

2008 SURVEY ON MONITORING
THE PARIS DECLARATION

EFFECTIVE AID BY 2010? WHAT IT WILL TAKE

KEY FINDINGS AND RECOMMENDATIONS



3rd

High
Level Forum
ON AID EFFECTIVENESS

SEPTEMBER 2-4, 2008 ACCRA GHANA



2008 SURVEY
ON MONITORING THE PARIS DECLARATION

EFFECTIVE AID BY 2010? WHAT IT WILL TAKE

ARE WE MEETING THE TARGETS?

With only three years remaining until 2010, this chapter tells us how far we are from meeting the commitments and targets for effective aid that were agreed in Paris. It focuses mainly on the subset of countries for which progress can be measured — the 33 partner countries that took part in the two rounds of monitoring in 2006 and 2008. This chapter also provides useful information on the survey process, how it was managed and its limitations.

MONITORING THE PARIS DECLARATION

When donors and partner countries endorsed the Paris Declaration on Aid Effectiveness in March 2005, they were united by a common objective: to build stronger, more effective, partnerships that enable partner countries to achieve their own development objectives.

They pledged to achieve this objective by introducing far-reaching changes that imply not just a new way of thinking about their partnerships and the role of aid, but also new behaviours and practices.

As a gauge of their political resolve, they agreed to set targets against 12 indicators for effective aid and reconvene to review progress in 2008 in Accra. This report is the main, but not the only, source of information on progress made. It presents the results and findings from two rounds of monitoring — in 2006 and 2008 — and tells us how far we are from reaching the 2010 target for effective aid.

Other qualitative reports are also an important complementary source of information on progress. These include the *Progress Report on Aid Effectiveness* and the *Evaluation of the Paris Declaration* (Phase 1).

MORE ABOUT THE 2008 SURVEY REPORTS

This report presents findings, conclusions and recommendations drawn from the two rounds of monitoring undertaken in 2006 and 2008. It is divided into two volumes. Volume 1 (140 pages) presents an overview of key findings across the 54 countries that took part in the 2008 Survey. It also sets out some high-level policy recommendations designed to accelerate progress and help transform the aid relationship into a full partnership. Statistical appendices provide the data that underpin the analysis. Volume 2 (750 pages) includes a detailed analysis for each of the 54 countries in the 2008 Survey, each country is presented as a stand-alone chapter. Both volumes are available on line at www.oecd.org/dac/effectiveness.

The findings in both volumes are based on a very broad and representative body of evidence. For this second round of monitoring, 54 partner countries volunteered to organise the survey in their own countries — a marked increase compared with the 34 countries in the 2006 Baseline Survey. Broader participation means that the findings of the survey are based on a more reliable and representative set of data: more than one-half of all aid that was delivered to aid recipient countries in 2007 — nearly USD 45 billion — is recorded in the 2008 Survey.

The quality of data has also significantly improved since 2005. It draws principally from the 54 country reports that assess the challenges and opportunities in implementing the Paris Declaration at country level. These reports were prepared by senior government officials from partner countries, in close consultation with donors' country offices and key actors from civil society.

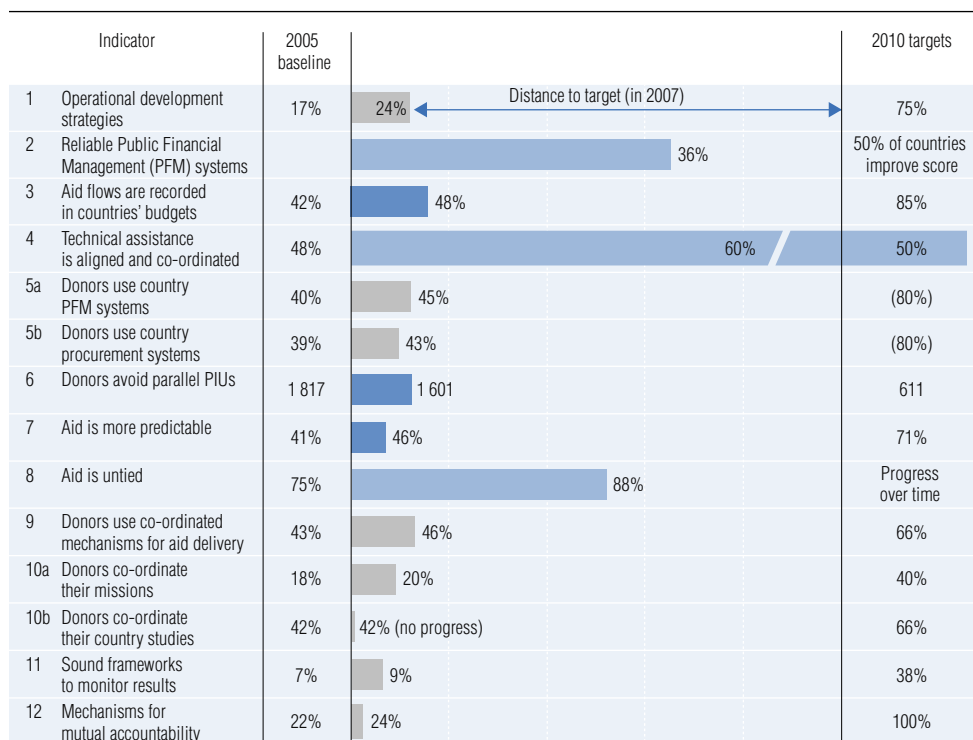
HOW FAR ARE WE FROM MEETING THE TARGETS?

