with donor-led projects. However, achieving even modest changes is proving difficult and gradual. The Bangladesh evaluation notes that without any special incentives, its officials engaged in aid management and project implementation have very little motivation to change.

14. The concept of ownership has to be approached not as an absolute condition but as a continuum or process. The Monitoring Survey's indicator (at least 75% of partner countries have operational strategies ...) is only one simple dimension of this complex concept. Since it is such a political and value-laden commitment and at the same time critical to actions taken in the more tangible areas, such as alignment, there may be some apparent dangers in the use of such a subjective test. Notwithstanding, the evaluation studies suggest that the ownership dialogue has remained measured and constructive.

*Alignment*⁵

15. Alignment comprises the largest number of action areas and 15 of the Declaration's 56 sub-commitments. The evaluation indicates that implementation has been highly uneven. There are also different perceptions as to what constitutes satisfactory alignment. There has been visible progress with respect to aligning aid strategies with national priorities. However, less has been achieved in aligning aid allocations, using and building country systems, reducing parallel Project Implementation Units and co-ordinating support to strengthen capacity. Donors are increasingly aligning their aid to countries' Poverty Reduction Strategies, Medium-term Expenditure Plans, budgets and national sector and thematic strategies. However, these different strategies are not always clearly linked, internally consistent or politically durable to channel aid to priority areas. The evaluation suggests that it is easier to achieve alignment at the high level of policy than at the operational and implementation level.

16. With respect to systems, even though there may be alignment in reporting aid in the national budget for example, the use of national systems is less widespread in relation to audit or procurement. This was key conclusion to come out of the discussion at a Commonwealth Secretariat organised workshop on aid effectiveness. Many country managers present noted that donors showed a reluctance to use national procurement systems, even when they had received an international seal of approval.

17. Progress has also been made on donor harmonisation e.g. Joint Assistance Strategies. However, major aid activities continue to fall outside the arrangements for alignment, including aid through NGOs and even sub-national government channels. Even donors highly committed to the Paris Declaration engage in initiatives that work against alignment. This includes focus on issues such as gender equity, environment and governance. At the same time, some aid-dependent countries are reportedly adjusting their strategies to fit in with perceived donor preferences. The large share of aid that remains unaligned to country systems has been attributed to: inertia encouraging donors to stay with time honoured and

⁵ Donors base their overall support on partner countries' national development strategies, institutions and procedures.

familiar ways of doing business; donors' in-built reservations about country systems; fear that more time and effort will be required for pursuing alignment; and many donors face pressures to maintain levels of disbursements.

18. Crucially, among bilateral donors, there is very little evidence of improving aid predictability and untying (with the notable exception of New Zealand). Most bilateral agencies contend that legislative and financial obstacles prevent them from anticipating aid flows and delivering projected amounts. Even when multi-year commitments are made, these are subject to annual budget appropriation by Parliaments. The evaluation highlights this unpredictability as a serious concern in some of the country studies. Multilateral agencies have multi-year allocations systems and seem better placed to deliver predictable assistance. However, the application of intrusive conditionality can undermine this.

19. The real and perceived risks and relative weaknesses of country systems are considered serious hurdles to further progress with alignment. Efforts by partner countries to strengthen systems are insufficient and not enough donors are actually using these systems and thereby strengthening them. Furthermore, they do not seem willing to increase technical assistance for the further capacity building that is necessary. Sometimes technical assistance is curtailed abruptly. There is little information on co-ordinated capacity building support from donors. On the contrary, there are reports of confusing, overlapping and duplicative systems being provided by consultants directly hired by donors. Bilateral donors tend to promote systems that have worked in their own countries. The Paris Declaration calls for reducing the number of parallel project implementation units which lie outside national systems. The evaluation studies reveal a mixed picture. In addition, in practice there is considerable debate and controversy over what actually constitutes the "parallel" types of arrangements envisaged in Paris. The evaluation also points out that phasing out existing arrangements can involve breaking contracts.

20. Peer pressure seems to be playing a role at three levels in encouraging donors to change their behaviour in order to strengthen alignment with local systems and procedures. These include: first at the level of the Declaration itself and frequent follow-up forums where donors need to demonstrate progress; second, at the strategic level in each partner country, strong governments are able to determine the terms of engagement; and finally, as the evaluation studies feedback from development personnel on the ground show, the latter tend to see the rationale for reforms more clearly than at headquarters and can be a force for improvement.

*Harmonisation*⁶

21. The evaluation has found little progress in harmonisation, with the exception of the EU Code of Conduct of 2007.⁷ This has the potential to bring further harmonisation among EU members. Although, country leadership can assist donors to harmonise their efforts, the primary responsibility lies with donors.

22. The main measures of harmonisation include implementing common arrangements, simplifying procedures and more effective division of labour. Common arrangements, seen as the most significant evidence of harmonisation, are largely identified with budget support;

⁶ Donors' actions are more harmonised, transparent and collectively effective.

⁷ The document makes explicit reference to the Paris Declaration and outlines 11 principles on how to co-ordinate among donors.

Sector Wide Approach programmes (SWAp) and other arrangements involving joint planning and harmonisation of procedures. However, one donor evaluation indicated that SWAps could sometimes be a collection of projects rather than a genuine pooling of funds. The evaluations demonstrate that common arrangements are growing slowly and that support remains mixed. Yet implementation of this target is among the most debated challenges. Although budget support is not specifically mentioned in the Declaration, it has become the subject of much contentious discussion. Debates about the particular instruments of budget support run the risk of overshadowing the broader harmonisation agenda and diverting attention from a number of achievements on the harmonisation agenda.

23. The Mozambique G19 programme is cited as a good example of harmonisation; special tools have been developed in AIDS programming; and New Zealand and Australia have a fully harmonised programme in Samoa. Despite this, close to half the donors evaluated claim they are confronted with serious formal restrictions, de facto political vetoes and/or major institutional obstacles to entering into common arrangements in partner countries. Project lending remains widely prevalent in the countries evaluated and is assessed as being burdensome. Parallel, rather than joint, financing is still often favoured. This makes it difficult to achieve simplified procedures and reduced transaction costs. It is also reported that partner countries are not pressing strongly for common arrangements. One country stated that donors were using general budget support not only as a “carrot” for good governance but also as a “stick” for poor governance. This has raised some fundamental concerns about its negative impact on ownership.

24. There is confirmation in both country and donor evaluations that there are definite limits beyond which harmonisation cannot be advanced at the country level – without at least enabling support from headquarters. National accountability requirements, the need to maintain direct visibility and credit for individual donor contributions, rather than have them submerged in pooled activities were cited as obstacles to greater support for harmonisation. For partner countries, harmonised approaches have raised concerns about “ganging up” by donors. The division of labour among donors is seen as constraining the country’s freedom of choice. Another reason for reluctance among partner countries is attributed to governments and line ministries being familiar with and dependent on programme and project arrangements with individual donors. Such vested interests have counterpart interests among donors. Even “sharing analyses and conducting joint missions” has proved slow and difficult. The resort to “mission free” periods continues to be necessary to avoid demands of non-stop aid missions.

