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Evaluation of the Implementation of the Paris Declaration at the Asian Development Bank: A Development Partner's Study for an OECD-DAC Joint Evaluation

Operations Evaluation Department

Asian Development Bank

ABBREVIATIONS

ADB	–	Asian Development Bank
CPS	–	country partnership strategy
DAC	–	Development Assistance Committee of OECD
DMC	–	developing member country
ICB	–	international competitive bidding
LTSF	–	Long-Term Strategic Framework
MDB	–	multilateral development bank
MfDR	–	Managing for Development Results
OECD	–	Organisation for Economic Co-operation and Development
OED	–	Operations Evaluation Department
PBA	–	program-based approach
PIU	–	project implementation unit
PRS	–	Poverty Reduction Support
SPD	–	Strategy and Policy Department
SWAp	–	sector wide approach
TA	–	technical assistance
WPBF	–	Work Program and Budget Framework

NOTES

In this report, "\$" refers to US dollars.

Key Words

adb, alignment, asian development bank, capacities, harmonization, incentives, mainstreaming, managing for results, mutual accountability, ownership, leadership, paris declaration, paris pillars

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Attachments: Management Response DEC Chair Summary

The guidelines formally adopted by the Operations Evaluation Department (OED) on avoiding conflict of interest in its independent evaluations were observed in the preparation of this report. To the knowledge of the management of OED, there were no conflicts of interest of the persons preparing, reviewing, or approving this report.
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EXECUTIVE SUMMARY

The purpose of this evaluation study by the Operations Evaluation Department (OED) of the Asian Development Bank (ADB) is to contribute to the first phase evaluation of the Organisation for Economic Co-operation and Development-Development Assistance Committee (OECD-DAC) joint evaluation of the Paris Declaration. Following the terms of reference provided by OECD-DAC, the focus of this evaluation is on the *inputs within ADB*, covering three dimensions—ownership and leadership, capacities, and awareness and mainstreaming—for promoting the five Paris Declaration pillars.

As a development partner, ADB has been moving along the general development best practice trends of the international development community. ADB has been following the articulations of several high-level forums, including the 2003 High-Level Forum on Harmonization in Rome and the 2004 Marrakech Roundtable on Managing for Development Results. Several of ADB's policies and strategies that were developed and adopted before the endorsement of the Paris Declaration incorporate concepts of country ownership, building governments' capacities in their respective thematic areas, and cooperation with other development partners.

According to the information provided by the Management to the ADB Board of Directors, ADB's plan is to continue integrating the Paris principles into its work, which is already being undertaken mainly by its regional departments. ADB has already prepared and is implementing separate action plans for the pillars of alignment, harmonization, and managing for results.

Per the Indicators of Progress of the Paris Declaration, ADB is progressing towards meeting the Paris commitments on ownership and managing for results, and needs to increase its efforts towards meeting its targets for the pillars of alignment and harmonization. ADB activities that contribute to building mutual accountability are ongoing. However, the indicators, as currently defined, are not capturing key ADB activities related to the Paris Declaration. These include cofinancing partnerships and memoranda of understanding signed with other development partners. In addition, the indicators do not recognize activities that lead to compliance, e.g., capacity development, particularly in countries at the early stages of implementation or in weakly performing countries.

Ownership and Leadership. The policies and strategies of ADB generally support the five pillars of the Paris Declaration, and ADB's revised guidelines for preparing its key country partnership document, the country partnership strategy (CPS), reinforce their importance. Some of ADB's policies, strategies, and/or processes, however, may hinder meeting some targets in the Indicators of Progress. For example, the current set of loan modalities may need to be reviewed with a view to facilitating ADB's participation in program-based approaches.

During interviews, ADB's Board of Directors and Management were generally supportive of the Paris Declaration. However, ADB's Management could provide a more regular and visible demonstration of support in this regard. Several concerns were expressed by staff over some pillars of the Paris Declaration. OED believes the scope and definition of the Indicators of Progress in monitoring Paris Declaration compliance need to be reviewed and clarified. Guidelines and indicators for activities related to the Paris Declaration in countries with no operational development strategy are not available. OED also found that the cost of coordination and harmonization to a development partner may be significant.

Capacities. ADB staff are generally aware of the Paris pillars, some pillars more than others. General awareness-raising is yet to be undertaken, but ADB staff members are development professionals who continue to learn about good development practices. Staff working in resident missions, country programming, sectors with many development partners (e.g., education), and developing member countries (DMCs) with governments actively implementing the Paris agenda (e.g., Bangladesh, Philippines, and Viet Nam) are the most familiar with the Paris Declaration *per se*. Staff, in general, have to date, a low level of awareness of managing for development results according to an evaluation of its implementation. The new CPS guidelines, which were approved in 2006 and widely distributed in 2007, provide some guidance to staff in implementing the pillars of the Paris Declaration when preparing country strategies, including promotion of country ownership and results orientation.

ADB's resident missions play a key role in meeting ADB's Paris commitments in the member countries. Resident missions are effective in supporting project design and administration and are perceived by development partners to increase the effectiveness of ADB's services. Over the years, both the volume and scope of their work have grown. However, the capacities of resident missions are restricted by a lack of delegated authority and increased workload without a commensurate quantitative and qualitative increase in resources. The effectiveness and efficiency of resident missions could still be improved with increased delegation matched by the required resources. Increased decentralization would improve their responsiveness to emerging development issues and would respond to calls for increased decentralization by the larger DMCs.

Mainstreaming and Incentives. ADB staff members are implementing the Paris principles, with three pillars, viz., ownership, harmonization, and alignment, integrated more than the others. Mainstreaming of the Paris principles in a specific DMC is affected by the DMC's ownership of the Paris Declaration. There is, however, no specific incentive for staff to implement the Paris principles.

