

Moving towards local definitions of aid effectiveness: how is the OECD DAC Paris Declaration being interpreted in DFID South East Asia partner countries?

Draft

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Executive summary

1. This report is written with the purpose of strengthening the debate on aid effectiveness in South East Asia. The report presents a series of observations from 5 country studies undertaken in Burma, Cambodia, Indonesia, Sri Lanka and Vietnam. The studies were qualitative and tried to capture opinions of the Paris Declaration, as well as assessing existing policy commitments.
2. The OECD DAC Paris Declaration represents one of many discourses on aid and there are many non-aid specific debates that influence aid policy and practice – including security, democracy, human rights and trade. Aid effectiveness debates at the regional level – both within Asia and South East Asia – are limited. As the largest bilateral, Japan already has considerable influence over policy and practice on aid effectiveness in the region and alongside Japan, emerging donors – India, China, Thailand, South Korea – are likely to bring more ‘Asian’ influence over definitions of aid effectiveness for the region. The debate is at all levels mostly an inter-governmental debate and does not include civil society.
3. The Paris Declaration recognises that while the volumes of aid and other development resources must increase to achieve the MDGs, aid effectiveness must also increase significantly to support partner country efforts to strengthen governance and improve development performance. As such, the Paris Declaration is designed to strengthen both donor and recipient government commitments to aid effectiveness. Signatories of the Paris Declaration agreed to be guided by the development strategies and the priorities established by partner countries, in determining the most effective modalities of aid delivery.
4. The influence of the OECD DAC Paris Declaration is extremely varied from country-to-country. Donor and partner governments have, in most cases, not established effective structures and processes for determining what a local definition of aid effectiveness might be. Even where local action plans / aid effectiveness declarations have been developed, awareness is quite narrow and shallow. Some of the considerable variations in perspective on the Paris Declaration is attributable to differing agency mandates or ‘world views’. The Japanese, World Bank, Asian Development Bank and recipient partner governments all bring particular perspectives to how the Paris Declaration is interpreted.
5. However, differing perceptions of the Paris Declaration do not depend so much on agency mandates as individual opinion. Whilst inter-agency communications are not supporting common understandings between organisations; intra-agency communications are not supporting common meanings of the Paris Declaration within organisations. Ineffective communications surrounding the discussion of aid effectiveness are leading to partial interpretations of Paris. The Paris Declaration is not being translated or fully discussed in most

contexts. Without a process for defining the Paris Declaration locally, individuals, at country levels, feel disempowered within the global debate.

6. As such interpretations of Paris Declaration tend to be oppositional and there is very little creative adaptation of the agenda. Most commonly, the Paris Declaration is seen to be about homogenising aid behind budget support. Another common interpretation is that Paris is confusing means and ends and is, for example, promoting donor coordination without consideration of its actual poverty outcomes. In all contexts the quality of poverty data is weak. In country analysis still struggles to link changes in poverty to development programming and still less so to aid delivery. There is very little evidence of good practice in aid delivery, but more easily provided were examples of bad practice.
7. DFID is seen to be the single most vociferous advocate of aid effectiveness in all contexts. This leads to positive assessments of DFID as 'progressive', as well as critical perspectives suggesting DFID is 'moving too fast' and 'doing its own thing'. Some of DFID's aid effectiveness initiatives are taking place in contexts without the existence of functioning mechanisms and processes for inter-agency dialogue, and it is not yet clear how these initiatives are contributing to common, in-country efforts at increasing aid effectiveness.
8. Although aid effectiveness debates are not *well* developed in most country contexts, they have been strengthened over recent years. The Paris Declaration is still very new and the Fragile States Principles are draft. There is much still to be done to strengthen aid effectiveness debates and some good opportunities. Recommendations for DFID include:
 - a. Globally – Provide more information on other donor commitments to Paris; provide joint donor training on Paris; develop aid effectiveness induction programmes; feed country lessons to OECD DAC; reflect on the risks/opportunities and resource implications of DFID's role as 'champion'
 - b. Regionally – Support more debate of the Paris Declaration within country teams; invest significantly in monitoring and lessons learning; seek to include Asian donors within aid effectiveness debates; implement strong communications strategies that situate DFIDSEA's transforming approach within the Paris Declaration
 - c. In-country – scale up support to mechanisms and processes for inter-agency collaboration (e.g. CGs); scale up support for government in establishing clear aid management policies; support dissemination, translation and debate of the Paris Declaration; pursue opportunities for independent reviews of aid partnership; scale up support for poverty monitoring; implement strong communications strategies that situate DFIDSEA's transforming approach within the Paris Declaration

Introduction

1. This report has been written with the purpose of strengthening the debate on aid effectiveness within the donor community and between the donor community and partners in-country. The report is based on an investigation of a range of stakeholders' perceptions of the OECD DAC Paris Declaration and draft Fragile States Principles¹ in five different countries. The report analyses the strengths and weaknesses of the OECD DAC agenda in-country and identifies opportunities for furthering in-country debates of what makes aid more effective.

Methodology

2. The report presents a series of observations from five country studies². The report does not claim to represent all the extraordinarily rich information from the five studies, but rather has chosen to highlight particular findings that have pertinence for HQ, regional and country level staff. The five country case studies were necessarily adapted to fit in with national processes - in Cambodia the study was commissioned by the Partnership Working Group; in Vietnam it was commissioned as part of an on-going investigation of perceptions of budget support; in Burma the study was set up to feed into a national peer review process and likewise in Sri Lanka and Indonesia. As a result the studies are different in their emphases and focus. This overview does not attempt to reflect that diversity of approach.

3. In all studies, the data that was gathered was qualitative. Policy commitments were analysed where they existed – but they were few and far between. As perception studies, the data is open to criticism and reinterpretation. The studies were not intended as final outputs, but rather as catalysts to fuel debates at global, regional and country levels. The author of this overview has tried to situate the findings from the different studies within global analysis of aid effectiveness – and the OECD DAC agenda in particular. The recommendations are to the regional and HQ levels - country programmes will clearly be considering them alongside the many specific recommendations within the country reports. The terms of reference had originally asked the consultants to try and characterise agency perceptions of the agenda. This overview, and the five country studies, has rather focused on broad trends in the debate of aid effectiveness and the OECD DAC agenda in particular, and on individual perceptions. The reasons for this are made clear below.

¹ OECD DAC Paris Declaration on Aid Effectiveness 2005; OECD DAC Principles for Good International Engagement in Fragile States, 2005

² *Aid Effectiveness in Burma/Myanmar: Study on Development Agency Perceptions*, A. Igboemeka, 2005; *Aid Effectiveness and Aid Coordination in Cambodia: Stakeholder Perceptions*, The Asia Foundation, 2005; *Perceptions of Development Partners and Evidence on Aid Effectiveness in Indonesia*, T. Walsh, 2005; *Sri Lanka: Aid Effectiveness – A Scoping Study of development partner perceptions for DFIDSEA*, S. Harris, 2005; *Perceptions of Development Partners and Evidence on Aid Effectiveness: Vietnam Case Study*, Jacquemin & Bainbridge, 2005.

The Aid Effectiveness Agenda: globally and regionally

This section briefly situates the OECD DAC Paris Declaration and Fragile States Principles within other global discourse on aid and international relations.