25. Issues related to confidence in local systems need to be addressed for harmonisation to meet expectations. Like-minded members of the Nordic group have made advances with harmonisation as they have a long experience of working together. Finally, some findings suggest that the role and importance of harmonisation within the Paris Declaration agenda may be changing with greater priority being placed on alignment with country systems.

*Managing for Results*⁸

26. Relatively little progress is reported on this commitment when compared with alignment, harmonisation or ownership. The evaluation suggests that this may be explained

⁸ This means managing and implementing aid in a way that focuses on the desired results and uses information to improve decision making.

by the newness of the issue. There also seems to be a tendency to overlook or under-emphasise it. National strategies and programmes were monitored and linked to budgets only in a minority of the countries surveyed. Donors' reliance on countries' results-oriented and monitoring frameworks was rare. The evaluation indicates that there may be under-reporting in partner countries because of a lack of clarity, clear definitions and understanding. For example, budget support is extremely difficult to measure and attribute results; assessing how external support can contribute to development objectives is also complex. In addition, results could not always be captured in "hard data". The weakness of statistical systems is also a major obstacle and using data as a basis for better decisions continues to be challenging. The objective of achieving "transparent and monitorable performance assessment frameworks to assess progress against..." would be demanding for most industrialised countries. Very few partner countries have quality results-oriented strategies as yet. Although managing for results is being given greater priority, results-based monitoring is the weakest link in the overall national governance systems of many countries. Budgeting, financial reporting and auditing remain discrete activities. Systems remain focused on inputs and compliance and are only gradually moving to measure output.

27. Although most donors provide some capacity building assistance, these are piecemeal and tied to their specific needs and interventions. Although the indicator for this commitment relates only to partner country systems, many donors report on their own efforts to strengthen their performance management frameworks, training and staff awareness. Donors are under pressure from their Parliaments, Ministries of Finance and the media to report on results (but focused on specific interest areas like gender or human rights). The need to report to specific constituencies on specific issues shapes their results based systems. This results in parallel systems which will not match with partner countries' evolving systems. This sets back their Paris commitment to alignment. The Uganda experience suggests that donors can use government systems and data. Although the system is not yet able to provide all the necessary data, progress has been made in terms of collecting and using expenditure tracking studies, which have impacted on decisions. Also the MTEF now guides funding decisions and the Parliament has rejected projects outside it. However, even in such relatively developed systems, there remain problems in linking sector and national level frameworks and synchronising results reporting and performance-based resource allocations.

*Mutual Accountability*⁹

28. This commitment is seen as fundamental to the credibility of the Declaration. Despite this, all the evaluations indicate that the joint processes for tracking progress and resolving problems are even slower to develop than work on managing for results. However, deeper analyses shows that, in fact, there are quite a few platforms, opportunities and mechanisms for mutual review that are being used to varying degrees, at various levels. These could be harnessed to fulfil this commitment. Some examples are the Bangladesh accountability forum and the submission of Fiscal Management Reports to Parliament in Sri Lanka.

29. The obstacles constraining progress are largely political in nature, mainly related to the potential for embarrassment or interference. The political character of the Declaration is most sharply focused in this commitment as it brings into play the political interests, values and priorities of the governments and institutions that signed the Declaration. The key

⁹ Donors and partners are accountable for development results.

questions about who is accountable to whom and for what, have been opened up for mutual review by the Declaration.

30. The evaluations pointed out that pre-requisites required for the joint commitment to mutual review were: partner countries' commitment to strengthen Parliamentary oversight of strategies and budgets; reinforcing participatory approaches to strategies; and donors' commitment to provide timely, transparent and comprehensive information on aid flows. Interestingly, evaluations of both groups report on the continuing serious difficulties with respect to the latter commitment. Donors have not been able to fulfil this basic commitment to mutual accountability even in relatively strong systems.

31. It is not clear, in some cases, whether the primary focus is on mutual accountability between partner countries and donor governments for implementing their Paris commitments, or on the accountability of partner country governments to their populations. The question has also been raised whether at the present stage; accountability can be fully mutual and symmetrical between countries and those providing them with aid. For instance, in terms of incentives for compliance, the donor's option of reducing or withdrawing aid has no matching equivalent for the partner country. The risk of "overload" has also been raised in countries where information is readily available and mechanisms for mutual accountability exist, e.g. Uganda has documented some of the challenges in co-ordinating various sequences of consultation and the complications which arise.

Partner Country Assessments of the Declaration as a Tool for Aid Effectiveness

32. Specifically, this examined the clarity, relevance and internal coherence of the Declaration's provisions for the country concerned. The conclusions are that the Declaration is still really clear only to those stakeholders directly engaged in working with it (central co-ordinating levels of government and key personnel in donor embassies and field offices). This highlights the need to attach high priority to broader engagement and popularisation. This is necessary to avert the danger of it becoming a subject only for dialogue among bureaucrats, divorced from the political landscape in which it must be implemented.

33. Countries were concerned about the clarity, validity and purpose of some of the indicators being used to monitor implementation. They challenged the "one size fits all" notion. Some of the targets are considered to be unhelpful, unrealistic or insufficiently adapted to diverse conditions. There were doubts about the actual capacity of governments and donors to carry out the new tasks; donors' ability to provide more predictable aid; the feasibility of phasing out parallel Project Implementation Units; or phasing out project lending.

34. The Declaration is acknowledged as being relevant to some of the main issues regarding aid effectiveness. At the same time, countries recognise it is not a panacea for their pressing development priorities. It is seen as too prescriptive on countries and not binding enough on donors and there is a continuing concern that it is "donor driven". Action on the different commitments needs to be complementary and mutually reinforcing and to reduce the potential for incoherence and conflicts between different commitments and implementation measures – e.g. between donor harmonisation and country ownership and alignment.

Are the needed commitments, capacities and incentives in place?

35. The evaluations assessed the “enabling conditions” for successful implementation of Paris. The following is an overview of the “whys” and how” of performance that emerge from the Phase One evaluation. Variations in performance are very wide. The partner countries find the Declaration more or less useful for a variety of purposes.

Commitments

In partner countries:

- i. Political commitment for related aid reforms was strong in at least half of the countries in the sample before 2005. The Paris Declaration agenda has reinforced and structured dialogue and opened up more space in all cases.
- ii. Levels of commitment (shown to be linked to familiarity with and responsibility for aid relations) vary between the co-ordinating and implementing levels in countries.
- iii. Public and political knowledge is not wide, but consultation and accountability arrangements are growing stronger in all cases (with supportive influence from the Paris Declaration).

In development partner/donor agencies:

- i. There was a variable base of commitment for related aid reforms pre-2005.
- ii. Practical commitment (to promote aid effectiveness and overcome obstacles) is characterised as narrow within eight of the eleven agencies in the sample and varies in accordance with the level of political and public understanding and support at home.
- iii. Where the Paris Declaration is seen as mainly a technical and bureaucratic agenda, with mainly formalistic political endorsement, the base in bilateral agencies for changing behaviour and overcoming the obstacles is weaker.
- iv. Multilaterals have some analogous influences and interests to bilaterals, but also have structured accountability to partner countries and more international pressure.
- v. Practical commitment is strongest among programme and field staff.
- vi. Lack of coherence within some donors’ own institutional systems dilutes their potential commitment to the Paris Declaration agenda.