Chart 1.1 gives a summary answer to this question. For each of the 12 indicators, it plots the relative distance required to meet the 2010 targets for effective aid. Analysis is based on the sub-set of 33 countries for which data is available both in 2005 and 2007.

Progress is being made across all indicators. The detailed analysis in the following chapters show significant advances in some countries and in some areas, suggesting that *real change is possible when there are joint efforts between partner countries and donors.* However, not all countries have been moving ahead in a decisive way, and some appear to have moved backwards, making the aggregate performance less impressive in almost all of the 12 areas covered by the indicators.

A considerable acceleration of change in the majority of countries will be needed to achieve the targets set for 2010. In almost all areas, there is a need for a change of gear – leading to a more vigorous, imaginative and concerted approach – not just more pressure on the accelerator pedal.

CHART 1.1
How far are we from meeting the targets?



The following section examines progress against each of the 12 proxy indicators and makes a distinction between those objectives that are on track, those within reach and those requiring very real and special efforts.

PROGRESS ON TRACK

Three of the aid effectiveness objectives are within reach by 2010.

■ **INDICATOR 4 – *Technical co-operation is aligned and co-ordinated.*** The objective of this indicator is to ensure that at least half of all technical co-operation is co-ordinated and aligned with the capacity development programmes of partner countries. The 2008 Survey shows that the target for Indicator 4 has already been exceeded. Indicator 4 has progressed from 48% in 2005 to 60% in 2007, reflecting improvements in the design of technical co-operation (Chapter 3). Progress against this indicator is, however, to a certain degree misleading and thus should not result in slackening of efforts. The strong performance is due, in part, to a definition (or a target) for “co-ordinated technical co-operation” that could have been more ambitious. The 2005 baseline, at 48%, was already very close to the 50% target. Even modest improvements made since 2005 are significantly amplified by the chart. As explained in Chapter 3, there is a need to develop a better understanding of how technical co-operation can more effectively contribute to the capacity development efforts of partner countries.

■ **INDICATOR 2a – *Public financial management (PFM) systems are reliable.*** The objective of this indicator is to measure and encourage improvements in developing countries’ systems for managing public funds — both domestic and external. Indicator 2a provides some encouraging news: 36% of the countries in the sample (10 out of 28 countries that took part in both 2006/2008 surveys) have improved

the quality of their PFM systems. The agreed target is that half of partner countries improve their score. Therefore, on this measure, partner countries are already more than half way to the objective.

■ **INDICATOR 8 – *Aid is increasingly untied.*** Untying of aid is an area of substantial improvement according to the figures reported to the survey by the OECD Development Assistance Committee (DAC). Untied aid has increased from 75% in 2005 to 88% in 2006¹. The target for this indicator is to increase untied aid over time (rather than a numerical target as with the other indicators).

TARGETS REQUIRING EFFORTS BUT WITHIN REACH

Three other objectives for 2010 are within reach as long as efforts are significantly scaled up at country level.

■ **INDICATOR 6 – *Donors avoid parallel project implementation units (PIUs).*** The objective of this indicator is to encourage donors to make increasing use of country systems and to avoid using parallel PIUs, which tend to undermine countries’ capacity development efforts. Since 2005, the total stock of parallel PIUs recorded in the 33 countries has declined significantly: from 1817 in 2005 to 1601 in 2007. The target is to decrease by two-thirds the total stock of parallel PIUs by 2010 (611 parallel PIUs). The limited life cycle of PIUs means that the stock should tend to decrease naturally by 2010 as long as no new parallel PIUs are established. Accelerating the pace of change will mean, however, beginning a frank discussion at country level on the proper role of PIUs and how they can support project implementation without undermining countries’ capacity development efforts. The evidence suggests that currently, little is being done on the ground to reduce the number of parallel project management units.

¹ The data on untying status excludes technical co-operation and administrative costs, and the tying status is not reported for over 20% of bilateral aid reported to the DAC.