4. The aid effectiveness agenda is not a 'new' agenda. However, consensus over what makes aid effective has changed significantly - both in terms of the content of the agenda and the degree of consensus. On 25 May 2004, in Shanghai, James Wolfenson, President of the World Bank observed that *'the Washington Consensus has been dead for years. It has been replaced by all sorts of other consensuses.'*³ The debates around what aid is for and how it is best delivered are numerous and, in all cases, contested. A number of other debates - such as those on global security, democracy, human rights and trade - influence aid policy as much as (and often – more than) specific aid discussions. It is beyond the scope of this paper to assess the OECD DAC agenda in relation to the plethora of non-aid specific global debates.

5. At a global level, aid effectiveness debates take place in a range of fora, including within the International Finance Institutions (IFIs), the United Nations (UN), and within global groupings such as the OECD and G8. These global debates are dominated by governments, particularly by OECD governments. Arguably particular OECD governments influence the aid effectiveness debate (both inside OECD and outside of it) more than others – such as the US. There is also a number of civil society and more popular debates around aid (see below). The OECD DAC Paris Declaration has grown out of the Monterrey consensus of 2002 that called upon developing countries to strengthen their commitment to stimulating growth, reducing poverty and achieving the Millennium Development Goals (MDGs). It also called upon developed countries to provide more and better aid. OECD DAC High Level Fora in Rome (2003) and then in Paris (2005) took this agenda forward and established commitments and targets that were intended to galvanise action towards improving the quality of development assistance. Debates around the quantity of aid take place within OECD DAC, the G8 (focused primarily on Africa) and the UN.

6. At the Asia regional level, aid debates are located within regionally based organisations such as the Asia Development Bank (ADB) or to some extent the United National Economic and Social Commission for the Asia-Pacific (UN-ESCAP). To a lesser extent sub regional groupings such as ASEAN and SAARC facilitate discourse on aid effectiveness in the region. Emerging donors (India and China) are becoming more influential in determining the aid debate in Asia as well as in the South East Asia sub region (e.g. Thailand). Japan is the largest bilateral donor in all the country case studies. Research is beginning to look more closely at how some of the more successful developing countries in the region have managed aid programming.⁴ As research begins to consolidate Asian experiences of development and Asian

³ *The Washington Consensus is dead! Long live the meta-narrative!* S. Maxwell, 2005

⁴ For example see www.grips.ac.jp

donors increase their influence over aid programming in the region, Asian perspectives on aid effectiveness – always important – will become increasingly influential.

7. The most visible aid effectiveness debates are primarily inter-government debates. However, civil society movements have also brought more popular attention to aid effectiveness issues, for example on the subjects of debt. Humanitarian crises and natural disasters have deepened a more popular role in discussions over effective humanitarian aid (e.g. Live Aid). In the case of the Asia tsunami, there are signs of a growing popular concern with issues around corruption and the misuse of funds (e.g. in Sri Lanka). Although a number of regional non-governmental organisations did participate in the OECD DAC debates, non-governmental participation in aid effectiveness debates tends to be led by International non-governmental organisations (INGOs) with their roots in OECD DAC countries. Regionally, there is very little civil society participation in debates around aid effectiveness – although there are significant lobbies on human rights and political issues. There is as yet no systematic inclusion of civil society in discussions of aid effectiveness globally or (as we shall see below) nationally.

What is the OECD DAC Paris Declaration?

This section provides a summary of the Paris Declaration. The full declaration can be found at <http://www.oecd.org>

8. Ministers of developed and developing countries responsible for promoting development and Heads of multilateral and bilateral development institutions, met in Paris on 2 March 2005, and resolved to take actions to reform the ways in which aid is delivered and managed in order to enhance achievement of the Millennium Development Goals (MDGs). The Paris Declaration recognises that while the volumes of aid and other development resources must increase to achieve the MDGs, aid effectiveness must also increase significantly to support partner country efforts to strengthen governance and improve development performance. As such, the Paris Declaration is designed to strengthen both donor and recipient government commitments to aid effectiveness. Among the signatories to the Paris Declaration are more than 90 (rich and poor) countries, the major international financial institutions (including the World Bank, Asian Development Bank, and International Monetary Fund), and a significant number of multilateral agencies, such as those comprising the United Nations Development Group (UNDG).

The Paris Declaration acknowledges that enhancing the effectiveness of aid is feasible and necessary across all aid modalities - in determining the most effective modalities of aid delivery, the signatories agreed to be guided by development strategies and priorities established by partner countries. The Paris Declaration recognises that enhancing the effectiveness of aid is also necessary in challenging and complex situations, such as the tsunami disaster that struck countries of the Indian Ocean rim on 26 December 2004. In fragile states, the Declaration recognises that the principles of harmonisation, alignment and managing for results should be adapted to environments of weak governance and capacity. The OECD DAC have

developed draft principles for working in fragile states to be finalised late in 2006.

The Declaration includes a Statement of Resolve, a set of Partnership Commitments and a number of Indicators of Progress – with quantified targets⁵. The Statement of resolve reaffirms commitments made in Rome and emphasises a number of challenges in donor-government partnerships, as well as calling for ‘the design of appropriate and complementary modalities so as to maximise their combined effectiveness’. Partnership Commitments need to be ‘interpreted in the light of the specific situation of each partner country.’ The targets are ‘designed to track and encourage progress at the global level. They are not intended to prejudge or substitute for any targets that individual partner countries may wish to set.’

The Declaration has five key concepts which are articulated as an Aid Effectiveness pyramid, which has at its apex ‘ownership’. The other components of the pyramid – alignment, harmonisation, managing for results and mutual accountability - are considered necessary aspects of building more effective aid, but ownership is given privileged status as the most significant aspect of improving aid effectiveness. The Partnership Commitments are defined as:

Ownership – partner countries exercise effective leadership over their development policies, and strategies and co-ordinate development actions

Alignment – Donors base their overall support on partner countries’ national development strategies, institutions and procedures

Harmonisation – Donors’ actions are more harmonised, transparent and collectively effective

Managing for Results – managing resources and improving decision-making for results

Mutual Accountability – Donors are accountable for development results

The Aid Effectiveness Agenda in-country

This section makes a number of observations from an assessment of the five country case studies. A ‘quick and dirty’ summary of some aspects of those studies is found at annex 3.

9. The first observation to make from the country case studies is an obvious one – **the influence of the OECD DAC Paris Declaration is extremely varied from country-to-country**. That both government and donor agencies do not appear to be engaging with the Paris Declaration in some countries (e.g. Burma and Sri Lanka) but appear to be doing so in others (e.g. Cambodia, Vietnam and, to a lesser extent, Indonesia) is not that surprising. The role of aid is determined by a complex set of conditions and relationships at the country level. Partner governments consider the role of aid in relation to their own political, economic and security agendas. Bilateral and multilateral donors are considering aid as part of a broader set of international relations

⁵ See Annex 1.

that includes considerations of global and regional security, democracy, human rights and trade, as well as aid. A number of non-OECD donors (e.g. China, India and Thailand) bring their own non-OECD, 'Asian' perspectives to debates on aid and international relations. The increasing role of individuals from wealthier nations in funding delivery of humanitarian aid through INGOs is bringing another set of voices to the debate (mostly focused on mismanagement of funds). Seen in this light the Paris Declaration is clearly just one influence, amongst many others, in determining aid relationships.