Capacities

In partner countries:

- i. Limits are found in all cases, particularly in their capacities for operational strategies, sub-national work and coordinating donors.
- ii. Aid effectiveness is often a “sideline”- other responsibilities take precedence for many staff.
- iii. All experience a need for both dedicated capacities and mainstreaming of the aid effectiveness agenda.
- iv. Unresponsive civil service systems, high staff turnover and short-term pressures set limits on the capacity for aid effectiveness work and the requisite capacity building.

In development partner/donor agencies:

- i. Most face built-in limitations in their national systems, institutional structures and regulations, and staff allocations. Agencies differ in response: the Paris Declaration has been a general support for change in some, a strong driver in others.
- ii. All are reporting shortages of the right skills and staffing allocations to manage the changing aid agenda and responsibilities.
- iii. The most prevalent capacity constraint reported is a lack of sufficient delegation of authority from the HQ to take decisions at the country level.

Incentives/disincentives

In partner countries:

- i. Most reportedly have to rely heavily on intrinsic professional or personal motivation as well as some occasional ancillary benefits of involvement in aid projects.
- ii. Institutional interests may be disincentives, e.g. existing project links or parallel Project Implementation Units and the flexibility to use international or donor systems for immediate efficiency advantages.
- iii. Project Implementation Units are seen to offer more incentives and a clear and important mission and responsibilities.
- iv. Especially in sectors or programmes where the role of aid is small, national or institutional policy direction may be strong, but career recognition and tangible compensation for this work are inadequate.

In development partner/donor agencies:

- i. Organisational and individual targets and career recognition for effectiveness work are uneven. They are reported to be sufficiently built-in for only a small minority of agencies. Intrinsic professional or personal motivation is a key incentive.
- ii. Pressures remain strong in a majority of agencies to maintain the visibility and attribution of their individual contributions. A minority have modified expectations, and/or receive credit for leadership in aid reform.
- iii. Pressures remain strong in almost all agencies to satisfy their individual fiduciary and accountability requirements – a disincentive to recognising and managing the risks in promoting greater country ownership.
- iv. Half of the agencies report the responsibility to pursue non-developmental national objectives in aid programmes – foreign policy, commercial and/or institutional interests or advocacy priorities – which is a disincentive to full commitment.
- v. The pressure for disbursements, “maximum development for the money”, and “getting things done quickly” reportedly remains strong in almost all agencies.
- vi. The near-universal perception of unexpectedly difficult transitional adjustments and perhaps continuing increased transaction costs for donors in the new aid approaches is now a disincentive to further movement, especially without additional resources to grapple with them.
- vii. An over-reliance on expatriate technical assistance and seconded staff to execute and build capacity in programmes is reported, tending to undermine ownership.
- viii. A disincentive exists where there are reservations, sometimes arbitrary, about the

legitimacy of ownership in a partner country – particularly between central government agencies and other stakeholders.

ix. A final disincentive to successful implementation exists in the dangers of “mechanical”, doctrinaire or high-pressure implementation of Paris, rather than allowing countries to adapt it to their priorities, e.g. pushing harmonisation over alignment.

Overall Conclusions Arising out of the DAC Evaluation

- i. The Paris Declaration is a political agenda for action, not just a technical agreement. Therefore, implementation involves power and political economy issues. The following political steps are needed:
 - Donors – reducing emphasis on profiling their national efforts and tying aid to their suppliers; using and managing risks of local systems rather than insisting on their own; delegating more power to field staff; providing more predictable aid; and addressing political disputes with partner countries without undermining long term relationships.
 - Partner countries – stronger political commitment and pro-active leadership; ensuring that responsibility for development and aid is shared more extensively between different parts and levels of government as well as with legislatures, civil society, the private sector and citizens at large.
- ii. Shared agenda but with some divergences – perspectives differ on what is really limiting the use of country systems; the relative priorities among the five commitments; and the degree of concern over transaction costs in changing systems in order to implement the Declaration.
- iii. Strengthening capacity and trust in country systems is a major issue - concern about weaknesses of capacities and systems (even in countries with most advanced systems) may, at least in part be the result of outdated perceptions among donors. Reluctance of donors to use local systems is holding these back.
- iv. Expectations and uses of the Declaration vary from it being considered a “statement of intent” to a set of “non-negotiable decrees”.
- v. How to deal with different contexts is an unresolved issue. Also donors assume that the Declaration is more about aid-dependent and low income countries. However, even in countries where aid plays a small role, it requires careful management, taking account of specific circumstances.
- vi. The appropriate uses and limits of the monitoring indicators need to be taken into account as they have unintentionally narrowed the focus of attention and action. As the evaluation shows, most of the indicator measures are not even the most appropriate to capture the essence of the commitments made (ref. Uganda evaluation).
- vii. Important synergies and tensions between commitments – differences in priorities are emerging. Partner countries attach priority for donor harmonisation to be country-led and geared to support alignment. Some donors emphasise managing for results and selected aspects of harmonisation and mutual accountability while partner countries are

most focused on alignment and ownership. Fundamentally, the commitments are intended to be mutually reinforcing. In practice, in some countries harmonisation is supportive of alignment; in others it is independent of alignment and accepted by the country tacitly as a donor concern. There are tensions between demonstrating results and allowing time and work to broaden ownership and strengthen capacity. Mutual accountability could evolve into donor intrusiveness.

- viii. The challenges of transitional and transaction costs need to be tackled – overall, there is no clear picture as to whether the net transaction costs of aid will be reduced from the pre-2005 level as originally envisaged. Nor is there clarity on how the benefits (if they exist) will be shared between the partner countries and donors.

Key Lessons

- i. Many evaluations warn about the growing risks of bureaucratisation and aid effectiveness fatigue. Concrete measures are, therefore, needed to re-energise and sustain high level political engagement both in partner countries and in donor systems. The Accra High Level Forum can assist in achieving a re-launch of political involvement. One suggestion is for it to establish a small group of eminent representatives to undertake an ongoing political monitoring role between Forum events, which should focus on tracking progress on non-quantifiable commitments.
- ii. Successful implementation is more likely in countries where understanding and involvement is more broadly based.
- iii. Other success factors include local “champions” who can help deploy necessary capacity optimally and lead the drive to align the aid management with the country’s budgetary and accountability systems; and on the donor side, introduce changes in regulations and practices to delegate greater authority and capacity to field offices.
- iv. Capacity of partner countries to manage aid effectively must be strengthened and international recognition should be given to effective capacities and systems where they already exist. Using local systems is the best way donors can help build confidence and trust.
- v. Monitoring Survey indicators have to be placed in their proper perspective as part of the overall agenda. If possible, some key qualitative measures of progress should be identified for the remainder of the implementation period (up to 2010).
- vi. There is a need to demonstrate that the Declaration can be adapted to particular country circumstances and that it does not operate on a “one size fits all” basis.