■ **INDICATOR 3** – *Aid flows are accurately recorded in countries' budgets.* The objective of this indicator is to improve transparency and accountability by encouraging partner countries and donors to accurately record aid as much as possible in the national budget, thereby allowing scrutiny by parliaments. On average, the realism of the country's budgets has improved from 42% in 2005 to 48% in 2007. However, this represents only a marginal improvement in relation to the general target agreed, *i.e.* that at least 85% of this type of aid is captured accurately in the budget. More work is required both at country level on improving the modalities for recording aid, and at the international level for agreeing on general good practice in this area.

■ **INDICATOR 7** – *Aid is more predictable within the year it is scheduled.* The objective is two-fold. First and foremost, it is to encourage disbursements of funds within the year they are scheduled. Second, it is to encourage accurate recording of disbursements by partner authorities. Both objectives require strong cooperation between donors and partner authorities. The average country has seen an improvement in the indicator of predictability from 41% in 2005 to 46% in 2007. However, if the target of 71% is to be reached by 2010, the proportion of aid disbursed within the fiscal year for which it is scheduled must increase considerably. This calls for a considerable acceleration of the rate of progress.

TARGETS REQUIRING VERY SPECIAL EFFORTS

Six of the Paris Declaration objectives are off-track and will be difficult to achieve unless partner countries and donors very seriously gear-up their efforts.

■ **INDICATOR 1** – *Countries operationalise their development strategies.* This indicator encourages partner countries to design development strategies that are more operational and effective at achieving their own development goals. Progress has been made by several of the countries in the 2008 Survey but by no means enough to put the agreed target within reach. Countries with sound operational strategies have increased from 13% to 20%, but the aim is to reach 75% by 2010. One particular element in the operationalisation of country strategies is proving difficult to achieve, namely linking the strategy to resource allocation through the national budget.

■ **INDICATORS 5a AND 5b** – *Donors use country PFM and public procurement systems.* The objective is to encourage donors to increasingly use country, rather than donor, systems for managing aid. Progress against this indicator is positive (4 to 5 percentage points increase) but very modest compared with the targeted levels that require as much as 80% of aid to use country systems. There is some indication of increased use of country budget execution arrangements by donors not using direct budget support, an important trend if confirmed. However, overall donors' willingness to use country systems does not seem to be closely related to the quality of the systems than in the previous survey.

■ **INDICATOR 9** – *Donors use co-ordinated mechanisms for aid delivery.* This indicator measures the extent to which total aid is delivered in the framework of Programme-Based Approaches (PBA). Change between 2005 and

2007 suggests little progress from 43% to 46%, reflecting, in part, more stringent definitions for programme-based approaches. Qualitative evidence suggests that the use of PBAs has continued to advance, although not at anything close to the rate required to meet the target of two-thirds of aid delivered in this way by 2010.

■ **INDICATORS 10a AND 10b** – *Donors coordinate their missions and their country studies.* Joint missions and joint analytic work have been adopted more widely according to the survey returns, but the increase in both cases is a matter of a few percentage points. The proportion of joint activities continues to hover around 20% for missions and 40% for analytic work, whereas the targets are 40% and 66% respectively. The gap to be closed is very significant.

■ **INDICATOR 11** – *Countries develop sound frameworks for monitoring development results.* The number of countries with sound results-based frameworks has increased from 5% (two countries) to 7.5% (three countries). The target, however, is 35%. An enormous change of pace will be required therefore, if this commitment to improve decision-making for development is to be met.

■ **INDICATOR 12** – *Mechanisms for mutual accountability are established at country level.* This indicator records whether countries have mechanisms for mutual review of partnership commitments. The target for 2010 is that all partner countries have such a mechanism. The survey found that the number of such mechanisms has not increased despite the larger number of countries participating in the survey. This suggests that momentum has been lost in establishing mutual accountability for partnership commitments at country level.

HOW WAS THE SURVEY MANAGED?

The monitoring survey was designed to advance the aid effectiveness agenda by providing a tangible means to promote it at country level.

There is strong evidence to suggest that the 2006 and 2008 surveys have been instrumental in pushing forward at the country-level the commitments agreed in the Paris Declaration. They have helped generate a common sense of purpose at country level on actions needed to improve aid effectiveness over time. Three important features of the survey have helped achieve these results:

- *Participation in the survey is on a strictly voluntary basis.* Countries determined for themselves the value of organising a survey, weighing the expected benefits against the high transaction costs of organising it. The number of countries engaged in the monitoring exercises increased from 34 to 54, suggesting that it was strongly supported by partner countries. Increased country coverage provides more robust data, which also means that the 2008 survey is more representative with regard to geographic distribution, levels of aid dependency and countries in fragile situations. For more information on these countries, see Chapter 6.
- *The Survey is managed at country level by a senior government official, the so-called National Coordinator.* The principle of country-ownership is fully enshrined in the design of the survey. The National Co-ordinator has the overall responsibility to manage the 2008 survey by ensuring that the government and donors are fully informed and engaged in the exercise. The National Co-ordinator is assisted by one or more donor focal points from the local donor community.