Lessons Identified. Several lessons were identified from ADB's implementation of the Paris Declaration. In the absence of a corporate strategy or action plan to meet the Paris commitments, implementation differs across departments and among resident missions, and has been "bottom-up." The major factors affecting the implementation of the commitments, in general, appear to be staff knowledge and ownership of the Paris Declaration. At the resident missions and in country teams, countries' ownership of their national development plans and their capability to coordinate development partners are key determinants of compliance. The roles of disseminating information and building staff awareness cannot be underestimated. A strategy for doing so would provide consistency in the message and guidance to the staff.

Implementation of the Paris Declaration is not necessarily resource neutral under the current organizational setup. Alignment and coordination activities can require much time, which may impact on other staff responsibilities such as project/program implementation and supervision. A careful analysis of the additional resource requirement(s) is necessary to ensure that staff do not face difficult tradeoffs among their responsibilities. Guidance is needed on the prioritization that should be accorded to this area versus other apparently equally pressing agendas.

Where ADB is an established development partner in a sector or area, other development partners are more likely to expect it to play a lead role in coordinating assistance and in leading policy dialogue. ADB is frequently perceived to be a reliable "honest broker," and government officials, country-based development partners, and civil society often expect ADB to

take much more of a leadership role. However, in some cases, ADB appears reluctant to do so because of inadequate resources.

While the Paris Declaration requires that development partners develop or strengthen the capacity for preparing national strategies where none is available, there is no guidance on how development partners are to conduct themselves in the absence of a national development strategy. Thus, in this environment, there is the potential for development partners to support individual projects that may not necessarily be prioritized by the government or that may duplicate the efforts of others.

Recommendations for ADB. To meet all the targets of the Paris Declaration and improve implementation, ADB might consider, among others, the following main recommendations.

Recommendation	Responsibility	Time Frame
1. ADB's commitment to the Paris Declaration needs to be communicated regularly, with visible demonstration of support by ADB Management.	Management, SPD, regional departments, operations support departments	Next 9 months
2. For more effective implementation, there is need to designate a focal unit to provide overall guidance, knowledge management, monitoring, and reporting on the Paris Declaration.	Management, SPD	Next 9 months
3. Tracking and monitoring ADB's implementation of the Paris Declaration can be facilitated by developing a consolidated implementation and monitoring framework that considers the commitments under each pillar. This would include outlining ADB's planned actions to meet the commitments under the five pillars.	Management, SPD, regional departments, Operations support departments	Next 12 months
4. There is need for better guidance and staff capacity development to facilitate implementation, and monitoring and reporting on the progress of implementation.	SPD, BPMSD, regional departments, operations support departments	Next 12 months
5. ADB needs to better understand the resource implications of meeting its Paris Declaration commitments with a view to providing guidance to staff on tradeoff choices or, where deemed necessary, reallocation of and/or additional resources and the priority that various activities should have.	SPD, BPMSD, regional departments, operations support departments	Next 12 months

ADB = Asian Development Bank; BPMSD = Budget, Personnel and Management Systems Department, SPD = Strategy and Policy Department.

Recommendations for OECD-DAC and the High-Level Forum. The scope and definitions of indicators to measure an organization's progress in meeting the Paris Declaration targets need to be reviewed vis-à-vis significant activities that are not presently captured. The varying stages of implementation and ownership of the Paris Declaration could be better recognized within the current set of monitoring indicators or by developing new ones. In the absence of an operational development strategy, guidelines on and/or indicators capturing how development partners would coordinate their assistance are recommended.

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I. INTRODUCTION

1. The purpose of this evaluation study by the Operations Evaluation Department (OED) of the Asian Development Bank (ADB) is to contribute to the joint Organisation for Economic Co-operation and Development-Development Assistance Committee (OECD-DAC) first phase evaluation¹ of progress made in the implementation of the Paris Declaration (Paris agenda or Paris commitments or Paris pillars). The emphasis of the study is “Are we doing the right things” (relevance) and “Are we doing things right” (effectiveness). The objectives are to (i) assess ADB’s implementation of Paris Declaration input initiatives focusing on ADB’s ownership and leadership, capacities, and mainstreaming and incentives; (ii) document the relevance, coverage and adequacy of various input initiatives taken by ADB to implement the Paris Declaration; (iii) assess the effectiveness of ADB’s Paris Declaration input initiatives in generating the intended outputs; (iv) identify the input constraints in making progress towards Paris Declaration commitments; and (v) provide recommendations on how to improve ADB’s Paris Declaration input initiatives.

2. Overall, the focus is on the *inputs within ADB*, which covers three dimensions—ownership and leadership, capacities, and mainstreaming and incentives—for promoting the implementation of the Paris Declaration pillars. (See Appendix 1 for the generic terms of reference for development partner headquarters' evaluations.) OED management has expanded “incentives” to “mainstreaming and incentives” to capture the broader integration of the Paris Declaration in ADB’s work. The country-level evaluations to be conducted in 10 countries, including 4 ADB developing member countries (DMCs), are expected to address ADB’s Paris Declaration-related outputs, including perceptions of ADB’s implementation progress.

3. **ADB Rationale for Participating in the First Phase Evaluation.** ADB is the only multilateral development bank (MDB) and the only other multilateral agency - to date - that has volunteered to join this multidonor and multicountry evaluation. ADB has undertaken many Paris agenda-related activities across its DMCs that are at various stages of development and implementation of the Paris agenda, and it would like to share this progress and its lessons identified with development partners.

4. **Organization of the Report.** This report is organized into five major sections.² Chapter I describes the first phase evaluation of ADB. Chapter II presents a short description of the Paris Declaration and its monitoring and evaluation arrangements. Chapter III provides the organizational background of ADB and a description of its progress in implementing the Paris Declaration. Chapter IV presents the results of the first phase evaluation. And Chapter V summarizes the evaluation, identifies lessons, and offers recommendations to further facilitate the implementation of the Paris Declaration.

5. **Methodology.** This evaluation³ is built on the results obtained, analyses undertaken, and data gathered by three special evaluation studies⁴ conducted by OED in 2007 that relate

¹ The second phase will be conducted with the purpose of assessing the linkages between aid effectiveness and development results, whether the intended long-term effects of the Paris agenda are being achieved. The second phase evaluation is expected to start from the time of the forthcoming Accra Forum in 2008 and will be completed by the fourth high-level forum in 2010.