Key Recommendations

These are likely to be applicable to a wider range of countries and donors than those evaluated.

For partner countries

- i. Announce before the end of 2008, a manageable number of prioritised steps to strengthen their leadership of aid relationships up to 2010 based on lessons from monitoring, evaluations and other stocktaking to date.

These should be transparent and sequenced measures that reflect countries' actual capacities and domestic accountability needs and give guidance to donors, against which they will be assessed.

- ii. Build on the interim reviews of implementation in 2008 to ensure that there is a transparent mechanism, ideally anchored in the legislature, for political monitoring and public participation around aid management and reform.

This should be linked to the whole budget process starting with its preparation and encompassing various levels of government, civil society and the private sector. This process could provide a key platform for mutual accountability around aid.

- iii. Give clear guidance to donors, who are supporting capacity strengthening on priorities for assistance to manage aid more effectively.

This would require a co-ordinated medium-term list of priority needs by the end of 2008. Such a list could also form the basis for evaluating capacity strengthening efforts of donors.

- iv. Work out, by 2010 at the latest, local systems of managing for results that will best serve domestic planning, management and accountability needs, and provide an adequate basis for harnessing donor support.

All countries evaluated are making progress with building systems. Developed countries are themselves still looking for optimal solutions. Therefore, it is necessary to de-mystify results-based management and introduce flexibility that allows "good enough" systems.

- v. Development Partner/donor authorities should update their legislatures and publics, in 2008, on progress with aid effectiveness reforms, underlining the need and plans for further action to be implemented before 2010 to support country leadership in aid implementation and greater donor harmonisation.

This involves legislative or administrative reforms to manage the risks that may be sometimes implied e.g. using partner country systems for financial management; and multi-year budgeting to provide more predictable aid.

- vi. Before the end of 2008, announce further detailed plans to delegate, by 2010, to their field offices sufficient decision-making authority, skilled staff and other resources to participate fully in better-aligned and harmonised country-led cooperation.

This has been identified as the most significant step on the part of donors to strengthen the effectiveness of their aid.

- vii. Specify concrete planned steps to improve, by 2010 at the latest, the timeliness, completeness and accuracy of their reporting and projections for aid flows to feed into the planning, budgeting and reporting cycles of partner countries. Make the necessary provisions for multi-year allocations, commitments, or firm projections to improve

predictability of aid.

This is the minimum condition of compliance by donors with their mutual accountability commitment.

- viii. Provide supplementary budgets, staffing and training up to 2010 to address the transitional transaction costs and learning needs that are being reported as major concerns in implementing the Paris agenda.

More donors should be prepared to calibrate their pace of change to adapt to those of their partners.

- ix. Allocate special resources (budgets and co-ordinated technical assistance) to support prioritised efforts to strengthen capacities to implement more effective co-operation. Work with partners to design and manage interim means of implementation (such as Project Implementation Units) so that they steadily enhance capacity and country ownership.
- x. It is recommended that the Phase Two evaluation of implementation is designed strategically to: address the concerns and dilemmas found during Phase One; and focus squarely on the question of “aid effectiveness”, assessing whether aid is contributing to better development outcomes and impacts (development effectiveness). It should rely on representative country evaluations and apply a consistent core methodology.

Summary Findings of the Evaluation of Commonwealth Partner Countries and Donors

Partner countries and donors were requested to focus their evaluations on their respective performances in relation to, in the case of the former, to the Paris Declaration as a tool for aid effectiveness, donor and partner country behaviour. The criteria for donors were commitments, capacity and incentives for implementation of the Declaration. Though each party had the same template, their responses were structured somewhat differently. This is, therefore, also reflected in the summaries of the evaluations of the Commonwealth countries presented below.

The Paris Declaration Indicators and Targets are at Annex 2.

BANGLADESH

Paris Declaration as a Tool for Aid Effectiveness

There is awareness of the Declaration among all donor staff but familiarity is not high, except for those directly dealing with Declaration matters. With regard to the Government, there has been insufficient dissemination of its commitments and, therefore, only a few officials dealing with aid are aware of the indicators and commitments. The concept of ownership needs further clarification – whose is it? Concern was also expressed that Indicator 1 is too narrow and that project sustainability, an important aid effectiveness issue, is not addressed.

Development Partners' Behaviour

Donors have taken several positive steps to show their commitment. These include: support for the Government's PRSP and alignment with its goals; a monitorable action plan to implement the Paris commitments; collaboration with the Government in the development of the Bangladesh Harmonisation Action Plan; formulation of the Country Assistance Strategy jointly by four donors (representing more than 80% of the country's aid)¹⁰; harmonisation of the country strategy by 10 UN agencies through the UN Development Assistance Framework; and increasing alignment to national procedures and country systems.

Despite these advances, parallel Project Implementation Units continue unabated, donors still micromanage projects, the number of aid missions have increased significantly (from 250 in 2006 to 402 in 2007), unilateral decommitment of project aid by some donors continues to take place and the failure to untie aid is reported.

As regards capacity, the major constraint is the lack of delegation of authority to the field office; staff turnover is also a problem with some donors.

Few donors have dedicated staff to implement the Paris commitments.

Partner Country Behaviour

Bangladesh's commitment to the Paris Declaration is clear from the following: formulation of PRSP and linking its goals to a Medium Term Budgetary Framework, reflected in annual budgets; establishment of the Harmonisation Action Plan cell in the Economic Relations Division; co-chairing the local consultative group with the donors' nominated representative;

¹⁰ Japan, UK, World Bank and Asian Development Bank

reforming the procurement system leading to the Public Procurement Act 2006; and ongoing reform of the Public Financial Management System (PFMS).

The capacity limitation of officials in managing aid remains an important challenge. Donor-led capacity building initiatives have had limited impact as they were not designed with regard to actual needs and local conditions.

The lack of incentives to motivate aid officials to implement development projects is another disincentive.

Emerging Results

The formulation of the PRSP through a participatory process was a landmark event in ownership. The implementation of the Medium Term Budgetary Framework is progressing slowly owing to capacity constraints in line ministries. Use of domestic procurement procedures has increased. However, in the case of international competitive bids, some major donors have not aligned their procedures as yet. Moreover, some donors continue to be reluctant to rely on the country's PFMS. In addition, the very rigid procedures of multilateral donors impede their alignment.

Considerable progress has been made on harmonisation¹¹. However, these efforts are sometimes constrained by the multiplicity of donor procedures.

The PRSP is linked to the annual budget process. This provides for managing for results.

Progress towards mutual accountability is reflected in the setting up of the PRSP implementation forum led by the Government and involving donor representatives, as well as the Government/donors' harmonisation implementation task force.

