

**2006 ASIAN REGIONAL FORUM ON AID EFFECTIVENESS:
IMPLEMENTATION, MONITORING AND EVALUATION**

OCTOBER 2006

Synthesis Report

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September 2006

The opinions expressed in this report are the authors' alone,
and do not necessarily represent the official views of the organisers
of the Asian Regional Forum on Aid Effectiveness

Executive summary

This Synthesis Report draws together some of the most important lessons and themes emerging from a series of 12 case studies across 7 Asian countries on experiences with implementing the Paris Declaration. Its intention is to support debate at the Asia Regional Forum on Aid Effectiveness: Monitoring, Implementation and Results.

Implementing the Paris Declaration

Despite the diversity in country conditions, the Paris Declaration principles and commitments are seen as relevant and important across the region. Countries with strong development agendas see the Paris Declaration as a means of improving their management of external assistance. Countries where leadership is less developed see them as a way of overcoming poor aid practices. They have also proved highly relevant in responding to the region's worst natural disasters.

Implementation of Paris has to be negotiated and organised at country level. Not all countries have engaged actively with the implementation process. Vietnam and Cambodia have both established action plans, working groups and review processes to guide implementation. In other countries, greater engagement is required, not just from the agencies responsible for aid coordination, but across line ministries. More capacity building across government and awareness raising of the advantages to be gained from implementation would help to broaden the commitment.

Country context matters. Partner countries and donors need to define an aid-effectiveness agenda appropriate to the context, giving due attention to sequencing and prioritisation.

More effective aid does not equate to aid cheaply delivered – at least not in the short term. Donor staff find the demands of Paris taxing, and some fatigue with the agenda is already apparent. The scaling up of aid will generate further pressures, which should be factored into donor staffing strategies.

Ownership

Country leadership is now broadly recognised as a basic condition for effective aid. Leadership is a function both of political commitment and of capacity to formulate and implement development policy. Donors increasingly direct their policy dialogue towards helping partner countries achieve their stated development objectives, rather than imposing their own policy agendas. The report lists a number of useful approaches from the case studies for building up country ownership.

Aligning with country policies and strategies

Most donors now relate their support programmes to national development strategies as a matter of course, but this has not required much changed in country programmes. The hard work of alignment occurs at sectoral level, as donors align their support through programme-based approaches (PBAs). PBAs have proved to be an effective platform for promoting the Paris principles, and flexible enough to accommodate different funding modalities and management arrangements.

Strengthening and using country systems

Bringing country systems up to international standards is a major commitment, and requires sustained effort. Change is incremental in nature, and external support needs to be flexible enough to negotiate the political and institutional constraints.

Convergence of country systems and donor requirements is happening, but slowly. Agreement on the use of country systems for aid delivery has been achieved in a few discrete areas, but each step can take years to negotiate. There are widespread concerns that donors are not being sufficiently flexible in applying their rules and procedures.

Donors differ in their approach to managing fiduciary risk. There needs to be more reflection within the donor community on potential trade-offs between the benefits of using country systems and the possibility of higher fiduciary risk.

Strengthening country capacity for aid coordination is key to improving aid effectiveness. Priorities include clarifying roles and responsibilities, strengthening the legal framework and building project-management capacity. Eliminating parallel project-delivery structures is presenting a serious challenge for donors and partner countries alike.

Harmonisation

Harmonisation is a negotiated process, responding to needs and opportunities emerging at country level. The first steps are often taken by a small group of like-minded donors. As country leadership improves, the emphasis shifts to promoting greater alignment and coordination through government-led processes, suggesting a natural sequence. However, there is a continuing need for strategic coordination among donors, to support government leadership.

The costs of harmonisation for donors are high, and are not always transitional in nature. These should not be seen as transaction costs at all, but as part of doing aid well.

Greater selectivity in programming and improved division of labour among donors are fundamental to improving aid effectiveness, as the costs of working collaboratively across a broad portfolio of activities become prohibitive. In the future, there will be a need for more coordinated programming among donors, in order to identify areas of comparative advantage and to increase specialisation across and within sectors.

Managing for results

The case study countries are still in the process of establishing systems for monitoring national development strategies, and capacity for monitoring needs to be developed across government. Partner countries need to work on ensuring that results information is used to inform policy and management decisions. At the programme level, the case studies suggest that the key objective is to ensure that joint review process are used to support policy dialogue. This may be more important than developing elaborate performance frameworks and indicator sets.