10. Perhaps more surprising is the observation that donors and partner governments, in most cases, have **not established effective structures and processes for determining what a local definition of aid effectiveness might be**. CGs and other formal government-donor mechanisms function to extremely varied ends and with diverse levels of commitment in all country contexts (except in Burma where they don't exist). Only a few years ago CG processes took place outside of partner countries (in Paris or Tokyo). To take the Paris Declaration forward, donors and government need to have established a certain amount of space and time for discussion of the 'aid agenda'. The Paris Declaration is designed to improve interagency communications, but improved inter-agency communications are a prerequisite for taking forward Paris. The country studies clearly indicate that it is only in countries where CG processes are stronger (or less weak) that the Paris Declaration has been interpreted into local action plans (Cambodia and Vietnam) and even here this could be attributed to OECD DAC instigated piloting processes. Where local action plans have been developed, awareness of the aid effectiveness issues is higher, although even here awareness is quite narrow and shallow (see below). In the absence of strong CG processes and Paris action plans, aid effectiveness discussions take place informally or in ad hoc groups (e.g. like minded) and in sectors where aid instruments (such as budget support) are being considered.

11. In the absence of locally agreed declarations (and even where they do exist) there is evidence **of varying perspectives on the Paris Declaration that are linked to differing agency 'mandates' or 'world views'**. The Vietnam study helpfully provides a very basic typology of donor approach to the Paris Declaration. Across the studies the Japanese, the World Bank and Asian Development Bank are given particular importance in influencing definitions of aid effectiveness at the local levels. They are the largest providers of aid in all country contexts (except Burma). The Japanese are seen to have a specific model of aid, which is different to other OECD DAC donors. The World Bank and ADB mandates for delivering loans are seen (in some cases) to lead to competition over access to their clients (e.g. governments) and thus running counter to the Paris Declaration of increased collaboration. Other respondents have noted how the emerging donors in the region (e.g. China, Thailand, Malaysia) are bringing different 'world views' that will influence definitions of aid effectiveness, and thus how the OECD DAC agenda is interpreted. The next section includes more observations on differing agency mandates and world views.

12. The case studies (all, but particularly Cambodia) have highlighted how **differing interpretations of the Paris Declaration do not depend so much on agency perspectives, but are much more a result of individual opinions.** Whilst inter-agency communications are not helping promote common understandings between organisations; intra-agency communications are not supporting common meanings of the Paris Declaration within organisations. The Vietnam study was the only one to identify how some donors had HQ led processes (action plans, official minutes and statements, reviews...) that were further articulating Paris commitments for staff. In many cases, officials working at the country programme level are not fully aware of any corporate commitments beyond the OECD DAC Paris Declaration. Where some people are aware of the Paris Declaration, many are not aware of its actual targets or commitments. Other studies⁶ have noted this disconnect between HQs and country offices. Whilst some agencies may have corporate statements and action plans on aid effectiveness, it is not clear the extent to which these are prioritised amongst other corporate agendas, nor whether individuals are measured against their performance in relation to these plans. As a result, all five studies elicited a broad array of individual opinion rather than agency policy. This has considerable implications for advocates of aid effectiveness – they will need to engage at the individual, as well as the corporate levels.

13. Ineffective communication structures surrounding the discussion of aid effectiveness are leading to **partial interpretations of the Paris Declaration** One of the two most persistent interpretations of the Paris Declaration amongst the individuals interviewed is that it is about **homogenising aid behind the instrument of budget support.** This interpretation is founded upon targets within the Declaration, and can be considered a ‘correct interpretation’ – but it is partial. As a result of poor organisational support and weak inter-agency communication structures in country, the Paris Declaration is not being *fully* discussed and translated into national priorities for individuals to take forward. The tendency is for ‘oppositional’ interpretations of the Paris Declaration. Without a process for localising debate – individuals may be disempowered from defining the global agenda to fit the country context and so tend towards finding areas where the agenda does not fit (e.g. ‘it’s all about budget support’); rather than those where it does (e.g. yes, the agenda is fundamentally about increasing country ownership of the development agenda and we can explore appropriate instruments to pursue this). In all the studies, levels of decentralisation of decision-making are seen to be key to promoting more effective engagement with the Paris Declaration. Notably in Vietnam, where many of the development partners see themselves, in some ways, as defining the global agenda there is much higher level of ownership and local definition.

14. The second most persistent and **partial interpretation of the Paris Declaration** is that **it is about donor coordination.** Although there is a strong focus on donor coordination within the declaration – it is again only part of it. Significantly where this partial interpretation dominates, there is a

⁶ Incentives for Harmonisation in Aid Agencies, ODI, 2005

tendency for individuals to argue that the Paris Declaration is promoting an approach where the means (more harmonised donor programmes) become ends in themselves. 'Coordination fatigue' is described in the case studies where individuals are unclear on the overall objectives of better coordination. Where joint donor instruments and coordination mechanisms are being developed without a clear articulation of both broader aid effectiveness objectives and overarching poverty / development targets there is significant confusion over what is aid delivering (e.g. Indonesia). In contexts where there are few donors and aid is relatively scarce – the Paris Declaration is perceived as irrelevant because transaction costs are not seen to be an issue (e.g. Burma).

15. The Paris Declaration leaves – even with defined targets and indicators – quite significant space for further definition. Whilst this is essential in allowing the agenda to be adapted to country context (and is therefore a strength of the agenda), it also allows for considerable confusion if a process of local definition is not being undertaken (and is therefore a weakness – see above). Government leadership is absolutely crucial in defining a local agenda for aid effectiveness. Where there is clear leadership (Vietnam) the agenda is much more defined. In general, stakeholders are not engaging with the agenda creatively, to adapt it and emphasise local contributions to the global debate. A good example where local definitions could develop is in relation to 'ownership'. As defined by the agenda this leaves significant space for definition and articulation of different aid instruments at the country level. It specifically includes reference to civil society. Nevertheless, civil society has not been included in debates of aid effectiveness in any country. Nor has there been any attempt to consider what implications a 'country' (rather than just government) led development approach might mean. There is space within the Paris Declaration for the articulation of new aid instruments for engaging with civil society, for example, but this initiative has not been taken in any context. In Burma, it has been noted that the fragile states principles might present a way forward in forging more effective aid – but the agenda has not been localised.

16. All country studies were encouraged to develop, or propose ways to develop, an evidence base that could determine the costs and benefits of aid effectiveness initiatives. There was limited success in all contexts. **The quality of poverty data is weak** but improving (at different paces – Burma has the lowest quality data and Vietnam the highest). In-country analysis still struggles to link changes in poverty to development programming and still less so to aid delivery. There is very little evidence of good practice in aid delivery and of whether good practice (such more aligned and harmonised aid) leads to more sustainable and greater impacts on poverty reduction. **More easily provided were examples of bad practice in aid delivery.** This is highlighted as a motivating factor for pursuing the Paris Declaration in a number of case studies. Most often bad practice relates to donors imposing high transaction costs for government or using aid in ways that do not build capacity (e.g. use of technical assistance). Methodologically, all studies struggled to present ways forward on developing an evidence base and in some cases (e.g. Cambodia) questioned the possibility of this endeavour (as

well as its benefit). Internationally, consultants have also struggled to deliver an evaluation framework⁷ that can associate improved development aid modalities with increased poverty reduction. Although independent reviews of government-donor relations have created awareness and momentum for aid effectiveness discussion (e.g. Tanzania; Mozambique), they have not yet been undertaken in the region.