Recommendations

- The Government and donors should organise more dissemination workshops.
- All major aid receiving ministries should have a dedicated unit to co-ordinate and monitor the implementation of the Harmonisation Action Plan.
- The Paris Declaration needs to address the issue of sustainability of the outputs of the aided projects and programmes.
- Indicators should more adequately address the issue of ownership and environmental sustainability.
- More authority needs to be delegated by donor headquarters to local staff to enable them to take decisions quickly.
- The Government, with the support of donors, should take the initiative to develop a government-wide needs-based capacity development programme.
- Donors should phase out the parallel Project Implementation Units as early as possible; avoid micromanaging aided projects; and reduce the number of aid missions by having joint rather than single missions.
- Tied aid should be eliminated and the conditionality attached to disbursements should be realistic and within the capacity of the Government to comply.
- Donors should provide grants for protecting the environment.

SOUTH AFRICA

¹¹ SWAPs in education, health and population work on a partnership basis

Key Findings

Each of the five principles of the Paris Declaration and many of the indicators require further clarification. The current definition of ownership (based on the existence of a national development strategy) is inadequate. Interaction with civil society is not very meaningful. A locally adjusted definition of alignment is necessary to examine issues such as the reluctance of donors to use national public financial management systems. On harmonisation, emphasis is placed too much on procedures and not enough on sustainability. There is confusion as to what both managing for results and mutual accountability mean. Annual consultations are a good example of mutual accountability. However, the definition needs to be broadened to include cluster forums. While there is evidence of strong government ownership of the development agenda, at the provincial/local level, aid is seen as an “add on” and the relevance of the Paris Declaration is unclear.

Assessment of Donor Behaviour

Levels of commitment to implement the Paris Declaration varied across donors. The strong government ownership may have a negative impact on the role of donors in some areas. While it is encouraging that the majority of donors have aligned to South Africa’s priorities, it is disappointing that few make use of country systems, citing reasons such as impediments to quick implementation of projects and headquarters’ directive not to use country systems. Tied aid remains prevalent. Harmonisation among donors generally lacks government leadership. This could negate development results. There are, however, some good examples of harmonisation e.g. the Urban Environment Management Programme. Information on aid flows continues to be poor.

Alignment is constrained by the lack of capacity of field staff. Some of them have limited understanding of the country’s development frameworks.

There are a number of disincentives for donor field staff, relating to the Paris Declaration principles. These include: visibility issues; HQ requirements for reporting on agency specific results; and the tendency for donors to continue to have one-on-one contacts with government officials.

Assessment of Partner Country Behaviour

Ownership is not equally strong at all provincial and municipal levels. Efforts have been made to decentralise through the establishment of ODA co-ordination structures within departments and the nine provincial offices of the Premier. As ownership is weak at sub-national levels, so is alignment. This enables some donors to use this as an excuse to push their own agendas. Donors are reported to be frustrated by the absence of a national development partner co-ordination forum, but the host country does not see the need for one. A mutually agreed way forward needs to be found.

The effectiveness of the International Development Co-operation Directorate is constrained by capacity issues. Technical skill gaps exist in relation to project management, co-ordination, time management, medium-term expenditure framework and budgeting skills. There is also a lack of incentives for implementing the Paris Declaration among overburdened officials who see it as a costly headache.

Conclusions and Recommendations

The Paris Declaration enjoys a strong “buy-in” on the part of South Africa. However, there is a strong feeling that while partner countries emphasise ownership, alignment and harmonisation, donors focus on managing for results and mutual accountability. Despite this, it is encouraging that though the transition process has only just begun, there are already signs of good practice in all five commitments. The evaluation identified the need for an Aid Effectiveness Operational Plan as the main recommendation to overcome the remaining challenges of aid effectiveness. Such a Plan would also accommodate the other recommendations, which are summarised below:

- Capacity strengthening for effective ownership in certain provinces and at local government level.
Clarification of the role of civil society.
- Need for policy changes on the part of donors in order to make use of country systems.
South Africa should take the lead in promoting increased use of its systems and exploring donors’ role in making them more efficient.
Donors should not undermine systems if they are not “good enough” but strengthen them.
Alignment needs to be addressed at a headquarters and political level.
- The country should drive the process for managing and co-ordinating the division of labour with respect to harmonisation.
The International Co-operation Division needs to consider restructuring along cluster lines.
There is need to establish ODA Cluster Forums for greater aid effectiveness.
- Develop mutually agreed framework on modalities for reporting on results which would be aligned to the new Government-wide Monitoring and Evaluation System.
Share lessons learnt elsewhere in the developing world.

SRI LANKA

The Paris Declaration as a Tool for Aid Effectiveness

The Declaration only becomes an effective tool for aid management and delivery if it is localised.

Alignment and Harmonisation of Development Partner Behaviour

There are differences in donor positions across the monitoring indicators and also between bilateral and multilateral donors (the latter were judged to be the more compliant).

The donor response to the country systems in place has been positive. Approximately, 77.6% of aid for the government sector (which accounted for 89% of aid disbursed to the country) was channelled through the budget, 65% of disbursements used country public financial management systems and 50% of procurements followed national procedures. There are joint country analytic works as well as initiatives such as national master plans (health and roads), programme based approaches (environment) and SWAs (education) as well as joint

assessment of post conflict and post tsunami rehabilitation and reconstruction. Despite this, there is a perception that in general, donors continue to rely on their own assessments, formats, procedures and strategies.

This is based on the following concerns: the lack of a joint country assistance strategy; limited flexibility at the field offices for adapting operating systems and procedures to local conditions; some lack of sensitivity among field staff to local contexts; and the tendency to treat procedures as more important than results.

On incentives, at the country level, the overriding consideration in donor behaviour (and key criteria are disbursement imperatives rather than results or sustainability). Aid seems to be focused on the transfer of international products and systems rather than local solutions.

Partner Country Ownership

Sri Lanka has taken the following actions on this commitment: adoption of a “Ten Year Horizon – Development Framework”; sector plans and strategies which are strengthening ownership at sectoral level; and a progressive shift to SWAps for more effective aid co-ordination. However, donor driven project formulation has militated against national ownership due to weak capacity. There remains a perception of centralised government ownership of the development agenda. Limited efforts have been made to broaden ownership by involving civil society and deepen stakeholder participation through sub-national ownership.

The capacity to manage aid is marked by a number of strengths and weaknesses. The adoption of a Medium-Term Macro Expenditure Framework 2006-2009 is expected to improve the nexus between the national development framework and resource allocation. However, planning units in Ministries are capacity constrained and need reorientation and strengthening. Capacity constraints also affect the effectiveness of “foreign aid budget monitoring” of major aid projects. In addition, the parallel monitoring of aid projects by donors duplicates work and is a concern that needs priority attention.

Other key concerns are: delivery of foreign funded projects is perceived as an “additional” activity which affects mainstreaming of aid programmes; while Ministries with strong institutional capacity would prefer to phase out Project Implementation Units, those with weak capacity do not wish to do so.

Effectiveness of Outputs and Results

Improved co-ordination of national and sector development strategies has strengthened ownership. Increased donor use of national public financial management and procurement systems has enhanced aid alignment. SWAps have contributed towards donor harmonisation. However, capacity problems persist which affects engagement with multiple donors, systems and procedures. This holds back achievements on ownership, alignment and harmonisation.