When applied to aid-effectiveness initiatives, managing for results means making the effort to determine how changes in aid practices are likely to contribute to the achievement of national development goals. Without this, there is a risk that the Paris commitments may come to be seen as ends in themselves, rather than as tools for promoting development.

Mutual accountability

Some countries are beginning to establish monitoring and review processes to track donor and government performance against aid-effectiveness commitments. There are no sanctions for non-compliance, but the process of implementing the Paris Declaration, when taken seriously, is creating a sense of mutual obligation between partner countries and donors, which may prove highly influential over time.

~ Table of Contents ~

1. Introduction.....	1
2. Implementing the Paris Declaration	1
3. Ownership	4
4. Aligning with country policies and strategies	6
5. Strengthening and using country systems	7
6. Harmonisation.....	10
7. Managing for results.....	12
8. Mutual accountability	13
Source documents.....	15

1. Introduction

1. In preparation for the Asian Regional Forum on Aid Effectiveness, a series of five thematic studies were produced on experiences in Asian countries in implementing the Paris Declaration. Each focuses on one of the major Paris Declaration principles, and examines two or three country initiatives. This Synthesis Report draws together some of the most important lessons and themes emerging from the case studies, to inform discussion at the Forum.

2. The case studies are analytical narratives, intended to capture the changing nature of aid delivery and the development partnership. They are not evaluations, and do not purport to make an assessment of progress in any particular country, or across Asia as a whole. However, they offer insights into the challenges of implementing the Paris Declaration, and provide a means of disseminating lessons and experience. Their purpose is not to make final judgements, but to encourage reflection and debate.

3. The country studies were prepared from available literature and interviews with a range of government, donor and civil society stakeholders during short country visits in July/August 2006. Drafts of each country study were reviewed by stakeholders, and used as inputs for the thematic studies. While every effort has been made to reflect the range of comments received, the opinions expressed in the case studies and this Synthesis Report are the authors' alone, and do not necessarily reflect the views of the organisers of or participants at the Asian Regional Forum.

2. Implementing the Paris Declaration

Despite the great diversity of country conditions in Asia, the Paris Declaration principles and commitments are considered relevant and important right across the case study countries.

4. The Paris aid-effectiveness agenda is being embraced in a diverse range of country contexts. Non-aid dependent countries with a strong development policy agenda (e.g., Vietnam) are using Paris principles to manage their aid flows and maximise the benefits. Countries with historically weak leadership of external assistance (e.g., Cambodia, Bangladesh) see the aid-effectiveness agenda as a means of overcoming poor aid practices.

5. Even in the aftermath of the region's worst natural disasters – the 2004 Indian Ocean tsunami and the 2005 Pakistan earthquake – governments and donors recognised the importance of the Paris principles in coordinating reconstruction.

6. Most of the initiatives described in the case studies pre-date the Paris Declaration. However, they demonstrate that the Paris Declaration is a good reflection of the contemporary understanding of aid effectiveness across the region.

The Paris agenda encourages and assists partner countries to assert leadership of the development partnership.

7. The Paris agenda empowers partner countries to become informed consumers, rather than passive recipients, of development assistance. It provides them with a set of tools for managing their relationship with donors. Asian countries particularly welcome the opportunity to establish a more equal development partnership, structured according to clear principles.

8. The high profile of the Paris Declaration is encouraging governments to improve their leadership of external assistance. Effective leadership is increasingly seen as a matter of national credibility.

9. Most Asian countries do not wish, or feel unable, to take a confrontational stance with donor partners over aid practices. They therefore welcome the articulation of clear principles and standards at the international level, which legitimises and facilitates their leadership role.

Responding to disaster

Both in Indonesia following the tsunami and in Pakistan after the earthquake, government established early leadership of the reconstruction process, according to the principle of 'building back better'. Government and donors conducted joint needs assessments. A significant share of reconstruction funds were channelled through the budget. In Indonesia, at government's request 15 donors pooled support through a Multi-Donor Trust Fund, with a Steering Committee that became a forum for policy dialogue and sectoral coordination. In Pakistan, a Core Group of Donors was convened for strategic coordination, agreeing on lead donors in different sectors, but without pooled funding. In both cases, Paris principles contributed significantly to the effective delivery of reconstruction assistance.