- *The Survey is based on, and stimulates, broad-based dialogue at country level.* The survey is not only about collecting hard data for the 12 indicators. It is also, more importantly, about building a common understanding of the challenges and actions needed to improve aid effectiveness at country level. This dialogue involves a broad range of stakeholders including the broader development community and key actors from civil society. The country findings are presented as stand-alone chapters.

While the survey was firmly grounded in country level dialogue, important actions were taken at the international level to assist the process:

- The standard guidance and definitions for the indicators were clarified in order to make responses more consistent and facilitate completion of the survey questionnaires. The guidance and definitions are presented in Appendices D and E.
- An international help desk and dedicated website were established by the OECD, the UNDP and the World Bank to respond to questions. Many recurrent questions and answers were made available to the public on a dedicated website.
- Five workshops were organised to support and inform National Coordinators on the survey process. The workshops brought together 250 participants from 70 different developing countries.

THE SCOPE AND LIMITS OF THE MONITORING SURVEYS

This Overview report does not present raw survey data but sets out the conclusions that can reasonably be drawn from an inevitably imperfect body of information, given the diversity and complexity of the aid relationships that exist at the country level. It does not give undue weight to any single statistic but examines trends indicated by the *combined* evidence that can be assembled to shed light on each point.

For most of the indicators, the major findings are based on analysis of the quantitative information and qualitative comments from the national coordinators involved in rich discussions and reflections at country level. In many cases, the discussions regarding the survey findings have sparked heated debate amongst partner countries and donors about the state of efforts to improve aid effectiveness.

Conclusions are based on careful consideration of the information reported from each country, as well as the aggregated data contained in the statistical annexes of the Overview (Appendices A, B and C). For the indicators covering country ownership and country systems, the analysis draws mainly on information gathered separately by the World Bank, particularly the review summarised in the report *Results-Based National Development Strategies: Assessment and Challenges Ahead*.

In addition to the country reports, this Overview report also draws on and benefits from a growing body of qualitative analysis that was not available in 2005. This includes the OECD *Report on the Use of Country Public Financial Management Systems* and in-depth work undertaken by senior African budget officials on putting aid on budget. Findings drawn from these, and other in-depth studies, are clearly signalled in subsequent chapters.

It is important to bear in mind the scope and the limits of the monitoring survey. The survey is built around the 12 agreed upon indicators of progress and targets on aid effectiveness. These 12 indicators aim to provide a proxy for assessing the five principles of aid effectiveness: ownership; alignment; harmonisation; managing for results; and mutual accountability. One of the limitations of the survey is that these 12 indicators are indirect, or “proxy”, measures; they do not capture the full range and the depth of the 56 partnership commitments included in the Paris Declaration.

There is an obvious concern that the indicators and targets will assume importance in their own right, becoming a barrier to rigorous thinking and innovative practice that aims to meet the broader objective of aid effectiveness. There is already some evidence of this happening. To mitigate this problem, the Overview tries not to focus too narrowly on the indicators and targets. Where additional evidence is available from non-survey sources, it is used to shed further light on the possible policy implications of the survey findings.

It may not be reasonable to expect that progress over the five years between 2005 and 2010 will be linear, or that the pace of change will remain the same throughout. Improvements on some indicators may only become possible as existing multi-year agreements expire and new programmes are put in place that reflect the latest thinking. Like the course of a large ship, the performance may respond to changes in steering only after a delay. At the same time, even on the assumption of a slow start to be followed by an accelerating rate of change, more progress should have been made between 2005 and 2007. Whilst some countries have made considerable progress, overall, the survey results are an urgent call for action on the part of all concerned with development. ■

REFERENCES / BIBLIOGRAPHY

Mokoro Ltd. (2008), *Putting Aid on Budget: A Study for the Collaborative Africa Budget Reform Initiative (CABRI) and the Strategic Partnership with Africa (SPA)*, 2 Vols., Mokoro, Oxford.

OECD (2008), *Improving Ways of Working for Aid Effectiveness: A Progress Report on Implementing the Paris Declaration*, OECD, Paris.

OECD (2008), *Report on the Use of Country Systems in Public Financial Management*, OECD, Paris.

Wood, B., et al. (2008), *Phase One Evaluation of the Implementation of the Paris Declaration: Synthesis Report*, Kabell Consulting, Denmark.

World Bank (2007), *Results-Based National Development Strategies: Assessment and Challenges Ahead*, World Bank, Washington D.C.

KEY FINDINGS AND RECOMMENDATIONS

How effective is aid at helping countries meet their own development objectives? Some of the answers can be found in this survey report. The 2008 *Survey on Monitoring the Paris Declaration* assesses progress made in 54 partner countries and helps us understand the challenges in making aid more effective at advancing development. The findings are clear: progress is being made, but not fast enough. Unless they seriously gear up their efforts, partner countries and their external partners will not meet their international commitments and targets for effective aid by 2010. Action is needed now. This report makes three high-level policy recommendations that will help accelerate progress and transform the aid relationship into a full partnership.