² The organization of this report and the included topics stay close to the "Detailed Report Outline for Agency Evaluations" provided by the OECD-DAC in <http://www.oecd.org/dataoecd/53/13/39068445.pdf>

³ The full text of the approach paper can be found in <http://www.adb.org/Evaluation/reports/ParisDeclaration-Shrestha.asp>

directly to ADB's implementation of the Paris Declaration pillars. To complement these studies, the evaluation team conducted additional document reviews, staff interviews, and visits to two resident missions.

6. The partnering and harmonization evaluation focused on the pillars of "alignment" and "harmonization," while the resident mission evaluation shed light on the responsibilities and activities of resident missions, including those related to these two pillars. Several of these evaluations' results are cited throughout the study, and some of their appendixes are included in this study's appendixes. The MfDR evaluation focused on ADB's MfDR agenda, which includes commitments under the Paris pillar of "managing for results." The information and results from these studies matched some of this evaluation's information needs. Other needed information, particularly on the two remaining pillars of "ownership" and "mutual accountability," were generated from document reviews, key informant interviews, and focus group discussions.

7. The document reviews included the surveys conducted by OECD⁵ and ADB⁶ to establish baseline information and to monitor the implementation progress on Paris Declaration commitment; ADB policies, strategies, and guidelines relevant to the Paris Declaration pillars; and other relevant documents from regional departments and resident missions such as action plans, business plans, and publications related to country-level activities.

8. Interviews were conducted in October 2007 at ADB headquarters with the regional operations departments, three resident missions (by videoconference), and directors and directors' advisors of ADB's Board of Directors. To avoid duplication of activities between the ADB headquarters evaluation and the country-level evaluations to be conducted by the four participating ADB member-countries, i.e., Bangladesh, Philippines, Sri Lanka, and Viet Nam, only resident mission-related information on the implementation of the Paris agenda were sought from their respective resident missions.

9. With a view to including case studies from countries at different stages of implementing the Paris Declaration, a member of the evaluation team visited Viet Nam and Mongolia to gather further information on these resident missions' efforts at mainstreaming the Paris Declaration commitments. Both of these countries had signed the Paris Declaration. Interviews were conducted with resident mission staff, key government officials, and representatives of major development partners based in the country. Viet Nam, in consultation with the donor community, had produced the Hanoi Core Statement in 2005, which translates the Paris Declaration into "Partnership Commitments" for Viet Nam to proactively implement the Paris agenda. Mongolia has completed a draft for a long-term National Development Strategy to 2020 and for strengthening national systems and procedures for greater implementation of the commitments.

⁴ The studies are (i) *Special Evaluation Study: The Asian Development Bank's Approaches to Partnering and Harmonization: In the Context of the Paris Declaration on Aid Effectiveness* (partnering and harmonization evaluation), (ii) *Special Evaluation Study: Resident Mission Policy and Related Operations: Delivering Services to Clients* (resident mission evaluation), and (iii) *Special Evaluation Study: Managing for Development Results in the Asian Development Bank: A Preliminary Assessment* (MfDR evaluation).

⁵ OECD. 2007. *2006 Survey on Monitoring the Paris Declaration: Overview of the Results*, Paris. Available: <http://www.oecd.org/dataoecd/58/28/39112140.pdf>

⁶ ADB. 2007. *Implementation of the Paris Declaration in ADF Countries*. Manila. The Strategy and Policy Department conducted a survey to monitor the progress of Paris Declaration commitments. The survey is based on 13 Asian Development Fund countries: Afghanistan, Bangladesh, Bhutan, Cambodia, Kyrgyz Republic, Lao People's Democratic Republic, Maldives, Mongolia, Nepal, Papua New Guinea, Sri Lanka, Tajikistan, and Viet Nam.

10. **Limitations of the Study.** ADB volunteered to join late in the study. The evaluation team followed the OECD-DAC generic terms of reference, building on available data from OECD and ADB. This study also draws most of its information and results from three OED evaluations such that the findings are, to a certain extent, limited by the respective terms of reference of those studies.

II. MONITORING THE PARIS DECLARATION

A. The Paris Declaration

11. The international community is committed to helping partner countries meet the Millennium Development Goals by 2015. The Paris Declaration on Aid Effectiveness⁷ (the Paris Declaration, Paris commitments, or Paris agenda) is an effort by the international development community to achieving these goals.⁸ It calls for a new way of delivering aid, and asserts that managing and delivering aid more effectively will yield better results for the development process.

12. **The Five Pillars.** The Paris Declaration was endorsed by ADB, 25 other international organizations, and 114 countries.⁹ The endorsers committed to specific actions to promote and strengthen the five pillars (commitments) that comprise the Paris Declaration. The five pillars and the commitments under each are as follows:

- (i) **Ownership.** Build the capacity and institutions in partner countries¹⁰ to enable them to own and exercise leadership over their development policies and plans. Development partners are expected to respect the leadership of the partner country. Ownership and effective leadership by partner countries of their development policies and strategies represent the fundamental tenet of the Paris Declaration.
- (ii) **Alignment.** Align overall support on the partner countries' development strategies, institutions, and systems, while helping them to ensure that national systems, procedures, and institutions for managing aid and other development resources are effective, accountable, and transparent. Development partners are expected to base their assistance on the national strategies of partner countries, use strengthened country systems, support the capacity development of partner countries, strengthen public financial management capacity and make aid predictable, and strengthen national procurement systems.
- (iii) **Harmonization.** Harmonize activities with other development partners and minimize the cost of delivering and managing aid. The actions of development partners are expected to be more harmonized, transparent, and effective. There is the expectation that development partners will implement common arrangements and simplify procedures; complement their assistance; harmonize separate procedures; and promote a harmonized approach to environmental

⁷ The full text of the Paris Declaration could be found in <http://www.oecd.org/dataoecd/11/41/34428351.pdf>

⁸ Starting with the Millennium Declaration in Monterey in 2000, followed by the High-Level Forum on Harmonization in Rome in 2003, Marrakech Roundtable on Managing for Development Results in early 2004 and Third International Roundtable on Managing for Development Results held in Hanoi in February 2007.