Implementation of the Paris agenda is negotiated and organised at country level.

10. The international commitments agreed at Paris provide a set of general principles for improving aid effectiveness that are of global application. However, the commitments need to be localised through country-specific agreements, and implemented through country-level action plans and processes. Donor and country stakeholders alike stress the importance of country context in shaping aid-effectiveness goals.

11. Countries vary in the extent to which they have engaged with implementation. Vietnam and Cambodia have established an elaborate set of processes and structures for implementation. Other countries have signed up to the Paris commitments, without launching any specific initiatives to guide implementation. It appears unlikely that much progress will be made without a dedicated implementation structure.

The Hanoi Core Statement

Within a few months of the Paris High-Level Forum, Vietnam and its development partners produced the Hanoi Core Statement on Aid Effectiveness (HCS), which localises the principles and commitments agreed at Paris in the form of 'Partnership Commitments' for Vietnam. The HCS includes specific targets for aid effectiveness which are in some cases more ambitious than those in the Paris Declaration. For example, by 2010, Vietnam hopes to eliminate parallel Project Implementation Units, and ensure that all capacity building programmes are country led. 50% of aid flows, and at least 50% of funds from 50% of donors, should use country systems for procurement and financial management. 75% of aid interventions should be managed at country-office level, and 75% of aid should be programme-based.

12. In Vietnam and Cambodia, similar processes and structures have been established to guide implementation of the Paris Declaration:

- localising aid effectiveness principles and commitments through a country-level agreement or joint declaration
- agreeing on targets and an Action Plan or Road Map
- establishing working groups to address particular aid-effectiveness issues (e.g., cost norms, eliminating parallel Project Implementation Units)
- monitoring and review processes to establish baselines and assess progress on aid effectiveness targets.

13. Country commitment to improving aid effectiveness must extend beyond those responsible for aid coordination, to cover all ministries and agencies involved in programme implementation. This can be achieved through capacity building and efforts to raise awareness across government of the benefits to be gained from improved aid effectiveness.

Country context matters in implementing the Paris Declaration, and different priorities and sequencing are likely to emerge at country level.

14. Among the case study countries, Vietnam is unique in embracing the entire Paris agenda simultaneously. Other countries (implicitly) focus their efforts on a few priority areas. For example, the Cambodian government has identified the development of simple forms of programme-based approach (PBA) at sectoral level as the core of its aid-effectiveness vision.

15. The sequencing, pace and balance of aid-effectiveness initiatives is necessarily influenced by country conditions. Without detracting from the ambitious scope of the Paris Declaration, it may be appropriate for partner countries and donors to give more consideration to sequencing and prioritisation. Defining a country-level aid-effectiveness programme, in the form of a road map or action plan, also helps to build country ownership of the Paris agenda.

Implementing the Paris Declaration involves changing deeply rooted patterns of institutional behaviour.

16. Building a new form of development partnership based on the Paris principles calls for some fundamental changes in behaviour on both sides. For donors, it requires changes in systems, procedures and institutional cultures. It calls for more attention to processes and relationships, and more willingness to share responsibility for programme delivery with country counterparts. Some donors are limited by their current governance arrangements as to the degree of change they can accomplish in the short term.

17. Partner countries are concerned that these changes in behaviour are not happening fast enough. They would like to see greater flexibility in rules and procedures and more delegation by donors to country level, combined with stronger incentives for donor officials to work in partnership with country counterparts. They are concerned that donor behaviour still reflects a 'disbursement imperative', rather than an aid-effectiveness imperative, leading to an unwillingness to relinquish direct control over programme delivery.

18. The Paris Declaration also calls for important changes from partner countries. Countries must above all demonstrate that they are genuinely committed to improving aid effectiveness, and willing to lead the process. They cannot leave donors to take all the initiative.

19. Because Paris is about relationships and collective behaviour, it depends upon mutual trust and confidence. Joint efforts to improve aid effectiveness will build up credibility as they progress, creating a positive cycle of behavioural change. However, strong commitment on both sides is required to guard against the tendency to lapse back into old patterns of behaviour.

More effective aid does not equate to aid cheaply delivered – at least not in the short term.

20. Both donors and partner countries need to commit resources, in particular skilled staff, to improving aid effectiveness. Donor staff are finding the demands on their time of effective partnership working to be very taxing, and a certain fatigue with aid-effectiveness processes is already apparent. The staffing of donor country offices should reflect the demands of effective partnership working.