17. DFID is identified as the single most vociferous advocate for aid effectiveness in all contexts. In many cases this has led to positive assessments of DFID as 'progressive' and committed to the AE agenda. In others contexts, DFID is left open to criticism as moving too fast and doing its own thing. Although DFID has significant commitments and some resources dedicated to the OECD DAC Paris Declaration, as with all donors, its staff has varying views of the specific commitments of the agenda. DFID is supporting a number of new approaches to aid delivery in the country case studies and is 'walking the walk' not just 'talking the talk' on aid effectiveness. Nevertheless, without the existence of functioning mechanisms and processes for inter-agency dialogue, it is not clear how DFID's initiatives will contribute to common, in-country efforts at increasing aid effectiveness and promoting the Paris Declaration. In these contexts arguably a twin-track approach is needed – exploring innovative mechanisms alongside dedicated resources committed to improving over-arching aid effectiveness mechanisms and processes. This will have resource implications.

Donor roles in the Aid Effectiveness Debate

This section provides very brief summaries of perceptions of some of the key donors (and DFID) in the case studies⁸.

18. It is extremely difficult to generalise about the role of different donors in promoting aid effectiveness in-country. Perceptions within the same donor organisations vary widely between the different countries within which they work. Donors (and governments and civil society organisations) are not homogenous groups and attitudes and behaviours vary amongst individuals. That much within the aid community rests on interpersonal relationships has been noted elsewhere⁹. The aid effectiveness agenda of the OECD DAC concerns itself primarily with relationships between agencies and it is not surprising then that this comes down to a relationship between individuals and this is noted in a number of the case studies. As a result, the characterisations provided below are not in anyway full descriptions of agency perspectives – they are merely some reflections on how these agencies have been perceived within the country case studies.

19. As a result of both the size of their finances and the level of their engagement with governments, the **World Bank and the Asian Development Bank (ADB)** have a pivotal role in aid delivery in all country

⁷ *Evaluating Progress Towards Harmonisation*, P. Balogun, 2005; *What is Aid Effectiveness and how can it be measured*, DFID 2005

⁸ For further assessment of Donor policy see *What is Aid Effectiveness and how can it be measured*, DFID 2005

⁹ *Relationships matter for supporting change in favour of poor people*, R. Eyben, 2003

case studies (except for Burma). Some respondents within these case studies consider both the World Bank and the ADB to be constrained on their actions towards aid effectiveness, as a result of their own corporate governance. On the boards of both banks are competing national interests that do not necessarily promote consensus on the priority of aid effectiveness issues – for example, in some cases members of the boards may prioritise national interests in securing contracts, rather than promoting common procurement processes at a country level. As banks, both the World Bank and ADB need to deliver loans to their clients and in some cases this is seen to be leading to competition over access. As a result of their pivotal role in delivering aid, where relations between the World Bank and ADB are strained, progress towards OECD DAC targets are seriously constrained. Arguably, governance reforms at the core of these institutions will be necessary before commitments to strengthening aid effectiveness in-country can be realised¹⁰.

20. The **United Nations (UN)** also has a central role on aid effectiveness in the region. As the United Nations Development Group (UNDG), the UN represents a significant presence in-country. Their representative membership, their historical role in political transition in the region (e.g. Cambodia) and their leadership on humanitarian assistance (Burma, Sri Lanka) accords them a special relationship with government. Their recently launched action plan on aid effectiveness¹¹ outlines their position on the OECD DAC agenda. It notes itself that '*Since adoption in 2003 of the Rome Declaration, the UNDG has moved beyond often inward-looking reform initiatives towards defining our position in a changing aid environment...*' UN officials in all country case studies are frank about the challenge of their internal reforms. Internal coordination issues clearly predominate in the UN and this impacts on their ability to lead aid effectiveness discussions with other donors. As with the Banks, some UN agencies face considerable constraints from a lack of consensus on what makes aid effective at board levels. Notably the US has considerable influence over UN mandates in-country. This has recently demonstrated itself through US attempts to limit UNDP assistance within Burma.

21. The largest bilateral donor, in all case studies, is **Japan**. Their financial contributions are on similar levels to both banks and like the banks their access to government is at high levels. Although a signatory to the OECD DAC agenda, Japan's concept of effective aid is significantly different to many others in the OECD group. One Japanese official's view cited in the case studies indicates this quite starkly: '*The Tokyo view is that the Paris agenda is based on some bitter experiences of European donors in Africa.*' Japanese aid is not homogenous (JICA, JBIC, Jetro), nevertheless, there are some common characteristics amongst the agencies. Japanese aid agencies maintain a priority of visibility in their programming and their aid supports political relations in ways that are different to other non-Asian OECD donors. The Japanese approach includes a strong focus on aligning behind government policies, but agencies adhere to Japanese specific procedures -

¹⁰ *The Washington Consensus is dead! Long live the meta-narrative!* S. Maxwell, 2005

¹¹ *Implementation of the Paris Declaration on Aid Effectiveness: Action plan of the UN Development Group*, UNDG, 2005

on procurement, for example. Japanese officials argue strongly for a diverse portfolio of aid modalities – ‘*Diversity of donors gives the government a wider portfolio to choose from... It is a question of balance - twenty donors might be too many, but one is too few.*’ The Japanese approach to aid effectiveness is not monolithic and some commentators have noted a shift towards greater consensus on the OECD DAC commitments. In some country contexts, the Japanese have dedicated staff focusing on harmonisation, and in others they take leading roles in key donor forums. And yet over recent years, changes in the Japanese approach to programming have not indicated much change in the concept of aid effectiveness. Their approach is still more project-oriented and less ‘cross-cutting’.

22. Although they are not yet bilateral donors on the same scale as Japan or other OECD members, **India and China’s** influence on the aid debate is increasing. Currently their interests and dialogues with their poorer neighbours are primarily concerned with interests of security and economic relations. However, their own economic growth will undoubtedly lead them to an increasing prominence in aid relations within the region. This study could only investigate to limited degrees their approaches to aid delivery. Like the Japanese, these Asian governments may have high levels of access to their partner governments and possibly different understandings of the policy making approach of Asian governments’. It is also probable that emerging Asian donors will have different approaches to sovereignty concerns to the OECD DAC. The ASEAN principle of non-interference may be an indicator of this. There have been very few attempts from the OECD DAC grouping to engage these nations in aid effectiveness debates in-country.