⁹ Available: http://www.oecd.org/document/22/0,3343,en_2649_3236398_36074966_1_1_1_1,00.html

¹⁰ Forty-four Paris Declaration partner countries in the Asia and the Pacific regions are listed as DMCs of ADB. These are ADB's partner countries. The list of ADB's DMCs is available at <http://www.adb.org/Countries/default.asp#dmcs>

assessment, gender equality, and other cross-cutting and thematic issues. In fragile states, development partners will also harmonize their assistance; align behind government-led strategies; support institution building; and provide various assistance modalities, including financing recurrent budgets.

- (iv) **Managing for Results.** Manage and implement development activities in a way that focuses on the desired results, and strengthen the capacities of partner countries for improved results-based management. Development partners are expected to link country programming and resources to results and align them with partner countries' performance assessment frameworks; rely, to the extent possible, on partner countries' results-oriented reporting and monitoring frameworks; and harmonize monitoring and reporting requirements. Development partners are to work together with partner countries to strengthen capacities for results-based management.
- (v) **Mutual Accountability.** Promote mutual accountability with other development partners and partner countries for progress in managing aid better and in achieving development results. Development partners are expected to provide comprehensive information on aid flows in a timely and transparent manner. Jointly with partner countries, development partners will assess mutual progress in implementing agreed upon aid effectiveness commitments.

B. Monitoring and Evaluation of the Paris Declaration

13. One of the distinct characteristics of the Paris Declaration is its intention to monitor and evaluate compliance through a monitoring mechanism that comprises 12 Indicators of Progress (Appendix 2), composed of 14 targets, which are to be used in reviewing and reporting on the degree to which the endorsers have followed through on their commitments. The monitoring and evaluation system is aimed at developing a comprehensive understanding of how increased aid effectiveness contributes to meeting development results. To accomplish this task, joint evaluations by partner countries and development partners, and donor evaluations were planned to be undertaken in two phases between 2007 and 2010 (footnote 1).

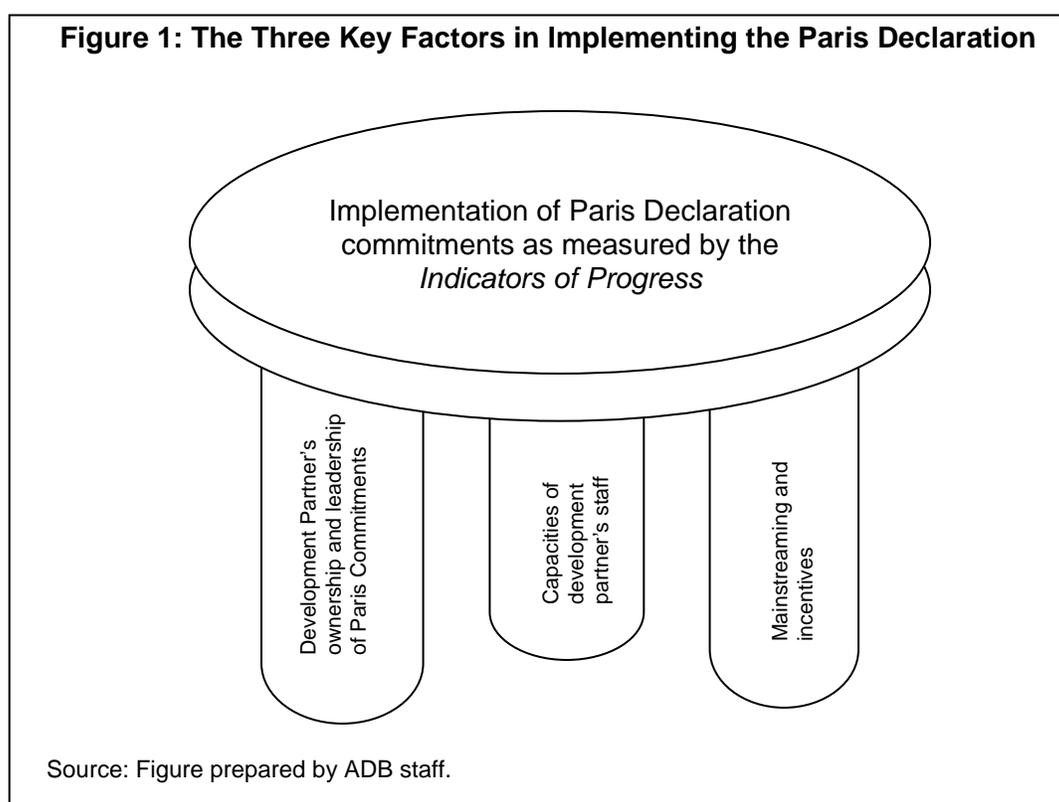
14. The 2006 baseline survey by OECD,¹¹ ADB's monitoring survey (footnote 6), and other studies have identified three key complementary factors that would foster development partners' implementation of the Paris Declaration principles (Figure 1). A brief overview of the three factors described in the generic terms of reference is presented below.

15. **Ownership and Leadership.** The five pillars of the Paris Declaration call for the strategies of development partners being guided by partner countries' needs-based demands in an aligned and harmonized manner. This is a new way of planning and delivering aid such that the OECD report (footnote 11) has identified the ownership and leadership by a development partner of the Paris agenda as the most important factor for ensuring commitment to the Paris Declaration objectives. This would be reflected in the development partner's policies and strategies, and by ownership at headquarters and acknowledgment by its governing body. Concerns at headquarters and at the governing body level about the Paris Declaration would impact on the ownership and leadership.

¹¹ OECD. 2007. *2006 Survey on Monitoring the Paris Declaration: Overview of the Results*, Paris. Available: <http://www.oecd.org/dataoecd/58/28/39112140.pdf>

16. **Capacity-Building.** The commitment to implement the Paris Declaration agenda also depends on staff capacities, including their knowledge and understanding of the aid effectiveness agenda and its operational implications. Staff capacities at resident missions may also reflect the degree of delegation of authority to their offices. Building capacity at the resident mission level is one of the central concerns of the Paris Declaration. Transaction costs and the availability of resources would also affect the implementation of the Paris Declaration pillars.