21. The scaling up of aid will generate pressures on donors to ‘deliver more with less’. The implications for the aid-effectiveness agenda will need to be carefully assessed.

3. Ownership

Country leadership is now broadly recognised as the most basic condition for effective aid.

22. It is now widely acknowledged that the quality of country leadership is a key variable determining the effectiveness of assistance. Effective leadership is a function both of commitment and of capacity. ***Commitment*** is a product of political processes, including breadth of participation in policy making. ***Capacity*** refers to the ability of government to translate national development goals into credible strategies, and to mobilise the financial and institutional resources required to implement them.

Even in emergency situations, country leadership is a precondition for effective assistance.

23. In Indonesia and Pakistan, both governments moved quickly to establish their leadership of the international response to the disasters, creating agencies with the authority and resources to manage and coordinate relief and reconstruction. Strong country leadership in turn facilitated greater coordination among donors, and enabled a more rapid response to the two disasters.

The principle of ownership means that country partners determine the pace and direction of change.

24. Donors should direct their policy dialogue towards helping partner countries achieve their stated development objectives, rather than pushing their own policy agenda. This is easiest where partner countries set out their goals clearly in credible national development strategies.

25. There are positive signs that country ownership of national development strategies is increasing, as Poverty Reduction Strategies become integrated with national planning traditions and cycles.

26. It is relatively easy for donors to respect country leadership where the national policy agenda is consistent with donors' own objectives. It is more difficult where they diverge. In such cases, donors need to identify areas where they share common objectives, and work in partnership in those areas. In other areas, it may still be possible to deliver assistance through project modalities, or via non-government partners.

Vietnam's PRSC policy matrix

The policy matrix for Vietnam's multi-donor general budget support instrument, the PRSC, contains both policy actions and development outcomes, drawn from the Government's development strategies. The content is agreed on an annual basis by working backwards from the government's stated development goals, and negotiating over an appropriate sequence of actions to achieve them. This allows donors to influence policy making, while preserving government ownership. The negotiations are also open to non-funding donors, a unique feature that enables the PRSC to serve as a common platform for dialogue between government and donors.

Donors can help to build up leadership capacity through well-designed support programmes.

27. Country leadership is both a condition and a goal of effective development assistance. Among the case studies, the following approaches proved valuable for nurturing country leadership.

- Donors should direct sustained capacity-building support to policy making and budgeting functions, both at the centre and in specific sectors.
- Donors should work with objectives and approaches that are country owned, even if they do not represent the most technically advanced option.
- Donors should respect political constraints on the pace of change, and where necessary be willing to work towards incremental

PBAs for different contexts

The Cambodian government has promoted the development of simple forms of PBA to improve the coordination and country leadership of aid. The process begins with the preparation of a set of sectoral objectives, linked to a list of aid-funded projects. This is done jointly by government and donors, within a Technical Working Group that also coordinates assistance. This will lead to the development of a single programme and budget framework as capacity develops. The government is open to different funding modalities, including projects, provided they fit within this coordinating framework.

In Vietnam, the government has been operating a number of National Targeted Programmes for more than a decade, to channel development resources to the poorest communities. Some donors have therefore chosen to provide targeted budget support through these programmes, rather than develop sector-wide approaches.

change over a longer period of time.

- Donors should always foster and work with existing country capacity, taking care not to displace it with foreign expertise.
- Donors should carry out capacity assessments jointly with government, and ensure that agreed capacity-building strategies are incorporated into support programmes.
- Technical assistance should be demand-driven, and closely linked to the achievement of national reform goals.
- Analytical work should be conducted jointly with government, in order to build a common understanding of development challenges and policy options.

Broad country ownership is supported by involving civil society in development activities.

28. According to the Paris Declaration, ‘country ownership’ entails not just a commitment from government, but also active participation in the development process by those directly affected by it. In public procurement reforms in the Philippines, national NGOs campaigned for reform, helping to build a broad consensus on the need for change. In the case studies on disaster response, involvement by local communities in the planning and implementation of reconstruction programmes proved key to effective targeting.

4. Aligning with country policies and strategies

The hard work of policy alignment is taking place at sectoral level, through the development of programme-based approaches.