23. **DFID** is clearly a much smaller player than the banks, the UN and the Japanese, in all case studies. DFID has less resources (in most cases) and less access to high-level policy makers (in all cases). Nevertheless, it has placed considerable emphasis on trying to influence these larger and better-positioned donors, particularly in the contexts of these case studies where aid dependency is quite low and DFID’s own financial contributions are minimal. DFID’s focus on working with others has naturally led to a strong focus on the aid effectiveness agenda. DFID developed its first global action plan on aid effectiveness in 2003 and developed a regional South East Asia action plan on aid effectiveness in 2005. Unlike most other donors, DFID has dedicated resources at HQ level and performance management systems that support officials’ participation in aid effectiveness activities. In some countries DFID was the only donor who stated that aid effectiveness was a high corporate priority. In other countries, given DFID’s focus on working through and with other donors DFID is seen to be ‘*trying to harmonise without aligning*’. And in still others, DFID has been seen to be ‘*doing its own thing*’ and aligning at a pace that others deem to be reducing incentives for government reform. In all cases DFID is associated with a ‘*progressive*’ way of doing business and is seen to be at the forefront of the aid effectiveness debate – although, as the comments above show, this sometimes leaves DFID open to criticism. In some cases DFID’s implementation of new models of aid effectiveness have served as evidence for other donors to use influencing their own HQs.

Recommendations for furthering the debate in-country

This section provides recommendations for DFID to take consider at global, regional and HQ levels

24. One could easily conclude from the above overview that aid effectiveness debates are extremely limited and non-consensual. This is the case within particular donor agencies, between different donor agencies and between donor agencies and national stakeholders (government in particular). This is even the case in countries that are seen to have advanced aid effectiveness debates. Awareness of the Paris Declaration as a whole is extremely low in all countries – although less low in Vietnam and Cambodia.

25. However, this conclusion is overly simple. It misses the evolution of the discussions in-country. The fact that CG discussions are held in-country at all, demonstrates an increase in national level participation. CG processes were held out-of-country for all country case studies until less than 5 years ago. Discussion around support for national plans and budgets through harmonised donor instruments is still new to most of the country contexts, but the existence of these discussions indicate that there is increased interest in developing a consensus on aid delivery in-country. Even in the most challenging contexts, such as Burma, more concerted discussion of aid modalities is arising out of the failure of some aid instruments. The OECD DAC Paris Declaration is also a very new declaration. It is the first attempt to turn aid effectiveness concepts (which are themselves not new) - such as harmonisation and alignment - into global commitments for donor agencies.

Recommendations:

DFID at HQ level:

26. Support from DFID HQ in **providing regional and country offices with other donor commitments to the Paris Declaration**— particularly as regards, the World Bank, ADB, UN, Japan, and other bilaterals and **advocacy other donor HQ corporate plans and commitments** where don't yet exist
27. Systematic efforts to **build ADB-WB relations** and in particular joint commitments and monitoring of Paris targets
28. DFID HQ working with other donor HQs to **provide joint training on the Paris Declaration** for a mix donor staff
29. **Induction programmes for new donor staff** (especially heads of office) should include aid effectiveness modules and a model process should be developed for following at country level
30. **Feed country level lessons to the OECD DAC**, with a focus on
 - Local interpretations of the Paris Declaration
 - The role (or not) of inter-agency communications (CGs etc.) in defining aid effectiveness agendas

- New instruments for promoting country ownership (e.g. for engaging with issues of local ownership and engagement of citizens)
 - New instruments for promoting joint donor working (see below)
 - Methodologies for gathering evidence – e.g. how do we measure the impact of new aid modalities and approaches
31. DFID is a strong advocate for aid effectiveness in all SE Asia country contexts: HQ should **reflect on both the opportunities and risks of being a champion**

DFID at regional levels:

32. More **debate within DFID country teams** and at a regional level of what the Paris Declaration ‘means’ in the SE Asia region.
33. Update regional action plan and **institutionalise DFIDSEA Aid Effectiveness team**
34. **Invest significantly in monitoring and lessons learning** from new instruments of joint donor programming in-country (e.g. DSF in Indonesia; MDF, joint strategy and social accountability in Cambodia; long term budget support in Vietnam; joint DFID, FCO and MoD programme in Sri Lanka; response to HIV in Burma). With a particular focus on:
- Process factors: particularly transaction costs
 - Poverty impacts
 - a. Contributions to national AE debates
 - b. Analysis of how budget support conditionality contributes / detracts from ownership;
 - c. More analysis of how security, aid and economic agendas interplay to determine aid policy in fragile states
35. Identify **innovative aid instruments that support ‘country ownership’** – beyond the State and including civil society - and feed lessons into the global debate on aid
36. **Engage** directly, or through others (e.g. UN ESCAP), **with emerging Asian donors** - China, India, Thailand and others – to include them in the process of defining aid effectiveness in the region
37. **Strong communication strategies in all SE Asia countries** that situate DFID’s approach to *transforming development assistance* within the Paris Declaration (these communication strategies will need to consider low levels of awareness of Paris Declaration).

38.

DFID in –country:

39. Consider **scaling up DFID support to mechanisms and processes** for inter-agency collaboration at country levels (e.g. CGs, TWGs, like

minded groups, joint strategies etc) or **scaling down objectives on aid effectiveness**.

40. Consider **scaling up support for government in establishing clear aid management policies** and leadership in the aid effectiveness debates
41. Support **dissemination** (including translation) **and debate** of the Paris Declaration at country levels or through regional initiatives – with the purpose of building local definitions – and with a particular focus on government participation
42. Pursue opportunities for **independent reviews of aid partnerships** (like Mozambique; Tanzania)
43. Consider more **support for nationally led MDG and other poverty monitoring** and analysis processes that lead to a greater understanding of development impact
44. **Strong communication strategies in all SE Asia** countries that situate DFID's approach to *transforming development assistance* within the Paris Declaration (these communication strategies will need to consider low levels of awareness of Paris Declaration).

Annex 1 – Paris Declaration: targets and indicators

OWNERSHIP TARGETS FOR 2010

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.

ALIGNMENT TARGETS FOR 2010

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.

Aid flows are aligned on national priorities — Percent of aid flows to the government sector that is reported on partners' national budgets.

Strengthen capacity by co-ordinated support — Percent of donor capacity development support provided through co-ordinated programmes consistent with partners' national development strategies.

Use of country systems — Percent of donors and of aid flows that use partner country procurement and/or 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.

Strengthen capacity by avoiding parallel implementation structures — Number of parallel project implementation units (PIUs) per country.

Aid is more predictable — Percent of aid disbursements released according to agreed schedules in annual or multi-year frameworks.

Aid is untied — Percent of bilateral aid that is untied. Continued progress

HARMONISATION TARGETS FOR 2010

Use of common arrangements or procedures — Percent of aid provided as programme-based approaches.

Encourage shared analysis — Percent of (a) field missions and/or (b) country analytic work, including diagnostic reviews that are joint.

MANAGING FOR RESULTS TARGET FOR 2010

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.

MUTUAL ACCOUNTABILITY TARGET FOR 2010

Mutual accountability — Number of partner countries that undertake mutual assessments of progress in implementing agreed commitments on aid effectiveness including those in this Declaration.

Annex 2 – country contexts

Burma

Burma's is almost certainly not going to achieve any of the MDGs, but poverty data is unreliable and scarce. The government's own MDG report¹² presents an extremely optimistic picture of progress and this reflects some of its attitude to development. The government considers itself to be in control of the challenge of development and will not easily accept that donors may have alternative stories on development. The UN has estimated that 23% of the 55 million population is below the poverty line – but it actually likely to be much higher. Government affirms very strong leadership (control) of the development agenda, but has shown very limited capacity (and commitment) to leading an agenda on *aid*. It is highly suspicious of any foreign presence in Burma and shrouds its policy making process in complete secrecy – some observers suggest that there is no real system to policy making.