■ MONITORING THE PARIS DECLARATION

When donors and partner countries endorsed the *Paris Declaration on Aid Effectiveness* in 2005, they were united by a common objective: building stronger, more effective, partnerships to enable partner countries to achieve their own development goals.

Partner countries and donors also agreed to hold each other accountable for making progress against the commitments and targets agreed in Paris by monitoring their implementation. This report presents findings, conclusions and recommendations drawn from two rounds of monitoring undertaken in 2006 and 2008.

These findings are based on a very broad and representative body of evidence. For this second round of monitoring, 54 partner countries volunteered to organise the survey in their own countries — a marked increase compared with the 2006 Baseline Survey. Broader participation means that the findings of the 2008 Survey are based on a more reliable and representative set of data, more than one-half of all the aid delivered to recipient countries in 2007 — nearly USD 45 billion — is recorded in the 2008 Survey¹.

The quality of the data has also improved significantly since 2005. It draws principally from the 54 country reports that assess the challenges and opportunities in implementing the Paris Declaration at country level. These reports were prepared by senior officials from developing countries in close consultation with donors' country offices and key members of civil society. The country findings are presented as stand-alone chapters available online at: www.oecd.org/dac/effectiveness.

In addition to the country reports, this Overview report also benefits from a growing body of qualitative analysis that was not available in 2005. This includes the *Evaluation of the Paris Declaration*, the *OECD Report on the Use of Country Public Financial Management (PFM) Systems*, the World Bank's *Results-based National Development Strategies: Assessments and Challenges Ahead*, and in-depth work supported by senior African budget officials on putting aid on budget. Findings drawn from these, and other relevant studies, are clearly signalled in the report.

What does the 2008 Survey tell us about the state of play in 2008?

¹ This includes only official development assistance directly made available at country level and does not include debt relief and humanitarian assistance.

■ PROGRESS IS BEING MADE BUT NOT FAST ENOUGH

There is clear evidence that we are slowly making progress in most countries and in most areas covered by the survey (see Chapter 1).

The first — and very encouraging — finding reflects the survey process itself. At country level, the survey has helped push forward the commitments agreed in the Paris Declaration. It has helped generate a common sense of purpose on actions needed to improve aid effectiveness over time. In doing so, it has stimulated dialogue between partner countries, the community of donors and key actors from civil society.

The value of the survey as a tool for strengthening broad-based accountability at country level is substantiated by the fact that more countries volunteered to take part in the 2008 survey – in less than two years, 20 new countries decided to monitor the effectiveness of their aid.

Another encouraging finding is that there has been progress — albeit very uneven — for almost all of the measures of aid effectiveness since 2005. For three of the indicators there have been notable improvements against the 2010 targets:

- 36 % of partner countries (10 out of 28 countries which took part in both surveys) showed improvements in the quality of countries' systems for managing public funds (Indicator 2a). The 2010 target for this indicator — 50% of all countries improve their score by 2010 — is well within reach.
- Aid to partner countries is increasingly untied (Indicator 8). The proportion of untied aid increased from 75% in 2005 to 88% in 2006.
- Donors' technical co-operation is also more co-ordinated and aligned with the capacity development programmes of development countries (Indicator 4) as the proportion of co-ordinated technical co-operation increased from 48% in 2005 to 60% in 2007, exceeding the 2010 target of 50%.

Yet the evidence from the survey is also clear that the pace of progress is too slow. *Without further reform and faster action we will not meet the 2010 targets for improving the quality of aid.* Meeting the targets will require not only accelerating the pace of progress but also changing significantly how we do business.

This report makes three high-level policy recommendations that will help accelerate progress in the near future and transform the aid relationship into a full partnership.

■ RECOMMENDATION 1

Systematically step up efforts to use and strengthen country systems as a way of reinforcing country ownership

The 2008 Survey's main recommendation is that partner countries and donors must work together much harder to improve countries' systems for managing all development resources — both domestic and external.

The survey focuses on four of these country systems: the operational value of countries' national development policies (Indicator 1); the quality of countries' PFM systems (Indicator 2a); public procurement systems (Indicator 2b); and systems for monitoring development results (Indicator 11).

Reflecting a shared concern for strengthening all these country systems, the targets create different commitments for both partner countries and for donors.

STRENGTHENING COUNTRY SYSTEMS.

The survey shows that, overall, partner countries have made uneven progress in improving the quality of their systems. Impressive progress in improving the management of public funds (Indicator 2a) has, unfortunately, not been matched in other areas.

Less than 25% of the countries in the 2008 Survey have national development strategies that has a long-term vision, prioritised, and are clearly linked to their national budgets (Indicator 1). The target for 2010 is 75%.