17. **Mainstreaming and Incentives.** Meeting the Paris Declaration commitments also depends on staff awareness and mainstreaming of related activities. The 2006 OECD baseline survey (footnote 11) suggests that a number of obstacles work against a development partner's ability to meet the commitments. These include pressures for disbursement, lack of flexibility in staff time, increased harmonization activities, and increased supervision responsibilities for more delegated projects. These factors, taken together, may create disincentives for the implementation of the Paris agenda. Within this dimension, mainstreaming and incentives would be reflected in the capacity-strengthening of staff skills, and encouragement and (dis)incentives to staff for mainstreaming the Paris Declaration.



III. THE STATUS OF ADB'S IMPLEMENTATION OF THE PARIS DECLARATION

A. The Asian Development Bank

18. ADB is a multilateral development financial institution owned by 67 member countries, 48 from Asia and the Pacific region and 19 from Europe and North America. The highest policy-making body is the Board of Governors, which is composed of one representative from each member. The Governors elect 12 members that comprise the Board of Directors (the Board), who are located at headquarters and to which the day-to-day responsibilities of the Board of Governors are largely delegated. ADB is managed by the President, who is assisted by four Vice-Presidents and a Managing Director General (ADB Management). The Vice-Presidents each lead a group of departments, which may include regional operations and operations support departments. ADB is headquartered in Manila, Philippines and, as of end-2006, had about 856 professional staff, 425 national officers and 1,119 administrative staff.

19. ADB's resident missions in its DMCs provide the primary link between ADB and the host DMCs. In 2007, there were 19 resident missions, 2 regional missions, 1 country office, 1 special office and 5 extended missions, which is about double the number in 2000. DMCs with no ADB resident mission or office are serviced either from nearby missions or offices, or from headquarters. The resident missions help implement ADB's goal of reducing poverty and related strategic objectives in the DMCs. The resident missions' standard functions include (i) building and maintaining relationships with governments and stakeholders, (ii) engaging in policy dialogue and support, (iii) reporting on country activities, (iv) donor coordination, and (v) external relations and information dissemination. Resident missions presently lead country programming activities in DMCs, support project and technical assistance (TA) processing, administer delegated projects (portfolio management and project administration), and undertake economic and sector analysis. Resident missions are in the front line of implementing the Paris Declaration, representing ADB in donor coordination activities in the DMCs.

20. The main instruments of ADB for providing assistance to its DMCs are policy dialogue, loans (sovereign and nonsovereign), TA, grants, guarantees, and equity investments. In 2007, ADB provided loan and grant financing totaling about \$11 billion and provided about \$240 million in TA, with transport, communications, and energy projects receiving about 43.5% of the total lending. ADB's development assistance is focused on poverty reduction, which is articulated by the Poverty Reduction Strategy (1999) and its update, the Enhanced Poverty Reduction Strategy (2004).¹² The strategies rest on three pillars: pro-poor, sustainable economic growth; inclusive social development; and good governance. For the public sector, ADB's lending product or modality may be a program loan, a project loan, a sector development program loan (combination of program loan and project loan), or a multitranche financing facility for projects. Program loans typically go towards the government budget while project loans are earmarked for specific investment project inputs. Presently, ADB has a ceiling on the percentage of program loans in the total annual lending (calculated as a 3-year moving average) of 20%.¹³ For the private sector, ADB makes equity investments and provides guarantees.

¹² This strategy is complemented by the Long-Term Strategic Framework, the Medium-Term Strategy and the Second Medium-Term Strategy, which are referred to or discussed in this study's Chapter 4 and Appendix 6.

¹³ ADB's policy on program loans is presently being reviewed.

B. ADB's Paris Declaration-Related Plans

21. This section briefly describes how ADB has institutionalized development effectiveness best practices, which later were included as Paris pillars, through action plans and presents the latest data on ADB's Indicators of Progress as reported by the OECD baseline survey and as collected by the ADB Strategy and Policy Department (SPD).

22. **Action Plans.** ADB is presently implementing its action plans for alignment and harmonization, and managing for results. The preparation of these plans commenced before the Paris Declaration adoption. ADB's plan is to continue integrating the development effectiveness best practices into its work that is already being undertaken mainly by its regional departments.¹⁴

23. ADB's alignment and harmonization action plan (2005)¹⁵ comprises institutional level and country-level actions. At the institutional level, ADB will participate in the activities of the Operational Policy roundtable and MDB working groups; organize and support regional activities and workshops on donor harmonization and alignment; participate in joint activities with OECD-DAC; build and increase support among ADB staff for harmonization activities, particularly those at the operations departments and the resident missions; actively participate in information sharing through the MDB website; and support and monitor the design of country action plans.¹⁶ At the country level, ADB will collaborate and coordinate with development partners in a range of activities, including support for national strategy development and implementation, country programming, and harmonization activities.

24. ADB's plan is to mainstream managing for results through its Managing for Development Results (MfDR) agenda. The first action plan was prepared in 2004 and was revised in 2006.¹⁷ The plan includes a results framework and implementation arrangements, and describes potential resource implications. ADB's MfDR plan is anchored on three pillars: (i) supporting DMCs for MfDR, (ii) enhancing ADB's results orientation and institutional effectiveness, and (iii) maintaining effective results partnerships. Specific actions under these pillars include results-based country strategies, results focus at the project level, institutionalized results reporting at ADB, and increased staff knowledge of MfDR.

25. Implementation of the above action plans is reported on by divisions under SPD, which represents ADB in the OECD-DAC Working Party on Aid Effectiveness and Donor Practices. The implementation of MfDR is overseen by the Results and Management Unit, while the alignment and harmonization action plan is monitored and updated by the Strategic Planning, Policy, and Interagency Relations Division, which also prepared the report (footnote 6) on the implementation of the Paris Declaration in ADB for the Asian Development Fund X Donors' Meeting. While these three Paris pillars have responsible groups, a focal point has yet to be appointed to manage ADB's contributions to implementing and meeting the Paris Declaration commitments.