There is very limited donor engagement in Burma and it is characterised by centralised, HQ based decision-making. Donors are limited in their engagement by a number of restrictions – for example, over who they can work with (e.g. many cannot work with government), and what aid should support (e.g. for many, only humanitarian assistance). The World Bank and the ADB do not have a presence in Burma and as a result the UN leads the coordination of international NGOs, donor agencies, the government and the wider donor community. The UN has established a series of sector and geographic working groups – primarily for internal UN coordination, but there is no over-arching forum for the discussion of aid effectiveness in-country. More so than in other country contexts, debates on aid that take place outside of Burma have considerably more influence over delivery than debates inside. The external debate is characterised (simplistically) by bipolar arguments over whether donors should be working in Burma, or not. The dominance of these external debates, combined with low levels of decentralisation, limit the space and the purpose of donors engaging in in-country discussions of aid effectiveness. The challenges of delivering *any* aid in Burma crowds out systematic discussion of what effective aid might look like in this context. The limited discussion has meant that in the Burma context: *'There is not a clear consensus at present on what more effective aid would look like or on the objectives for aid effectiveness.'*

Perceptions of the Paris Declaration were that it was developed for countries with *'high volumes of aid, high numbers of international actors, and a proliferation of projects.'* The value of a discussion of the Paris Declaration is questioned. Other aspects of the DAC agenda are seen to be more useful in prompting donor (only) discussions of effective aid – particularly the Fragile States Principles. The country report notes that a donor forum would need to be established for any discussion of aid effectiveness to be systematised.

Sri Lanka

Sri Lanka has the highest levels of achievement against the MDGs out of all of the countries studied. Out of the 18 million population approximately 5%

¹² Burma MDG report

are considered below the international poverty line. Government leadership of the development agenda is only partial. The LTTE has control of a significant part of the North and East of the country. The partisan nature of politics in Sri Lanka has led to a short-term approach to policy-making and resulted in significant shifts in relations between donors and government as administrations change. This in turn results in a lack of commitment (indeed aversion) amongst officials to building stronger relationships with the donor community, when future politics may dictate that the relations be dismantled. One donor respondent characterised the government's policy on aid management as this: the government '*won't stop you doing anything, they won't challenge you, but they won't listen to anything you say either!*' The LTTE faces very limited access to aid as well as international engagement, due to the various sanctions imposed by bilateral and multilateral donors.

According to the GoSL's External Resources Department, approximately US\$ 1 billion is channelled in the form of bilateral or multi-lateral aid each year. Japan is the single largest donor accounting for approximately 50% of all aid. The Japanese are the only bi-lateral donor to have their own desk within the External Resources Department / Ministry of Finance which affords them constant high-level GoSL access and the capacity for very close collaboration. The Japanese and banks may provide one of the most important avenues for promoting aid effectiveness. The ADB is the country's second largest donor providing approximately a quarter of the aid followed by the World Bank. The other bi-laterals donors combined account for less than about 15% of Sri Lanka's total aid and are relatively minor actors, especially in the eyes of the GoSL.

The architecture of coordination in Sri Lanka is convoluted and complex. Many respondents noted that the number of coordination meetings had proliferated since the tsunami. However, lack of effective coordination either amongst donors, or between donors and the GoSL was repeatedly cited as an obstacle to aid effectiveness. The World Bank and ADB lead donor engagement with government, but the current CG process is primarily concerned with government securing pledges from the donor community and is not well linked to processes of government-donor dialogue in the working groups. A large number of respondents complained that there was too much attempted coordination and that this reflected post-tsunami pressure amongst individual donors and other stakeholders to establish individual visibility and leverage. Rivalries within the UN family were frequently cited as an example of this.

In Sri Lanka, as one respondent observed, '*aid effectiveness is not a language that is much used*'. Some like-minded donors have focused the aid effectiveness debate on reaching consensus on ways in which donors can support Sri Lanka's transition to peace. The government, LTTE, civil society and non-like minded donors have been excluded from this group. At any rate, some respondents felt that '*bilateral discussion, small informal groups or cocktail party conversations*' were more effective mechanisms for engaging with government. The extent to which these more informal methods were being used to reflect common donor positions (such as those developed within the donor group) is not clear. The OECD DAC Paris and Fragile States agendas are not discussed in-country. The consultant noted that in his

investigation there were significant issues around translation of the concepts for both English speakers and non-English speakers.

Indonesia

It is estimated that 7.5 % of Indonesia's 217 million people will be living below the international poverty line in 2008. This will signify achievement of the poverty MDG. Indonesia is on track to achieve most of the other Millennium Development Goals. It is ranked as the most corruption nation in Asia. At a macro-level the government is seen to be increasingly focusing on aid management. Given the size (geographically and in population terms) and levels of inequality between regions, the strengthening of decentralised administrations for development is a core concern in Indonesia – there are over 440 local governments. It has been noted that competition within government for the leadership of this influential agenda has not led to transparent or harmonious dialogue with donors.

Indonesia has a foreign debt of \$82.2 billion – by far the largest debt of any of the five countries. Japan holds about 60% of the debt and the World Bank and ADB most of the rest. These three continue to be the largest donors. Within the donor community coordination mechanisms do not function well. The CG process has only recently begun to be chaired by government and is used to discuss annual pledges from the donor community, although some aid effectiveness issues are also discussed – being fed in by different working group processes. Some see the working groups as donor driven. Their efficacy as vehicles for dialogue between donors and government is seen as varied. The specific working group on aid effectiveness has not met in over a year and there appears to be no formal discussion of the Paris Declaration in other groups. The World Bank and ADB are seen in a particular light as a result of their implication in the 1990s financial crisis and the significant debt issues in Indonesia. Government is developing new policy on the loans it receives – this is likely to lead to a narrowing of both Banks' lending options. Other donors and a strong national civil society perceive the Banks to have extremely poor relations with each other and to be driven by strong corporate pressures to deliver loans.

Whilst an OECD DAC survey on donor practice has been conducted - awareness of its findings is not common. Attempts to promote Paris Declaration commitments are hampered by a lack of consensus on aid effectiveness concepts such as 'harmonisation' and the challenges of improving difficult donor relations. The government is in some cases seen to be 'playing off' donor agencies against each to try and get the best deals on aid. In any case the Paris Declaration is not discussed in detail and has not been localised into any donor or government action plans.

Cambodia

As a post-conflict and so-called 'fragile' state, and following decades of war and civil disturbance, Cambodia has achieved peace and a reasonable degree of macroeconomic stability and GDP growth. But levels of poverty (35-40%) and extreme poverty (15-20%) remain high, and progress in relation to the non-income measures of poverty reduction has been mixed. Most

governance institutions are still in a process of recovery and reinvention. A number of them are extremely weak and therefore exert a significant negative influence on aid effectiveness, not least: the public financial management system; the legislature and the judiciary; and the civil service, where salaries are very low and corruption is systemic.