29. Most donors now relate their support programmes to national development strategies as a matter of course. However, most national development strategies are broad enough to encompass existing donor preferences, and alignment has not required any substantial change in donor programmes. Alignment will become more challenging in the future as countries increase their level of prioritisation.

30. The real work of alignment is occurring at sectoral level, through the development of programme-based approaches (PBAs). PBAs place a high priority on the development of a single programming and budgeting framework. PBAs encourage government to develop sectoral policies and frameworks, and to use them to coordinate external assistance. Through this process, improvements in policy capacity and closer alignment of external assistance proceed in parallel. It can take many years of intensive work for PBAs to deliver on their potential.

One of the strengths of PBAs is their flexibility in accommodating different funding modalities and management arrangements.

31. While PBAs emphasise the alignment of assistance to sectoral strategies and budget frameworks, they do not necessarily entail any particular funding modality or set of management arrangements. Several of the case study countries emphasised their willingness to accept different types of funding from donors, provided that it reflects country priorities.

However, PBAs vary considerably in the extent to which they embody the Paris principles and commitments.

32. The Paris Declaration sets a quantitative target on the percentage of aid to be delivered through PBAs (66% of aid flows by 2010). However, it is important that donors do not assume that their obligations are discharged once their assistance falls within the definition of a PBA. In fact, PBAs vary considerable in approach, and should be subject to constant scrutiny to determine whether there are further opportunities to advance harmonisation, alignment and the other Paris principles.

Some countries are choosing to create standing structures to organise the policy dialogue and promote alignment.

33. The shift away from policy conditionality is enabling a more open and constructive policy dialogue to emerge. Some countries are recognising the value of standing structures for information sharing and policy dialogue, at both national and sectoral levels. While governments appreciate a diversity of views from donors, they often find it valuable to organise the policy dialogue with a single forum, rather than conduct parallel, bilateral dialogues.

Lessons on effective structures for dialogue

- Working groups should remain focused on results, or they risk becoming an endless conversation about process. Time-bound action plans with clearly identified milestones are useful.
- Representatives should have sufficient seniority to represent and commit their agencies.
- The appropriate technical expertise should be present around the table.
- Good information sharing on aid flows and donor activities is critical to effective dialogue.
- There should be a strong chair and a competent secretariat to prepare meetings.
- It is helpful if donors and Government agencies meet separately in advance to prepare for meetings, to maximise their efficiency.
- Where necessary, sub-groups should be formed on specific issues to increase efficiency.

34. It takes considerable time and effort to organise an effective policy dialogue. Good information sharing is key, together with solid relationships built up through joint problem solving. Joint analytical work helps create a common understanding of development challenges and policy options.

35. In the absence of these conditions, creating formal structures does not necessarily lead to quality dialogue. Ineffective structures may lead to frustration, and complaints that the aid effectiveness process has become 'bureaucratised'.

5. Strengthening and using country systems

Bringing country systems for public investment management up to international standards is a major commitment, and requires sustained engagement.

36. The case studies show that efforts to strengthen country systems need to be sustained over an extended period of time. The pace of change is dictated by the political and institutional context. Assistance programmes are most effective when they recognise the long-term nature of the process, and avoid pressure for unsustainable 'quick wins'.

37. Change is always incremental in nature. While it is important to maintain long-term goals based on international standards, it is often more important in the short term to focus on what is ‘good enough’ in the context to act as a platform for further reform.

38. Complex reforms require consensus building and mobilisation across a large number of stakeholders. It is often the political or diplomatic skills of donors and TA providers and the quality of their relationships with country counterparts that determine whether assistance succeeds or fails. Good TA has a catalytic effect on country-led reforms, provided it is sensitive to the political and institutional context.

Convergence of country systems and donor requirements is happening, but it is taking a long time.

39. In the case study countries, alignment with country systems is often proving more difficult than alignment with country policies. Agreement on use of country systems for aid delivery has been achieved in a few discrete areas (e.g., standard bidding documents for local procurement, environmental impact assessments, common reporting formats), but each step can take several years to achieve.

40. Donors are accountable to their own national parliaments or international governing boards for the use of their funds, and there are some rules, particularly around fiduciary standards, on which at present they have little scope for compromise. However, there also areas where greater flexibility could be used in applying general standards to country conditions (e.g., on financial reporting).