Issues and Challenges in Managing Change in Reorienting the Aid Nexus

Although Sri Lanka has demonstrated good performance on the basis of the monitoring indicators, the evaluation has identified significant challenges which remain in achieving aid effectiveness. These include: (i) all Ministries, sub-national governments and civil society need to become involved as active stakeholders; (ii) frequent changes in government policy

make alignment challenging; (iii) lack of predictability of aid; (iv) conditionality and tying of aid; (v) donor preoccupation with attribution of aid is undermining programmatic approach and general budget support; and (vi) increasing transaction costs due to the continuing need to work with multiple donor systems within SWAps. At the same time, harmonisation among donors is seen as ganging up and a threat to national ownership.

Bringing about greater awareness of the Paris Declaration at different levels of government would enhance aid effectiveness. Horizontal (trust and confidence) and vertical (reporting) accountability linkages need to be established. Increased donor support is required for institutionalising “managing for development” results. Finally, shifting towards joint as opposed to donor-driven evaluation and moving from supply driven to needs based capacity development support will improve aid effectiveness.

UGANDA

Clarity, Relevance and Coherence of the Paris Declaration

A nation-wide dissemination on the Declaration has not taken place. Knowledge is confined to a small group who have participated in previous aid effectiveness meetings (local or international). The information asymmetry on awareness and understanding of the Declaration between the different stakeholders is striking. Dual ownership by the country and donor has resulted in the lack of a definitive driver. The involvement of civil society and the private sector in the Paris-related processes and dialogue is also not clearly defined. Donors seek further clarity on the monitoring indicators as these apply to Uganda. They are also seeking the inclusion of additional ones on governance and corruption on the basis that related issues were slowing down implementation in the country.

The Declaration has added value to pre-existing home-grown arrangements for managing aid – the Poverty Eradication Action Plan Partnership Principles of 2001. Donors who had earlier been reluctant to ratify them have now done so. Donors believe Paris has complementarities by adding managing for results and mutual accountability. Paris has also encouraged them to develop a Joint Assistance Strategy (JAS) and initiate on a division of labour exercise (both considered to be significant steps towards harmonisation).

One of the primary concerns among donors is that a commitment to more predictable aid can be undermined by the risks posed by a deterioration in political and administrative governance – which in 2005/06 prompted them to temporarily halve budget support to Uganda from US\$442 mn to \$226 mn.

Changes in Partner Country Behaviour and Results Achieved

Uganda’ commitment to aid effectiveness predates Paris. It was among the first to embrace SWAps in 2001. The government and donors pioneered “partnership principles” which underscores the country’s uniqueness in embedding local ownership and leadership into national aid policy and practice. However, the commitment is not uniform across government or quasi-government institutions.

Though civil service reforms have been ongoing for the past decade the necessary capacity to implement reforms for aid alignment has not yet been achieved. A \$70mn Performance Enhancement Facility from the World Bank – a demand-driven capacity building initiative – was not approved by the Parliament in December 2007.

Though government officials have had ad hoc opportunities to participate in international aid effectiveness meetings, there are no specific incentives to support implementation of the Declaration. The government has taken the view that selective incentives would undermine the overall incentive structure within the public service. The civil service incentives package meanwhile, is not attractive in terms of staff motivation, retention and performance and there are insufficient resources for results-oriented management and other performance management-based processes.

In terms of results achieved, Uganda is high on Indicator 1 (operational development strategies that have clear strategic priorities linked to a medium term expenditure framework) and 11 (transparent and monitorable performance assessment frameworks) and modest on 2 (reliable country systems) and 12 (mutual assessment of progress).

Changes in Donor Behaviour and Results Achieved

Commitment to Paris varies markedly across donors, but is increasing. It is high among the 12 JAS donors who provide either budget or programmatic support. They account for about two-thirds of the budget. Commitment was lower for those donors whose internal procedures do not permit the use of local systems for public financial management and procurement (Indicator 5) and continue to provide project aid. A few of them remain outside the Local Development Partners' group.

Staff capacity is not considered a major determinant of progress. Political will at headquarters to implement Paris is considered more significant. In fact, there is evidence that donors who focus more on budget support or SWAs are able to free up staff resources in the field for new tasks in aid co-ordination. Staff in the field is not incentivised to implement the Declaration.

Good progress has been made on the ownership and alignment indicators, except Indicators 4-6. The level of commitment to country leadership varies among donors and there is no agreement on how they should contribute to policy formulation or when they should be invited to do so.

Harmonisation efforts have not as yet lowered transaction costs for donors. On the contrary, a transitional increase is expected.

Some Lessons

A JAS can pose difficult challenges because of the diversity of views and policies. But once agreed, it is likely to yield a huge pay-off in reducing transaction costs, especially for the country.

Donors find that the use of country systems requires in-built risk mitigation measures to take account of risks associated with poor administration, governance and corruption.

It has been argued that promoting a single aid modality like budget support is not ideal because it could marginalise other issues like innovation, governance and environment.

Main Recommendations

For OECD/DAC

- Agree with country partners on a suitable institutional home for the Paris Declaration at country level which would be responsible for informing the public, monitoring implementation as well as obtaining feedback.
- The Declaration should be transformed into a flexible and adaptable agreement that is realistic about local and donor priorities. The next stage of the Declaration should consider a hierarchy of preferred aid modalities.
- More work is needed to clarify the principles and eliminate inherent contradictions and better define indicators 3-7 and 10 so as to harmonise their interpretations by different donors.
- Should new indicators be added which will monitor issues such as governance and corruption?

For Government of Uganda

- The Ministry of Finance should play overall co-ordinating role of all sector working groups so that the Government could take a holistic view of aid effectiveness issues. A sound dissemination plan also needs to be developed.
- Institutional roles in national planning need to be streamlined to avoid “shifting power centres”.
- Stronger linkages are required between sectors and the National Integrated Monitoring and Evaluation Strategy and enhanced efforts for collecting process and impact data in all sectors.
- The Government should continue to uphold the principles of good governance, transparency and accountability.

For Donors

- All donors should join the Uganda JAS and participate in the division of labour exercise and the local development partner group meetings.
- Should increase use of national systems and deal with systemic (as opposed to symptomatic) issues of corruption and not use this as an excuse for lack of engagement.
- Aim to reduce the number of Project Implementation Units except where there is a clearly identified need supported by the government and where the units report to the national institutions hosting them. Where such units are retained, there must be a clear exit plan.
- Consider carefully the aid modality and the need for project support.
- Support the Government to assume the lead role in the division of labour exercise.

AUSTRALIA

Australia is making progress in developing Paris-compliant ways of operating its country programmes. While there is a long way to go, it appears to be heading in the right direction. Over the past two years, the emphasis on partnerships has increased e.g. in Papua New Guinea. Authority has been delegated to the New Zealand Government to implement its aid in two small Pacific countries. AusAID is exploring a range of non-project modalities, including SWAps and is making greater use of country systems. However, there continue to be significant stand-alone projects with parallel management structures. Although there are some joint analyses and missions, these are in the minority.