Making progress against this indicator will require, in particular, improving the linkage of the strategy to resource allocation through the national budget (Chapter 2).

Less than 10% of countries have sound frameworks to monitor and assess development results. While some progress has been made since 2005, an enormous effort will be required to meet the target of 35% by 2010 (Chapter 5).

USING COUNTRY SYSTEMS.

Donors committed in the Paris Declaration to supporting country-owned development processes by using countries' systems for managing aid to the maximum extent possible. To this end, indicators were designed and targets were set for two of these systems: PFM (Indicator 5a) and public procurement (Indicator 5b) systems. Donors agreed to channel more aid through country systems when these were of a higher quality.

The 2008 Survey findings draw *three very important conclusions* on the use of country systems (Chapter 3).

First, on average, only 45% of aid in support of the public sector uses countries' PFM systems and only 43% uses public procurement systems. These global averages, however, conceal significant variance between countries — it ranges from 3% in Democratic Republic of Congo and Sudan to 71% in Bangladesh and Tanzania.

Second, relatively little progress in the use of country systems has been made since 2005. In the 33 countries for which progress can be measured, the use of country systems has only increased by 4 to 5 percentage points. Significant improvements, however, have been made in countries such as the Dominican Republic, Honduras, Vietnam and Zambia where the use of country systems has increased by more than 25 percentage points since 2005.

Finally, there is no strong evidence to suggest that donors make more use of country systems in countries where systems are of good quality. Take, for example, the case of the 12 countries that had the highest scores on the quality of PFM systems (this includes countries that scored 4.0 for Indicator 2a). In these countries, use of countries' PFM systems ranges from 17% in Mongolia to 71% in Tanzania.

THREE SPECIFIC SUB-RECOMMENDATIONS.

The bottom line is that it should be the top priority for partner countries and donors to use and strengthen countries policies and systems as a way of making a reality of country ownership.

This will require seriously stepping up efforts on all sides. Building on the previously mentioned OECD *Report on the Use of Country Systems*, three specific sub-recommendations are made:

1. *Partner countries should take the lead in strengthening their own systems.* It is each country's responsibility to take leadership of its development processes: assessing the quality of its systems and developing a sound strategy for implementing and prioritising reforms.
2. *Donors should better equip themselves to meet their commitments on using and strengthening country systems.* Donors should adopt clear policies and establish incentive mechanisms for using country systems which reflect their respective mandates and different tolerances to risk in return for development results.
3. *Partner countries and donors should work together at country level to operationalise their commitments on using and strengthening country systems.* It is at country level that real progress must be made in working out realistic strategies and plans to strengthen and use country systems in line with international commitments.

■ **RECOMMENDATION 2:**
Strengthen accountability over
development resources

This fundamental recommendation is based on an important observation: strengthened lines of accountability create powerful incentives that improve the way development resources are managed at country level. This implies two things: relying less on donor accountability and strengthening countries' domestic accountability systems.

This means focusing attention at two different levels: domestic accountability on the use of development resources and mutual accountability between partner countries and donors.

DOMESTIC ACCOUNTABILITY.

The Paris Declaration calls upon partner countries to account for the use of development resources — including external resources — to their own parliaments and citizens. One way to achieve this, identified by the Paris Declaration, is through countries' national budgets.

Strengthening the credibility of the budget as a tool for governing the allocation and use of development resources is important, not only in its own right but also as a way to improve donor alignment with countries' policies. To this end, the survey assesses the realism of budgets by measuring the proportion of total aid flows recorded on countries' budgets (Indicator 3). As in the 2006 Baseline Survey, this report shows that, despite some progress, *less than half of all aid is recorded in countries' national budgets* (Chapter 5). The target for 2010 is 85%.

Donors and country authorities share the responsibility for this state of affairs. Aid flows can only be accurately recorded in the country's budget estimates if they are reported by donors in a timely and appropriate way. At the same time, country authorities need to pay greater attention to presenting budgets to their parliaments that more realistically capture all aid flows.

The survey also examines in-year predictability of aid flows (Indicator 7). The lack of aid predictability jeopardises significantly a country's ability to plan and account for its resources to its citizens. Indicator 7 measures the volume of aid that was disbursed — and recorded — within the year for which it was scheduled. The 2008 survey shows that only 46% of aid was disbursed according to the schedules recorded in country budget systems. The target for 2010 is 71%.

MUTUAL ACCOUNTABILITY.

The Paris Declaration called upon partner countries and donors to account to each other for their commitments to improve the quality of aid. To this end, it was agreed that by 2010, all partner countries should have established mechanisms for assessing the implementation of agreed commitments on aid effectiveness.

The survey shows that in 2007, only 24% of the countries taking part in this survey had established such mechanisms (Chapter 5).

Since 2005 there has been little progress in establishing more mechanisms for mutual reviews. As a result, the agreed target will be hard to achieve without substantial additional efforts, including at the international level.