¹⁴ ADB. 2005. *Board Information Paper on Paris Declaration on Aid Effectiveness*. Manila.

¹⁵ The plan is posted on <http://www.oecd.org/dataoecd/52/51/33666868.pdf>. The first part of the plan comprises activities to be pursued at the institutional level. The second part comprises country-level initiatives as of 31 July 2007.

¹⁶ ADB is a member of the OECD-DAC Working Party on Aid Effectiveness and Donor Practices and is a member of four of its five teams - harmonization and alignment, joint venture in public financial management, joint venture in managing for development results, and joint venture in procurement.

¹⁷ The MfDR action plan is posted on <http://www.adb.org/MfDR/actionplan.asp>

26. **Work Program and Budget Framework.** The Work Program and Budget Framework (WPBF) defines the parameters and main thrusts of ADB's operations and has served as the business plan for implementing ADB policies and strategies. ADB's three-year rolling WPBFs for 2006–2008, 2007–2008, and 2008–2010 all include ADB's activities related to the Paris Declaration. After the endorsement of the Paris Declaration in 2005, the 2006–2008 WPBF enumerated activities within the period that will support the Paris Declaration implementation, including plans for pilot activities. This includes forging greater DMC ownership and alignment, which includes aligning ADB and DMC strategies and plans, strengthening and applying country systems, and integrating project implementation units. It is expected that by the end of 2008, 24 results-based country strategy programs will have been prepared. WPBF further indicates that cooperation with development partners will be enhanced by expanding joint development of country strategies and programs, with a goal to having at least seven such programs by end-2008; furthering harmonization, which includes greater use of common implementation arrangements and aiming to have joint annual country portfolio reviews in 13 DMCs by end-2008 and harmonizing procedures and approaches; and exploring the potential of program-based approaches (PBAs). While these Paris Declaration-related activities are enumerated in the 2006-2008 WPBF main text, they were not included among the policies, strategies, and initiatives introduced from January 2005 that were analyzed for their resource implications.¹⁸

C. The Progress of ADB's Implementation of the Paris Declaration

27. **2005 Baseline and 2006 Results for ADB.** ADB's baseline status in 2005 is compared with other MDBs using the 2006 OECD baseline survey data. However, it should be noted that ADB data in the OECD survey were from six DMCs only,¹⁹ and that MDBs cover different regions and have different mandates, memberships, structures, strategies, and sizes. A second OECD survey that includes more countries and development partners and provides more specific instructions is ongoing.²⁰

28. In 2007, ADB collected data for 2005 and 2006 from 13 DMCs to monitor the progress of its Paris Declaration implementation.²¹ While 2005-2006 is a short time interval to gauge a trend, it still provides a snapshot of ADB's progress for a larger sample of DMCs vis-à-vis ADB's own targets. The 2010 targets for Indicators 3, 5a, 5b, 6, and 7 (Appendix 2) depend on the baseline values reported for the 13 sample DMCs. The numerical targets set for these are calculated as proportional improvements from the baseline data. Thus, the numerical targets and the gaps to be closed towards these targets may change with a different set of sample DMCs.

29. Further, ADB's partnering and harmonization evaluation found that some of the partnering and harmonization activities are unrecorded in the current reporting arrangements, and that there may be underrecording of joint missions. The list of ADB's Paris Declaration-related activities collected by the partnering and harmonization evaluation are in Appendixes 3A and 3B.

¹⁸ ADB. 2007. *Work Program and Budget Framework 2008–2010*. Manila. Appendix 13; and ADB. 2007. *Work Program and Budget Framework 2007–2009*. Manila. Appendix 10.

¹⁹ The six DMCs were Afghanistan, Bangladesh, Cambodia, Kyrgyz Republic, Mongolia, and Viet Nam. Viet Nam and Bangladesh were among the top five borrowers in 2006 and represented 18% of the year's borrowing. They are also eligible for loans from ordinary capital resources that are offered at near-market terms.

²⁰ More information available at OECD website:

http://www.oecd.org/document/33/0,3343,en_21571361_39494699_39497377_1_1_1_1,00.html

²¹ The 13 DMCs include the six DMCs in the OECD baseline survey plus Bhutan, Lao People's Democratic Republic, Maldives, Nepal, Papua New Guinea, Sri Lanka, and Tajikistan.

30. **Pillar of Ownership.** Country ownership and effective leadership of their development policies and strategies are the fundamental tenets of the Paris Declaration. ADB has committed to respecting DMC leadership and building their capacity to enable them to own and exercise leadership over their development plans and policies. While there is no Indicator of Progress for development partners for this pillar, the ADB partnering and harmonization evaluation found that there is “clear evidence that ADB promoted, and frequently led, a transition from donor led to government-led planning through support for national socioeconomic development plans and public investments programs.”²² ADB has provided, and continues to provide, assistance to develop the capacity of DMCs to prepare national strategies; Appendix 4 presents the list of ADB’s assistance to prepare national strategies.

31. **Pillar of Alignment.** Several indicators measure the progress of development partners’ alignment with country systems. Of the four MDBs included in the baseline survey, the indicators for the six ADB DMCs included in the OECD survey were generally at par, if not better, than other MDBs in several Indicators of Progress, as shown in Table 1. ADB’s assistance was aligned to DMCs’ priorities; 88% of ADB assistance in 2006 was channeled to priority programs indicated in the country strategies and programs that were consistent with national priorities. The Paris Declaration commitment calls for TA to be consistent with national development strategies for strengthening the national capacity. Thirty-seven percent of ADB’s TA to the six DMCs was aligned to national strategies, which was less than that of World Bank’s (57%).