The politics of reform

In the Philippines, a strategic alliance between reformers in government and donors succeeded in overcoming resistance to public procurement reforms, through a painstaking process of consensus building across government. TA was provided by national consultants with the political skill to navigate a complex reform process. Reformers in government worked with national NGOs in lobbying for change, and a requirement for civil society oversight of tender decisions was written into the new procurement law.

In Bangladesh, financial management reform has followed a 16-year process of “revolution by evolution”. A coalition of government officials, donor representatives and consultants has been able to exploit openings for change, leading in steps to comprehensive reform of rules, systems and institutions. In a process with many setbacks and pitfalls, success has depended more on the quality of relationships between the partners, than on the technical merits of the reforms.

41. Donors have different thresholds and approaches for managing fiduciary risk. Some believe that country systems should be brought up to international standards before aid is channelled through them. Others believe that committing to the use of country systems provides the best platform for engaging with their development. In making greater use of country systems, there may be trade-offs between higher fiduciary risk in the short term and greater development effectiveness over time. Donors need to make more effort to understand these trade-offs and how best to manage them.

42. Donors are still imposing additional reporting requirements that are not required by government for its own management and accountability purposes (e.g., the obligation to report to donors on individual contributions within multi-donor programmes). Additional requirements of this kind do not contribute to

sustainable systems development, and may divert effort from long-term reform needs.

Strengthening country capacity for aid coordination and project management has emerged as essential to improving aid effectiveness.

43. In the past, many poor aid practices have arisen from donors trying to substitute for weak management capacity in partner governments. Strengthening aid-management and coordination capacity is essential to overcoming past practices.

44. In the case study countries, the following approaches have proved valuable:

- clarifying the roles and responsibilities of different government agencies for aid coordination and management;
- unifying and strengthening the legal framework for aid management;
- preparing guidelines for donors on ODA programming and management, including guidance on aligning with government programmes and government preferences on funding modalities;
- comprehensive, multi-donor capacity-development programmes located in a central agency responsible for aid coordination, and including training and support to other agencies;
- efforts to increase the familiarity of public officials with the Paris Declaration principles, DAC good-practice tools and new aid modalities;
- the development of aid databases and other information tools;
- working for better integration of parallel project-implementation units (PIUs) into their parent agency, so that capacity built up with them is effectively retained within Government.

Eliminating parallel project-delivery structures is a serious challenge for donors and partner countries alike.

45. Parallel project-delivery structures and the practice of providing extra financial incentives to public officials administering aid projects can cause serious distortions in partner country institutions, and hamper reforms.

46. However, changing these practices is proving challenging, for both governments and donors. Donors have become accustomed to using donor-controlled PIUs and generous financial incentives to ensure their projects are well implemented. Public officials may earn a significant share of their income through these incentives, creating strong vested interests. While there is agreement in the case study countries that these practices should be phased out, there is no consensus as yet on how to do so.

6. Harmonisation

There is a great diversity of harmonisation initiatives underway, as donors respond to challenges and opportunities at country level.

47. Harmonisation happens at country level, as donors encounter challenges or opportunities requiring joint solutions. Harmonisation is a flexible and negotiated process. While lessons can be learned from other harmonisation initiatives, the challenge is always to determine the right approach for the task at hand.

48. It is usually country managers that take the initiative on harmonisation. They need the flexibility to respond to opportunities as they emerge, and the authority to make commitments on behalf of their agencies. Harmonisation initiatives are a major commitment, and require active support from both field and headquarters staff if they are to succeed.

Harmonisation initiatives should help to foster country leadership.

49. The first steps towards improved aid effectiveness in a particular country are often taken by a small group of like-minded donors, seeking to lead by example. In the case study countries, harmonisation initiatives of this kind helped to initiate the aid-effectiveness agenda by demonstrating that changes in aid practices are possible.

50. As country leadership of aid coordination improves, the emphasis shifts to promoting greater alignment and coordination through government-led processes. In broad terms, this suggests that there may be a natural sequence to the aid-effectiveness agenda, with harmonisation leading on to alignment.

51. Once government-led processes for aid coordination are in place, harmonisation initiatives need to adapt to accommodate country leadership. However, there is a continuing value in mechanisms that improve strategic coordination among donors, enabling them to coordinate their inputs into government-led processes.

Good relations among donors are very important, and need to be managed.