TWO SPECIFIC SUB-RECOMMENDATIONS.

The 2008 Survey makes two recommendations that will strengthen accountability in the provision of development resources:

1. *Partner countries and donors should step-up their efforts to establish mechanisms for mutual accountability in all countries that have endorsed the Paris Declaration.* To assist in this process, the international community should document and make available good practice that captures a broad range of country practices.
2. *Partner countries and donors need to work at country level to develop budget processes that reflect aid flows more realistically.* To assist in this process, the international community should establish good practice in recording aid

flows on budgets and in accounting systems, for instance by building on the work underway under the auspices of African senior budget officials (CABRI).

■ RECOMMENDATION 3:

Cost-effective aid management

Reducing the transaction costs of providing aid to partner countries is one of the fundamental objectives of the Paris Declaration.

The 2008 Survey provides clear evidence that the cost of managing aid continues to be high for partner countries and donors. Furthermore, on a business-as-usual basis, these costs can be expected to increase significantly in the near future as the volume of aid is scaled up and new development actors enter the field.

In 2007, only 46% of all aid flows were delivered through common arrangements such as sector-wide approaches (SWAPs), the so-called programme-based approaches (Indicator 9). The target for 2010 is 66%.

More than 14,000 donor missions were fielded to the 54 countries that took part in this survey (Indicator 10a). In Vietnam alone, this amounted to 752 donor missions in 2007 — more than three missions per working day! Of these missions, less than one in five was co-ordinated with another donor.

A similar picture is apparent in studies and reports commissioned by donors at country level (Indicator 10b).

TWO SPECIFIC SUB-RECOMMENDATIONS.

The 2008 Survey makes two specific recommendations that will help curb transaction costs dramatically:

1. *Donors should pursue their efforts to increase aid through programme-based approaches and focus on a more effective division of labour.*

To assist in this process, donors should work towards increased complementarity and division of labour at the country level.

2. *Donors should intensify efforts to decrease the number of uncoordinated missions and country analytic work.* Donors should encourage policies that reduce the total number of country missions and joint missions.

■ CONCLUSIONS

In order to change practices in international aid, we need to reshape deep-seated behaviours. These changes in the process of development and the nature of the aid relationship require time, focused attention and determined political will. It is not easy to change laws, regulations, institutions, practices and mindsets. Old habits die hard.

The results of the 2008 Survey show significant advances in some countries and some areas, **confirming that real change is possible when resolute joint efforts are made.** But this progress is not uniform across countries and donors; many register no change against the baseline established in 2005.

It is clear that the slow-moving nature of the development process may cause timelags and that many improvements will only become visible as old agreements expire and new programmes are designed. Even so, the message from the survey is clear: **we will have to accelerate change considerably if we are to achieve the targets set for 2010.** This means more than just putting more pressure on the gas pedal. It requires shifting gears.

More determined and consistent efforts in turning principles into actions are called for. Overall, the survey results should serve as a wake-up call. They tell us quite clearly that “more of the same” is unlikely to be enough to deliver the transformation envisaged by the Paris Declaration.

KEY FINDINGS AND RECOMMENDED ACTIONS

RECOMMENDATION 1: SYSTEMATICALLY STEP-UP EFFORTS TO USE AND STRENGTHEN COUNTRY SYSTEMS AS A WAY OF REINFORCING COUNTRY OWNERSHIP

Operational development strategies

KEY FINDINGS

- Despite the progress made, countries are not on track to reach the targets that have been agreed for the operationalisation of development strategies. Countries with sound operational strategies have increased from 13% to 20%. However, the target remains far ahead at 75%.
- Mechanisms linking budget formulation and execution with national strategies, policy priorities and information on results are proving particularly hard to achieve.

RECOMMENDED ACTIONS

- Senior policymakers in partner countries as well as donors should continue to clearly signal the importance of translating strategies into well-prioritised and sequenced action plans.
- They should place strong emphasis on the principle of linking budgets to medium-term policy priorities, but recognise explicitly that the way the linkage is achieved is not predefined.

Quality and use of country systems

KEY FINDINGS

- Countries have increased the quality of their PFM systems according to the World Bank's Country Policy and Institutional Assessment (CPIA) data since 2005, as 36% of the countries in the sample have improved the quality of their systems.
- However, despite the increase in quality, the use of country systems remains weak and has not progressed significantly since the 2005. In the 33 countries participating in both surveys, the use of country systems has only increased by 4-5 percentage points.

RECOMMENDED ACTIONS

- Partner countries should take the lead in assessing their PFM systems, developing a credible strategy for reform and linking it to overall aid management strategy.
- Donors should support country-led reform programmes by aligning their interventions with the countries' own strategies.
- Donor agencies at policy level should address in a thorough way the incentives and procedures that limit their ability to fulfill their Paris Declaration commitments on use of country systems in particular.
- Better guidance should be provided for field officers on how and when to use country systems, and how best to use country systems for different implementation modalities-including for project support.
- Field staff should enter into structured dialogue with country authorities about the remaining obstacles to the winding down of parallel project implementation units.