Table 1: Paris Declaration Alignment Indicators in 2005 for ADB and Comparators

Indicator	ADB ^a	AfDB ^b	IADB ^c	World Bank ^d
3 Aid flows are aligned on national priorities	88%	95%	60%	94%
4 Strengthening capacity by coordinated support	37%	38%	24%	57%
5a Use of country public financial management systems	69%	33%	45%	42%
5b Use of country procurement systems	45%	43%	0%	40%
6 Avoid parallel implementation structures	39	132	64	223
7 Aid is more predictable	91%	56%	82%	68%

ADB = Asian Development Bank, AfDB = African Development Bank, IADB = Inter-American Development Bank.

^a Information on ADB covers 6 countries.

^b Information on AfDB covers 17 countries.

^c Information on IADB covers 5 countries.

^d Information on the World Bank covers 32 countries.

Source: OECD. 2007. *2006 Survey on Monitoring the Paris Declaration: Overview of the Results*. Paris.

32. ADB used the public financial management and procurement systems in the six DMCs to a greater extent when compared with the other MDBs, at 69% and 45%, respectively. ADB’s assistance was also more predictable, with 91% of the assistance disbursed within the fiscal year for which it was scheduled.

33. The Paris Declaration stresses the need to strengthen DMCs’ capacities to implement projects/programs. To foster this, the development partners are discouraged from setting up parallel project/program implementation units (PIUs). In 2005, ADB’s per-country use of PIUs in the sample DMCs was about at par with the World Bank’s and less than the Inter-American Development Bank’s.

²² ADB. 2007. *Special Evaluation Study on the Asian Development Bank’s Approaches to Partnering and Harmonization: In the Context of the Paris Declaration on Aid Effectiveness*. Manila. Para. 35.

34. Table 2 indicates that ADB, for its 13 sample DMCs, made progress in 2006 from the baseline of 2005 on three indicators, namely, the use of country procurement systems, the use of PIUs, and the predictability of its aid. Within this set of 13 DMCs, if the “trend” continues, ADB could meet its Paris Declaration targets for these indicators. However, for this same group of DMCs, there was no improvement in 2006 from 2005 in coordinating TA to national programs, while there seems to have been no progress in the use of country public financial management systems.

Table 2: Paris Declaration Alignment Indicators for ADB in 13 DMCs, 2005–2006

Indicator	OECD Baseline Survey 2005 ^a	ADB Survey 2005	ADB Survey 2006	ADB 2010 Target	Remarks
4 Strengthen capacity by coordinated support	37%	42%	39%	50%	Decreased
5a Use of country public financial management systems	69%	77%	76%	85%	Decreased
5b Use of country procurement systems	45%	40%	45%	60%	Improved
6 Avoid parallel implementation structures	39	70	66	23	Improved
7 Aid is more predictable	91%	87%	93%	94%	Improved; almost achieved

ADB = Asian Development Bank, OECD = Organisation for Economic Co-Operation and Development.

^a The survey presented the baseline data for year 2005.

Sources: (i) OECD. 2007. *2006 Survey on Monitoring the Paris Declaration: Overview of the Results*. Paris.

(ii) ADB. 2007. *Implementation of the Paris Declaration in ADF Countries*. Manila.

35. **Pillar of Harmonization.** Three indicators are specified for harmonization and refer to the extent the development partners use common systems and work jointly in reviews and missions for aid delivery. All three indicators show that ADB’s compliance in the six sample DMCs is lowest among the MDBs (Table 3).²³ Twenty-three percent of ADB’s assistance used PBA compared with the World Bank’s 57%. However, for monitoring purposes, the definition of “program-based approach” and what constitutes it need further clarification. ADB’s partnering and harmonization evaluation found that ADB’s reporting arrangements for harmonization activities need to be improved, as some activities were unrecorded.

Table 3: Paris Declaration Harmonization Indicators in 2005 for ADB and Comparators

Indicator	ADB	AfDB	IADB	World Bank
9 Use of common arrangements or procedures	23%	40%	45%	57%
10a Joint missions	5%	19%	41%	21%
10b Joint country analytical work	49%	55%	69%	49%

ADB = Asian Development Bank, AfDB = African Development Bank, IADB = Inter-American Development Bank.

^a Information on ADB covers 6 countries.

^b Information on AfDB covers 17 countries.

^c Information on IADB covers 5 countries.

^d Information on the World Bank covers 32 countries.

Source: OECD. 2007. *2006 Survey on Monitoring the Paris Declaration: Overview of the Results*. Paris.

36. Joint missions and joint analytical work among development partners are promoted in project or program management such as project preparation, supervision, and reviews as a

²³ Indicator 9 is measured by the amount of assistance provided through PBAs as a proportion of total assistance for the year. The definition of PBA and its interpretation by different development partners and DMCs is reported as a problem in the OECD baseline survey. Para. 32 of the Paris Declaration states: “Donors commit to: ... (bullet point 2) Implement, where feasible, common arrangements at country level for planning, funding (e.g. joint financial arrangements), disbursement, monitoring, evaluating and reporting to government on donor activities and aid flows. Increased use of program-based aid modalities can contribute to this effort (Indicator 9)...”

means of reducing transaction costs. ADB conducted joint missions in 5% of the total missions fielded in the sample DMCs. The partnering and harmonization evaluation observed that there may be underrecording, as mission reviews by the resident missions for delegated projects are not included. Almost half of ADB's analytical work was conducted jointly with development partners in the six DMCs. In terms of DMC coverage, the partnering and harmonization evaluation reported that ADB undertook joint analytical work in 64% of the 39 DMCs, often with the World Bank.

37. For all three indicators for the harmonization pillar, ADB needs to step up its efforts to meet the 2010 targets in the 13 DMCs. There were fewer joint missions and analytical work in 2006 than in 2005, and the use of PBAs only marginally increased (2%) from 2005 (Table 4).

Table 4: Paris Declaration Harmonization Indicators for ADB in 13 DMCs, 2005–2006

Indicator	OECD Baseline Survey 2005	ADB Survey 2005	ADB Survey 2006	ADB 2010 Target	Remarks
9 Use of common arrangements or procedures	23%	17%	19%	66%	Improved; needs improvement
10a Joint missions	5%	12%	10%	40%	Decreased; needs improvement
10b Joint country analytical work	49%	44%	34%	66%	Decreased

ADB = Asian Development Bank, OECD = Organisation for Economic Co-Operation and Development.