52. Coordination among donors is still strongly affected by the quality of personal relations between agency staff, particularly heads of offices. Initiatives which institutionalise relationships (e.g., through regular meetings or commitments to joint processes) make them less prone to breaking down.

53. Harmonisation initiatives tend to be easier to manage among a small group of donors with similar objectives. However, this runs the risk of excluding other donors, and

The Decentralisation Support Facility

Since 2001, there has been a proliferation of support to Indonesia's decentralisation programme. A group of donors established the Decentralisation Support Facility (DSF) to facilitate coordination and joint work. The DSF acts as a service provider to both donors and government, conducting research and analysis, disseminating information on best practices and helping with programme design. One of the strengths of the DSF is that, in addition to facilitating joint programmes, it promotes coordination of technical approaches among donors that are unable to pool funding.

may carry relationship costs as a result. Harmonisation initiatives that allow donors to participate in different ways, according to their institutional priorities and constraints, may therefore be preferable (see boxed example on the Indonesia DSF).

54. Joint analytical work, to build a shared knowledge base and common understanding of issues, has proved to be a very useful tool for promoting strategic coordination among donors.

The costs of harmonisation are high, and are not always transitional in nature.

55. The costs for donors of designing and implementing harmonised programmes are high in terms of staff time – sometimes much higher than working alone. Some of these costs are transitional, and others are long-term in nature.

56. Periods of intensive work on strategies or programme design help to build mutual understanding and establish solid working relations between donor agencies. It would not be appropriate to describe these efforts simply as ‘transaction costs’. Rather, they are part of the core business of doing aid well.

In the future, greater selectivity in country programmes and improved division of labour among donors are likely to prove fundamental to the aid-effectiveness agenda.

57. Donor staff report that the costs of working in partnership with other donors and country counterparts across a broad portfolio of activities are becoming prohibitive. Given pressures on country offices to increase aid flows while lowering overheads, the only way to sustain effective partnership working may be through greater selectivity in programming. This can be achieved in various ways, including reducing the coverage of country programmes, increasing specialisation within sectors, channelling funds through other donors or greater use of lead agencies to manage coordination and policy dialogue.

58. There are some signs that this is beginning to occur. Some bilateral donors channel much of their funding through other donors. Donors sometimes nominate a lead agency to represent them in policy dialogue. However, this is not being done systematically.

59. In the future, there may be a need for more joint country planning among donors, in order to identify areas of comparative advantage and increase

Joint country planning

In both Cambodia and Bangladesh, groups of 4 donors decided to conduct elements of their country planning process jointly. They conducted joint analytical work and risk analysis, and produced a common set of high-level objectives, creating a common framework to guide their country strategies. Though each partner developed its own country strategy, the joint planning initiative generated improved coordination at the strategic level and greater complementarity in programming. It reduced saved transaction costs for government, and helped to build working relationships between the agencies. The agencies see the process as establishing a platform for increasing harmonisation in the future.

specialisation. This will enable donors to concentrate on building up expertise and relationships in their chosen areas, increasing the quality of engagement.

7. Managing for results

There are still major deficits in the monitoring of national development plans.

60. While there have been major investments in recent years in improving poverty monitoring through survey programmes, most of the case study countries are still developing monitoring systems to track implementation of their national development plans. Monitoring capacity across government remains weak.

61. Partner countries need to ensure that information on development results is used to inform policy making and management. This includes ensuring that information on results is placed in the public domain, to help build demand for stronger government performance in the development arena. Involving civil society in monitoring activities, including the interpretation and dissemination of results, is a good way of building demand for results-based management.

62. In disaster response, management for results requires going beyond monitoring inputs and activities at project level, to monitoring progress towards the goals of the reconstruction programme as a whole. This requires a clear commitment from donors to the development of common results framework and monitoring processes.

At programme level, managing for results depends more on well-designed review processes, than elaborate performance matrices or indicator sets.

63. A number of useful lessons emerge from the case studies on managing for results at programme level. Shared results frameworks and joint review processes provide a useful focus for dialogue between country partners and donors, provided that the results are in fact used to review programme performance. The key to effective monitoring processes is often how well they link to policy discussions and management decisions, rather than their technical sophistication.

64. Some stakeholders report that over-elaborate performance matrices, relying on information that is difficult to capture, are counterproductive, especially if they serve donor rather than country reporting needs. Monitoring systems also need to be adapted to country capacity.