KEY FINDINGS

- Although the 2008 survey shows that the target for this indicator has been met, careful analysis of the results shows that progress remains modest. In particular, interventions are often ad hoc and not well prioritised or sequenced.
- Some aspects of alignment such as capacity development are making little headway because there is limited understanding of what the Paris commitment is on the issue.

RECOMMENDED ACTIONS

- There should be further work undertaken on prioritising and communicating capacity development objectives and ensuring that interventions are not isolated instances but institutionalised within a partner-led strategy.
- A high-level initiative should be taken to re-launch and thoroughly disseminate the Paris Declaration concept of country-led strategic thinking on addressing capacity deficits.

Strengthening
and supporting
country capacity

RECOMMENDATION 2: STRENGTHEN ACCOUNTABILITY OVER DEVELOPMENT RESOURCES

KEY FINDINGS

- Budget realism has increased slightly from 42 to 48% in 2007. In some countries, mechanisms have been established that enable the inclusion of detailed aid numbers on the budget.
- However overall, progress is marginal compared to what needs to be undertaken if the target of 85% is to be reached.
- Similarly, predictability of aid has seen a slight increase but remains far behind the target set in Paris (currently 45% with the target set at 71%). Progress is impeded by both non-and over disbursement by donors and the lack of government capacity to record aid on budget.

RECOMMENDED ACTIONS

- Further work is needed at the country level on improving the ways in which aid is recorded.
- Partner countries need to have well-articulated strategies for the management of aid; and a clear planning and budgeting calendar to integrate aid management within the planning and budgeting processes.
- Governments should establish clear procedures and mechanisms for notifying and recording donor-funded disbursements need to be strengthened.
- Donors need to be more realistic about the pace of programme implementation.
- Donors should provide comprehensive aid flow information that is linked to the government fiscal year, the government planning and budget calendar and government budget classifications.

Accountability &
predictability of
development
resources

Results & mutual accountability

KEY FINDINGS

- Significant investments have been made to strengthen poverty monitoring and sector information systems. However, there are still significant challenges in monitoring the result of national and sector development strategies which are reflected in the small number of countries rating highly on the indicator for performance assessment frameworks.
- Only around a dozen countries in the survey report have established a mechanism for mutual review of progress on aid effectiveness commitments.
- Advocacy and adoption of these arrangements appears to have stalled. Since 2005, only one additional country has developed reviews of mutual accountability..

RECOMMENDED ACTIONS

- Partner countries and donors should support each other in using agreed performance assessment frameworks based on a small number of indicators that enable cost-effective tracking of results objectives included in national development and sector strategies.
- Donors should provide more support for evidence-based policy making by helping countries to improve their statistical, monitoring and evaluation systems.
- They should also support local government and parliament in the evaluation of results and help to promote the idea that results orientation is a political variable that does not depend on the prior establishment of sophisticated information systems.
- A high level international initiative should be organised to disseminate and promote the best models of mutual review of aid partnerships from recent experience.

RECOMMENDATION 3: COST-EFFECTIVE AID MANAGEMENT

KEY FINDINGS

- Harmonisation of donor procedures in the context of Programme-Based Approaches is continuing to make headway, but slower than expected.
- Joint missions and analytical work are being more widely adopted, but faster progress is needed to reach the 2010 targets.

RECOMMENDED ACTIONS

- Continued policy-level support should be given to the development of Programme-Based Approaches, including efforts to enhance complementarity and improve division of labour at country and sector levels.
- Partner countries should lead the PBA and division of labour dialogues at country level.
- The principle of joint activities should be given renewed impetus at donors' policy level but in a non-mechanical way, to avoid merely cosmetic changes, and with a close eye to the total number of country missions as well as the proportion of joint ones.

REFERENCES AND BIBLIOGRAPHY

- Mokoro Ltd. (2008), *Putting aid on Budget: A Study for the Collaborative Africa Budget Reform Initiative (CABRI) and the Strategic Partnership with Africa (SPA)*, 2 Vols., Mokoro, Oxford.
- OECD (2008), *Improving Ways of Working for Aid Effectiveness: A Progress Report on Implementing the Paris Declaration*, OECD, Paris.
- OECD (2008), *Report on the Use of Country Systems in Public Financial Management*, OECD, Paris.
- Wood, B., et al. (2008), *Phase One Evaluation of the Implementation of the Paris Declaration: Synthesis Report*, Kabell Consulting, Denmark.
- World Bank (2007), *Results-Based National Development Strategies: Assessment and Challenges Ahead*, World Bank, Washington D.C.