These circumstances are exacerbated by aid dependence. ADD ON DONOR AID VIS-A-VIS BUDGET. The main organisational entities involved in aid coordination in Cambodia are, at the apex, the Government-Donor Coordination Committee and the 18 TWGs (and associated sub-working groups) that report to it. Aid effectiveness is clearly seen by all parties to be 'front-centre' on the development agenda, but tends not to be the subject of much formal explicit discussion, except possibly in some TWGs. While these groups are perceived as necessary and important, their performance varies significantly. There is some risk of 'coordination fatigue' and 'information overload' - even among those who are strongly in favour of coordination.

In December 2004, the Royal Government of Cambodia (RGC) issued a formal declaration on 'development cooperation partnerships to enhance aid effectiveness'. On 2 December 2004, the declaration was signed by the RGC and the following 12 development partners: ADB, Australia, UK, Canada, Denmark, EC, France, Germany, Japan, Sweden, UN Resident Coordinator (on behalf of the UN System), and the World Bank. Although everyone has heard of it, few people are familiar with the contents of the Paris Declaration. The most widely understood aspects are 'alignment' and 'harmonisation'. There have been a number of reviews of aid effectiveness including a damning report on the use of the ways in which donors have been using TA. An OECD DAC survey was undertaken in 2005 directly linked of the Paris Declaration. Although its findings are quite stark in terms of the use of PMUs and the number of autonomous donors missions, for example, the findings have not been well received – the questionnaires are seen by some to be burdensome and to yield results of questionable value due to challenges of appropriate definitions.

VIETNAM

While still one of the poorest countries in the world with a per capita GNI of US \$480 in 2003, Vietnam has made tremendous progress over the past decade in promoting poverty reducing growth. Annual economic growth rates of 6/7% have resulted in an average annual reduction in poverty of 3.5% since 1993. Poverty has declined to 19.5% in 2004 down from 58.1% in 1993. Despite comparatively high levels of absolute poverty for the region, socio-economic indicators are good. Life expectancy is 69 years and the infant mortality rate of 28 per 1000 live births is two to three times higher than countries with similar levels of GDP. Inequality is relatively low although rising with the gini coefficient below that of neighbouring countries such as Thailand, Malaysia and the Philippines, and close to that of China. Economic and social disparities are significant and rising between regions, rural and urban areas, and ethnic groups.

Vietnam is still largely an agricultural economy, with 74% of its 82 million population living in rural areas and two thirds of the population dependent upon agriculture for a living. While Provinces have a good deal of autonomy for finance and planning, central Government remains strong. It is committed to moving gradually from a command approach to economic management to that required of a modern market oriented economy and has pursued its global integration goals with vigour over the past 11 years for WTO membership.

Key challenges remain, however, including perceived widespread corruption, lack of transparency and accountability, heavy bureaucracy, stagnant State-owned enterprise (including banks) sector, and a fast growing but small private sector still facing various impediments to its development. Much broader-based reform is now needed to sustain growth and further reduce poverty in an increasingly complex regional and global context

While total ODA flows represent less than 15% of Government budget ODA volume has been increasing in Vietnam with an annual commitment of US\$3.7 billion for 2006. This includes US\$ 140 million from the International NGOs. However, only 55% of commitments are disbursed, due to a combination of slow Government bureaucratic processes and complex donor procedures. As part of the next 5 year planning process (SEDP 2006-2010) the Government is developing an 'ODA Strategic Framework' to better guide the allocation of ODA.

Some 25 bilateral donors and 15 international organisations are present in Vietnam. The three biggest donors are Japan, the WB and ADB, which together account for 70% of total ODA disbursement. Vietnam is the second biggest borrower of ADF from the ADB and IDA from the WB. Given the positive outlooks of steady growth, ODA is a fast declining element of public expenditure and once Vietnam achieves MIC status, around 2010, IDA and ADF financing will stop. On the bilateral front new donors are emerging such as Ireland, Hungary and the Czech Republic but perhaps more importantly the likes of China and Korea, the latter two pledging US\$200 million and US\$105 million respectively for 2006. The grant proportion of total ODA will inevitably decline with MIC status but Government expects ODA to continue at about the same or slightly higher levels but to be increasingly loan.

Most ODA is currently still delivered through stand alone projects, however the use of budget support is growing. There are an increasing number of examples of good development practice in Vietnam. These include;

- a PRSC lead by the World Bank with 13 co-financiers, all using the one instrument and one policy matrix which is based on actions that are rooted in the Government's own reform processes;
- a multi donor trust fund for public financial management which has 8 number of donor contributors, lead by the World Bank and DFID;
- sector budget support to the Government's own targeted programmes for poverty reduction (P135), piloted in 2005 by DFID, to be continued in 2006 together with Finland, the WB and other donors;

- sector budget support to achieve education for all, led by the WB with 6 co-financiers;
- an initiative to support the Government Inspectorate to enhance its role in tackling corruption, lead by Sweden with several co-financiers (not including DFID).

At the Consultative Group meeting (CG) of December 2005, the Deputy Prime Minister called on donors to strengthen coordination in three particular areas of support, Avian Flu, HIV/AIDS and economic transition “Beyond WTO”.

While donor sub-groupings exist in the form of the 5 Banks, the Like Minded Donor Group, the EU Development Group, the UN “family” and the Japanese, donor coordination and harmonization is increasingly coming under the auspices of the Partnership Group for Aid Effectiveness (PGAE) co-chaired on behalf of Government by the Ministry of Planning and Investment (MPI) and on behalf of the donors, by a donor representative rotating on a 6 monthly basis. The PGAE has successfully brokered an agreement between donors and Government on how to localize the Paris Declaration. The Hanoi Core Statement (HCS) and the Vietnam Harmonization Action Plan (V-HAP) through which it will be implemented, represent major steps in moving forward the aid effectiveness agenda in Vietnam.

The HCS is an agreement between the Government and Donors supporting it on how to improve the effectiveness and impact of aid. The Vietnamese Prime Minister formally approved the HCS at the beginning of October. The PGAE has now developed a strategy to communicate the main messages from the HCS to central and local government, donor and agency staff. The Hanoi Core Statement must become the Vietnam Core Statement.

The challenges of implementing the HCS are starting to bite – including controversial measures such as abolishing project management units and top ups for government officials working on donor programmes. The HCS commits donors to use government strategies, plans and budgets as the basis for their own planning. Importantly this explicitly includes alignment to the Government’s SEDP. Donors are to avoid using their own systems and should adopt government systems as soon as they meet mutually agreed international standards.

Key to measuring changes in aid effectiveness is the establishment of a clear baseline for donor and government behaviour. A donor baseline for the HCS has been established presently covering those providing 95% of resources to Vietnam. Other donors, especially emergent donors like China and Korea are being encouraged to participate. Baseline data suggests that 100% of donors intend to align their support to the SEDP, although there continues to be a debate about what alignment really means. However, only 53% of ODA by value for capacity building programmes is currently Government led and coordinated. Only 41% of ODA by value is programme based (that is in the form of budgetary support). There are over 440 parallel PMUs in existence, although a debate continues about what is and what is not a parallel PMU.

There is a long way to go in Vietnam but the signs are good. The idea of donors and line ministries producing Action Plans for their implementation of

the HCS during 2006 was tabled by the retiring donor co-chair of the PGAE at the December CG.. Donors and line ministries would be held accountable for their deliverables at the next annual CG meeting. We await to see if this challenge is taken up. Ultimately the impact of greater aid effectiveness will first be felt through improved disbursement rates. The World Bank chair of the recent CG set a ratio of 1/1 for disbursement to commitment by 2010. Improved disbursement to a pro-poor budgeting process (established through the annual Public Expenditure Review) will make available more resources to Government for pro-poor spending which would result in accelerated achievement of the MDGs in Vietnam.