There is high-level commitment to the Paris Declaration. This is reflected in a policy framework of the aid programme and the creation of the Office of Development Effectiveness (ODE). Of 10 AusAID country and regional strategies evaluated, all focused on some or all of the principles. However, there was variation in how this was done in the different strategies. While all strategies involved collaboration with partner countries, two were specifically developed as “joint” strategies and one was “joint” with another donor.

A very high percentage of the aid is directed towards fragile states and AusAID’s commitment to Paris has to be seen in the context of working with fragile partners. Strong emphasis has been placed on working in a coherent whole-of-government way. In the Solomon Islands and Papua New Guinea, Australian public servants have been sent to work inside the governments for high-quality capacity building. However, this has been a controversial approach because of the risks of undermining ownership. Australia believes, however, it is developing twinning arrangements at the institutional level and that in the longer-term this has the potential to be more Paris-compliant than setting up parallel systems.

More authority is now being delegated to country staff. The recent establishment of the ODE and the introduction of Annual Reviews of Development Effectiveness are intended to help with “managing for results” and “mutual accountability”.

However, the depth and breadth of understanding about the Paris Declaration is mixed. For some of its staff, it continues to be a vague idea around “working more closely with partner government systems”. There has been little operational guidance over the last two and a half years. However, there are indications of change. The old “Ausguide”, which was focused on the traditional project modality, has been discarded. Workshops on “Forms of Aid” have been held recently. These focused on SWAps and working through partner country systems.

DFID

Commitment, capacity and incentives for implementation of the Paris Declaration are strong right across DfID. Consciously developed policies, systems and procedures have been introduced over the past decade to achieve this. Many aspects of the Declaration (e.g. change in delivery modality) have become parts of its core business model. The staff have internalised the core Paris principles as part of their way of doing business. As a result, DfID approaches the declaration as a tool that helps achieve its own corporate objectives and not as external obligations.

DfID has already achieved most of the Paris targets. However, there is still a lack of consistency in performance across all country offices and across different aspects of the Paris agenda. It scores very highly on harmonisation with other donors, country leadership of development policy and use of country systems. However, its performance is variable on reporting aid on the budget, in-year predictability on disbursements and partner co-ordinated technical assistance, its. It has also had difficulty in measuring the softer or more qualitative commitments, like country ownership and mutual accountability, which are difficult to capture through indicators.

Commitment

If there are any grounds for concern, it is DfID’s preference for high profile new initiatives

over the continuing hard work of implementing old ones. These new initiatives, such as global spending commitments and new funding vehicles for global public goods, tend to fall outside the country-led paradigm and can push the Declaration into the background. The evaluation also identifies a potential danger that DfID may come to view Paris as a tool for external influencing, rather than as a guide to its own behaviour. The commitment to Paris needs to be reaffirmed periodically and remain a high corporate priority.

Capacity

DfID has a number of basic structural characteristics that reinforce its capacity on aid effectiveness: its status as an independent ministry with a clear legal mandate to pursue poverty reduction; and high operational autonomy for individual spending units which are held to account for their performance. In addition, the combination of high levels of decentralisation to country offices and flexible procedures provide the scope to choose delivery modalities customised to local conditions. Although training and on the job guidance is not very systematic, the staff shows a good understanding of the Declaration.

There is some concern that the reduction of administrative costs across the UK civil service at a time when the aid budget is being scaled up, may cause DfID's capacity to degrade. Paris commitments are very time intensive for country staff. The evaluation has found that the effectiveness of budget support and other programmatic approaches is dependent on the quality and intensity of staff engagement. Careful workforce planning will be required in the future to support the high transaction costs involved. In addition, consideration needs to be given to improved division of labour with other donors.

Incentives

From 2008, the Paris Declaration has been incorporated explicitly into DfID's performance management system and demonstrating compliance with it would boost career progression.

However, the evaluation finds that the Department's capacity to analyse and monitor its own performance against its commitments could be improved. It is primarily dependent on the DAC survey methodology to measure progress against the quantitative targets. Internal reporting on the qualitative Paris commitments such as country ownership and mutual accountability has been inadequate. In addition, the institutional reasons for variations in its performance have not been addressed systematically. Thus it is suggested that its performance management system focuses on quantitative targets, at the expense of qualitative factors which are dependent on other actors and where a direct contribution may be difficult to demonstrate.

Recommendations

- Periodic public commitments to Paris Declaration implementation would help sustain momentum. This should also clarify how Paris relates to new global partnerships for global public goods.
- Improve monitoring of its performance through, inter alia, explicit aid effectiveness strategies and approaches at country office level; annual reporting by country offices of progress; and the incorporation of aid effectiveness data at project level into the new DfID information management system.
- Annual reports on aid effectiveness identifying priorities and institutional measures for the coming year.

- Use the Paris Declaration more explicitly as a reference point for personnel planning and management. Thus, the transaction costs should be measured and taken account of in workforce management and planning and perhaps to treat time spent on aid effectiveness initiatives as a programme rather than administrative cost.
- Increase own transparency on aid effectiveness and adopt a set of explicit transparency objectives with a view to achieving international best practice. It may also be helpful to review the way programming and financial data is presented on the country pages of its website, in order to facilitate partner assessment of DfID's performance against its aid effectiveness commitments.

NEW ZEALAND

The New Zealand Agency for International Development (NZAID) is a relatively small donor with a strong geographic focus on the Pacific (51% of ODA), where it is among the largest three bilateral donors in nine Pacific Island countries. The evaluation focused on its implementation of the Paris Declaration in the Pacific context.

Leadership

There is strong leadership in implementing the Paris Declaration. At the political level, actions while not specifically referencing the Declaration are, however, broadly consistent with it. Internally, despite strong leadership there are reported to be inconsistencies. Staff with significant contact with partners seems committed to pursue Paris implementation responsibly, but those in management services seem to have less clarity about their mandate. Currently, incentives focus upon accountability within the NZ domestic context, timeliness and document quality over aid effectiveness principles.

Even before 2005, the Agency was already establishing a culture of partnerships, alignment and donor co-ordination. The most impressive progress has been made on the commitments related to ownership, alignment and harmonisation and less on the other two (managing for results and mutual accountability). However, NZAID is attaching priority to increasing its capacity around these latter areas.

Efforts to implement aid effectiveness have resulted in the following changes to NZAID programmes: actively pursuing SWAps in several countries; aligning within sector strategies where these exist; and lead role in promoting harmonisation – manages AusAID aid for the Cook Islands under a single joint programme; and has a joint strategy with it in Samoa.

The evaluation suggests that further exploration is needed of the overall relevance of the Paris Declaration indicators and targets for regions such as the Pacific (and fragile states). Even in countries which have made excellent progress in establishing partner country-led development processes, the use of country systems remains low, sometimes at their own request.

Capacity

There has been no decentralisation of staff. The agency's programme management is based on a flat management structure with a team-based approach. This model provides for limited specialist resources. This has resulted in unmet demand for specialist inputs in the field.

This is experienced particularly keenly in the Pacific programmes.