Joint Review Missions

In India's large primary education SWAp, donors participate in 6-monthly Joint Review Missions (JRMs). The process is kept lean, with only 10 participants each from the government and donor sides. Small teams visit ten States, focusing on those lagging behind in achieving programme objectives, and report back on a limited number of key indicators. They feed a process of joint learning and policy dialogue, promoting both results orientation and mutual accountability.

Aid-effectiveness initiatives should also be judged by their contribution to achieving development results.

65. The principle of managing for results also applies to efforts to improve aid effectiveness. This means ensuring that changes in aid practices are assessed

according to their contribution to achieving national development goals. Without a focus on development results, there is a risk that the Paris Declaration commitments may come to be seen as ends in themselves, rather than as tools for promoting development.

66. Many aid-effectiveness initiatives are experimental in nature, and their potential benefits are still being explored. Partners countries and donors should work together to analyse what specific benefits (e.g., improved policy dialogue, greater programme impact, enhanced capacity development, reduced transaction costs and so on) they would expect to see from different initiatives, and periodically review these expectations in light of experience.

8. Mutual accountability

Monitoring country partner and donor performance against aid-effectiveness commitments supports mutual accountability.

67. As proposed in the Paris Declaration, some of the case study countries are beginning to establish monitoring and review processes to track donor and government performance against aid-effectiveness commitments. The monitoring system under development in Vietnam is the most advanced among the case study countries, and involves two main elements:

- annual reporting against aid-effectiveness commitments by both donors and government agencies;
- periodic independent evaluations, addressing particular aid-effectiveness themes or the performance of particular institutions.

The results of these monitoring processes should be used to enhance the dialogue between government and donors on aid effectiveness.

68. A number of case study countries are using the OECD DAC monitoring survey to establish baselines for the Paris indicators, which will help them set targets and develop review processes. Repeating the survey on a regular basis enables partner countries and donors to track their collective progress on aid effectiveness, helping to sustain momentum. Some donor officials report that the DAC monitoring survey has already encouraged them to review their practices, and has helped them to advocate for change within their own organisations.

There are no sanctions for non-compliance, but the Paris Declaration is creating a set of 'soft norms' that are potentially highly influential on aid practices.

69. Countries that are not aid dependent and are willing to decline assistance that does not meet their preferences are in a relatively equal bargaining position with donors, which has a disciplining effect on donor conduct. For aid-dependent countries, however, power imbalances make mutual accountability a challenge to establish.

70. However, the Paris Declaration has triggered a number of processes that are laying the foundations for mutual accountability.

- The high-level political commitments made at Paris establish a set of global norms, which are no longer disputed at country level.
- Partner countries and donors are going through a process of negotiating detailed commitments on aid effectiveness. The negotiating process, and the reciprocal nature of the commitments that result, help to generate a sense of mutual obligation.
- There is much more intensive dialogue around aid practices, and a greater willingness to confront difficult issues.
- Regular review processes enable partner countries and donors to measure their collective performance against aid-effectiveness targets, generating pressures for change.

71. Through these processes, a set of legitimate expectations about donor and partner country behaviour are emerging, which over time may prove to be highly influential.

72. There are, however, a number of factors working against mutual accountability. One is the lack of delegation by donors to their country offices. Partner countries stress that, if donor representatives at country level do not have the authority to make commitments on behalf of their agencies, then mutual accountability is difficult to achieve. A second is poor information flows between government and donors, which tend to obscure poor aid practices. A third is the lack of serious engagement in the aid effectiveness agenda by some partner countries. If governments do not appear to take their Paris Declaration commitments seriously, then it is unlikely that donors will see their own commitments as binding.

Source documents

This Synthesis Report is based on the following thematic reports, each of which cover aid-effectiveness initiatives in the countries shown.

Thematic study	Countries covered
1. How have programme-based approaches helped countries established effective leadership over development assistance?	India, Pakistan, Vietnam
2. What is required to deliver external assistance through country systems?	Bangladesh, Philippines
3. Are donor harmonisation initiatives a good investment in improved aid effectiveness?	Bangladesh, Cambodia, Indonesia
4. What methods have proved most effective for establishing country leadership of relief and reconstruction following natural disasters?	Indonesia, Pakistan
5. What new structures are emerging at country level to support a more effective and accountable development partnership?	Cambodia, Vietnam