**Annex 3 – sample terms of reference for country case studies
(Cambodia)**

**Terms of Reference
to Gather Evidence of the
Impact of Best Practice in & Perceptions of Other Donors on
Harmonisation and Alignment**

1. Background

- 1.1. The Department for International Development (DFID) is committed to the targets and commitments on Ownership, Harmonisation, Alignment, Results and Mutual Accountability (H&A) that were developed as part of OECD DAC High Level Forum (HLF) meetings in Rome and then in Paris in 2005. DFID is also committed to piloting and strengthening the OECD DAC draft Principles of Good International Engagement in Fragile States. DFID South East Asia (DFIDSEA) has placed harmonisation and alignment at the centre of its vision for programming in the region and has drawn up an action plan to (a) draw out the numerous targets and commitments that DFIDSEA has made in relation to H&A and compare them to OECD DAC commitments; and (b) help provide a framework for DFIDSEA to manage its progress towards these commitments. It will also (c) provide DFID senior management with evidence of DFID progress against HLF commitments and (d) policy division with evidence from which to deepen learning on H&A approaches.

- 1.2. DFIDSEA implements country programmes in Vietnam, Indonesia, Cambodia, Burma, Sri Lanka and East Timor. Vietnam's programme management is located in Hanoi (with some regional advice from Bangkok) whilst the other programmes are provided with both programme and advisory support from Bangkok.
- 1.3. The DFIDSEA action plan recognises that information on harmonisation and alignment activities is hard to come by. Largely due to the inclusion of Cambodia and Vietnam as specific case studies for the OECD/DAC High Level Forums on Aid Effectiveness, data for these countries is far more systematic than for any of the others. Data on current H&A activities / targets in these two countries and progress reports are available. Within the DAC review documents for Cambodia and Vietnam there is also some analysis of how country context has affected H&A (e.g. Vietnam's low aid dependency and strongly centralised government has affected opportunities for national planning). In the cases of Indonesia, Myanmar and Sri Lanka there is little information on H&A. Information can be gathered on H&A activities / targets from terms of reference for working groups or documentation on specific H&A processes (e.g. joint analytic work). In no country context is there documentation that contains analysis of how progress on H&A has affected poverty reduction.
- 1.4. Not all donors are convinced of the value of H&A activities. Corporate policies, incentives and procedures may not be in tune with the DAC declaration. Country programmes may not be in line with corporate agendas. And more informally, individuals and offices may be sceptical about the benefits of H&A. The arguments that are used to counter pressures for more attention to H&A are numerous and depend largely on country contexts and the personalities involved, but they include, for example:
 - i. H&A slows down the delivery of aid and impacts negatively on progress in poverty reduction;
 - ii. Headquarter policy on H&A is disconnected from the realities of in-country practice (and is therefore inappropriate);
 - iii. H&A reduces the quality of aid delivery by reducing everything to the lowest common denominator;
 - iv. H&A eliminates opportunities for individual donors to contribute their own special approach to development;
 - v. Governments have to show the way on H&A and they are not;
 - vi. Harmonisation leads to donors 'ganging up' on government and actually reduces government leadership and independence;
 - vii. In fragile states with limited commitment to poverty reduction, H&A is not 'worth it' – there is nothing to align behind.
- 1.5. Whilst it is too early to gather systematic evidence of how H&A activities have impacted on poverty we can begin to better understand the views of our partners in-country and gather evidence that counters some of the process-oriented arguments that are presented. For

example, evidence that refutes the assertion that aid is reduced to a common denominator approach or that proves H&A does not have to increase the inefficiency of aid. Or evidence that shows that harmonisation can deliver benefits even when there is no clear government leadership.

- 1.6. This assignment is the first of a series that will look to develop DFIDSEA's evidence base of the advantages and disadvantages of pursuing commitments on harmonisation and alignment. This assignment will focus on gathering evidence to substantiate debate around the more generic arguments presented against H&A. It will help provide DFIDSEA staff with a range of evidence to support their discussions on the importance of H&A.
- 1.7. This overall assignment will entail in-country consultations and literature reviews in all DFIDSEA countries as well as some international consultations and reviews. The in-country reports will be produced individually and synthesised into an overall regional report.
- 1.8. As most capacity on H&A is situated inside of development agencies, the intention with this consultancy is to work with an organisation that can provide both international and Khmer expertise, in order to build independent knowledge and skills in the subject.

2. Goal

- 2.1. Development effectiveness is strengthened in DFIDSEA partner countries in South East Asia

3. Purpose

- 3.1. Development partners in Cambodia better understand the perceptions and intentions of in-country donors on harmonisation and alignment, and have access to stronger evidence on possible benefits and pitfalls.

4. Scope of Work

- 4.1. The assignment will entail consultations with key international agencies (including NGOs), government partners and civil society in Cambodia, carrying out a brief literature review, report writing and presentation of findings.
- 4.2. In gathering evidence on perceptions there will clearly be data quality issues. For example, officials may not be willing to share frankly their perspectives on H&A – particularly where these may not be entirely in tune with corporate policies. The consultants will need to triangulate evidence as much as is possible and be explicit about evidence that is not robust.
- 4.3. Through meetings, internet searches and document review the consultants will:
 - i. familiarise themselves with key targets on aid effectiveness

- ii. assemble and summarise arguments deployed by key international agencies both for and against the pursuit of Aid Effectiveness targets
 - iii. assemble and summarise other donor perceptions relating to:
 - a. Opportunities for H&A
 - b. Constraints to H&A
 - c. Any plans to work differently in-country
 - d. Their corporate incentives for working on H&A
 - e. DFID's role as an H&A champion
 - iv. Gather robust evidence from country examples that refutes or (where appropriate) substantiates these arguments
 - v. Make recommendations for further evidence gathering exercises that will strengthen DFIDSEA's agenda on aid effectiveness
- 4.4. Through presentation and report writing the consultants will:
- i. Present findings at a meeting in DFID Cambodia
 - ii. Submit a report to DFIDSEA

5. Outputs

- 5.1. A Powerpoint presentation to DFIDSEA and a report of not more than 15 pages, including an executive summary, plus annexes.

6. Competencies required

- 6.1. The consultants should have a broad experience of international development approaches in Cambodia and a good understanding of the role of different international agencies.
- 6.2. The consultants should have or be able to quickly develop a strong understanding of the aid effectiveness agenda and some of the arguments for and against harmonisation and alignment.
- 6.3. The consultants will have excellent speaking, reading and writing English language skills. One consultant should be of Cambodian nationality.

7. Timing

- 7.1. The assignment will be for a total of 12 days. 4 days to familiarise themselves with the literature, core aid effectiveness debates and processes globally and within Cambodia, 6 days consultations with a broad range of development stakeholders. 2 days for report writing and presentation to DFID Cambodia
- 7.2. The assignment will begin in early July.

8. Management and reporting

- 8.1. The consultant will be managed by and report to the DFID in-country contact.