The evaluation report noted that NZAID would benefit from addressing the geographic and sectoral dispersion of its programmes. While a tighter programme focus addresses capacity issues, partner countries and its own government ministers and departments have high expectations of NZAID as a significant donor in the region. A related issue is the need to adopt a whole-of-government approach for ODA.

Efficiency of programme management processes is key in the context of the agency's limited resources and dispersion. Barriers to greater delegation and resources going to the field have included an inability to have core corporate systems live at posts, as well as budgetary and human resource limitations. It has been argued that a successful devolution process is required given the nature of the agency's aid programme and, therefore, these constraints need to be addressed.

The agency has adopted a bottom-up approach to Paris Declaration implementation rather than a top-down compliance-driven one. However, there is scope to enhance implementation further, particularly regarding alignment with country systems. In addition, it is important to assist partner countries to recruit or, at the very least, manage and co-ordinate TA themselves so that the TA is part of a congruent capacity building strategy rather than capability gap filling or parallel structures for implementing donor- driven projects.

Incentive Systems

Government Ministers promote the development of relations with partner countries in a manner consistent with the Declaration. This is reinforced by New Zealand's active participation in the Pacific Islands Forum, international advocacy of issues of importance to the Pacific and close ties.

The evaluation report notes that incentives which encourage individual staff to implement the Paris Declaration are not consistent across NZAID. There is also scope for providing more training and development opportunities on managing for results, mutual accountability and new modalities such as SWAs. Locally engaged staff should be encouraged to contribute to programming and add value to Paris commitments.

Conclusion

There is good alignment between NZAID leadership, its organisational culture and the Paris Declaration, with many areas of strength. The agency also extends its partnership commitments beyond governments to NGOs, as well as regional and multilateral organisations.

The evaluation finds a somewhat ad hoc approach to implementation, particularly in the absence of clarity on roles and where structures for information sharing are weak. The evaluation report makes the following recommendations to strengthen overall performance on implementation:

- Continue to strengthen capacity and incentives, especially to promote managing for results and mutual accountability.
- Continue with bottom-up approach, consistent with core values and culture of NZAID.

- Formalise mechanisms to ensure the interface between programming and corporate support is improved and supported with a clear policy, organisational structure and realistic resourcing.
- Recognise the importance of devolution to the field and develop a process for achieving it.
- Reduce dispersion and diffusion of its programming.
- Ensure staff has specialist support in sectors where NZAID plays a significant role in policy dialogue with partner countries.
- Increase support to partner countries to manage and co-ordinate technical assistance themselves and ensure TA is not reduced to inappropriate capability gap filling.
- Continue to adopt a flexible approach to achieving development effectiveness

Paris Declaration Indicators and Targets

This draws on the Paris Declaration

Indicators	Targets for 2010
<p>OWNERSHIP</p> <p>1 Partners have operational development strategies — Number of countries with national development strategies (including PRSs) that have clear strategic priorities linked to a medium-term expenditure framework and reflected in annual budgets.</p>	<p>TARGETS FOR 2010</p> <p>At least 75% of partner countries have operational development strategies.</p>
<p>ALIGNMENT</p> <p>2. Reliable country systems — Number of partner countries that have procurement and public financial management systems that either (a) adhere to broadly accepted good practices or (b) have a reform programme in place to achieve these.</p>	<p>TARGETS FOR 2010</p> <p>(a) Public financial management - Half of partner countries move up at least one measure) (i.e., 0.5 points) on the PFM/ CPIA (Country Policy and Institutional Assessment scale of performance</p> <p>(b) Procurement – One-third of partner countries move up at least one measure (i.e., from D to C, C to B or B to A) on the four-point scale used to assess performance for this indicator</p>
<p>3. Aid flows are aligned on national priorities — Percent of aid flows to the government sector that is reported on partners' national budgets.</p>	<p>Halve the gap — halve the proportion of aid flows to government sector not reported on government's budget(s) (with at least 85% reported on budget).</p>
<p>4. Strengthen capacity by co-ordinated support — Per cent of donor capacity-development support provided through coordinated programmes consistent with partners' national development strategies.</p>	<p>50% of technical co-operation flows are implemented through co-ordinated programmes consistent with national development strategies.</p>

<p>5a Use of country public financial management systems — Percent of donors and of aid flows that use public financial management systems in partner countries, which either (a) adhere to broadly accepted good practices or (b) have a reform programme in place to achieve these.</p>	<p>PER CENT OF DONORS Score* Target 5+ All donors use partner countries' PFM systems. 3.5 to 4.5 90% of donors use partner countries' PFM systems.</p> <p>PER CENT OF AID FLOWS Score* Target 5+ A two-thirds reduction in the % of aid to the public sector not using partner countries' PFM systems. 3.5 to 4.5 A one-third reduction in the % of aid to the public sector not using partner countries' PFM systems.</p>
<p>5b Use of country procurement systems — Percent of donors and of aid flows that use partner country procurement systems which either (a) adhere to broadly accepted good practices or (b) have a reform programme in place to achieve these.</p>	<p>PER CENT OF DONORS Score* Target A All donors use partner countries' procurement systems. B 90% of donors use partner countries' procurement systems.</p> <p>PER CENT OF AID FLOWS Score* Target A A two-thirds reduction in the % of aid to the public sector not using partner countries' procurement Systems. B A one-third reduction in the % of aid to the public sector not using partner countries' procurement Systems.</p>
<p>6 Strengthen capacity by avoiding parallel implementation structures — Number of parallel project implementation units (PIUs) per country.</p>	<p>Reduce by two-thirds the stock of parallel project Implementation units (PIUs).</p>
<p>7 Aid is more predictable — Percent of aid disbursements released according to agreed schedules in annual or multiyear frameworks.</p>	<p>Halve the gap — halve the proportion of aid not disbursed within the fiscal year for which it was scheduled.</p>
<p>8 Aid is untied — Percent of bilateral aid that is untied.</p>	<p>Continued progress over time.</p>
<p>HARMONISATION 9 Use of common arrangements or procedures — Percent of aid provided as programme-based approaches.</p>	<p>TARGETS FOR 2 010 66% of aid flows are provided in the context of programme based approaches.</p>

<p>10 Encourage shared analysis — Percent of (a) field missions and/or (b) country analytic work, including diagnostic reviews that are joint.</p>	<p>(a) 40% of donor missions to the field are joint.</p> <p>(a) 66% of country analytic work is joint.</p>
<p>MANAGING FOR RESULTS 11 Results-oriented frameworks — Number of countries with transparent and monitorable performance assessment frameworks to assess progress against (a) the national development strategies and (b) sector programmes.</p>	<p>TARGET FOR 2010 Reduce the gap by one-third — Reduce the proportion of countries without transparent and monitorable performance assessment frameworks by one-third.</p>
<p>MUTUAL ACCOUNTABILITY 12 Mutual accountability — Number of partner countries that undertake mutual assessments of progress in implementing agreed commitments on aid effectiveness including those in this Declaration.</p>	<p>TARGET FOR 2010 All partner countries have mutual assessment reviews in place.</p>