^a The survey presented the baseline data for year 2005.

Sources: (i) OECD. 2007. *2006 Survey on Monitoring the Paris Declaration: Overview of the Results*. Paris.

(ii) ADB. 2007. *Implementation of the Paris Declaration in ADF Countries*. Manila.

38. **Pillar of Managing for Results.** The Indicator of Progress for this pillar, which applies to partner countries and not to development partners, calls for the proportion of countries without transparent and monitorable performance assessment frameworks against their national development strategies and sector programs to be reduced by one third. ADB has committed to managing and implementing development activities that focuses on the desired results, and to strengthening DMC capacities for improved result-based management.²⁴ ADB piloted the preparation of a results-based CPS in 2004 for the 2005–2009 Nepal country strategy and has prepared subsequent ones in Bangladesh, Bhutan, Cambodia, Mongolia, Philippines, and Uzbekistan, among others.²⁵ In 2007, ADB issued new guidelines for the preparation of country strategies, which instruct ADB's country assistance programs to be formulated with results orientation and performance assessment frameworks. Efforts by ADB to strengthen the capacity for collecting and reporting on various development indicators and for monitoring and evaluation of development effectiveness, including the Millennium Development Goals, are continuing (see Appendix 5 for statistical capacity-building activities). The MfDR Cooperation Fund has also been created with the support of development partners to support capacity building of countries. The MfDR evaluation concluded that ADB's progress in implementing MfDR is generally at par with that of other MDBs, and that ADB has adopted several policies, procedures and tools towards full implementation.²⁶

39. **Pillar of Mutual Accountability.** ADB has committed to providing timely and comprehensive information on aid flows. At the country level, country program update missions are fielded annually to discuss with governments the expected program of assistance for the

²⁴ ADB's list of MfDR activities can be found on the ADB MfDR website, <http://www.adb.org/MfDR/default.asp>

²⁵ ADB. 2006. *Further Enhancing CSP and Business Processes*. Manila. Para. 21.

²⁶ ADB. 2007. *Special Evaluation Study on Managing for Development Results in the Asian Development Bank: A Preliminary Assessment*. Manila.

calendar year. During this time, the risk of slippage of any assistance is assessed. ADB staff work with project executing and implementing agencies in preparing estimates of expected project disbursements. ADB's portfolio performance in a DMC is reviewed annually, during which time constraints and solutions are jointly identified and developed. Efforts to strengthen statistical capacity also contribute to enhancing transparency in development effectiveness. In connection with the Paris Declaration, ADB has been willing to undertake this independent evaluation of its implementation.

40. **Summary.** Per the Indicators of Progress for the sample of ADB DMCs, ADB appears to be on track to meet its Paris Declaration targets on ownership and managing for results, and needs to increase its efforts in meeting some of its targets for the pillars of alignment and harmonization. ADB activities that contribute to building mutual accountability are ongoing.

IV. RESULTS OF ADB'S FIRST PHASE EVALUATION

A. Assessing Ownership and Leadership

41. This section examines ownership and leadership as they facilitate meeting the Paris commitments. Ownership and leadership of the Paris Declaration within ADB would be found in its policies, strategies, and guidelines; at ADB headquarters; resident missions; and in the acknowledgment of the Governors, the Board, and Management.

42. **ADB Policies and Strategies.** From the document reviews undertaken, ADB's current strategies and policies seem to be generally promoting the Paris aid effectiveness agenda, with some pillars more emphasized than others. ADB's guidelines, particularly in the preparation of country partnership strategies (CPSs), are supportive of country ownership. Alignment and harmonization activities, or aid coordination activities, are instructed in various strategies and policies, with several activities commencing before the Rome high-level forum was convened. ADB's action plan to implement MfDR is geared towards mainstreaming, and mutual accountability is starting to be addressed through country programming missions and continuing capacity development in statistical systems and evaluation.

43. *Pre-Paris Declaration.* Even before ADB endorsed the Paris Declaration in 2005, the document reviews indicate that several ADB policies and procedures already included elements of the five pillars of ownership, alignment, harmonization, managing for results, and mutual accountability, under some rubric or another. (Appendix 6 tabulates and discusses ADB's policies and strategies pre- and post-Paris Declaration. Appendix 7 presents the summaries of relevant sections of selected ADB policies and strategies vis-à-vis the Paris pillars from the partnering and harmonization evaluation.) ADB has been trying to keep up with the articulations of several high-level international development fora, including the 2003 High-Level Forum on Harmonization in Rome and the 2004 Marrakech Roundtable on Managing for Development Results. Several of ADB's policies and strategies that were developed and adopted before the endorsement of the Paris Declaration incorporate concepts of country ownership, building governments' capacities in their respective thematic areas, and cooperation with other development partners.

44. The key institutional operational strategies, which were prepared mostly before the endorsement of the Paris Declaration—the Poverty Reduction Strategy and the Enhanced Poverty Reduction Strategy, the Long-Term Strategic Framework (LTSF, March 2001), and the Medium-Term Strategy 2001–2005 (September 2001)—take into account the components of Paris principles. The poverty reduction strategies include greater country focus, which includes

building partnerships around national poverty reduction strategies, country strategies, and results-oriented programming. Implementation of the poverty reduction strategies entails, among others, managing for results. The role of the Paris principles is reiterated in the LTSF, which is the key statement for guiding ADB's strategic management from 2001 to 2015 and is presently undergoing revision.²⁷ LTSF looks toward country leadership and ownership, a long-term approach to development assistance, building on the strengths of other development partners, and measuring development impacts. The LTSF declares that "ADB must strongly support its DMCs in preparing long-term national poverty reduction strategies." The medium-term strategies, which have implemented the LTSF until 2008, have echoed the same priorities and guiding principles.

45. *Post-Paris Declaration.* After the endorsement of the Paris Declaration, several of the operational policies and strategies that were approved and adopted by ADB included references to specific pillars, if not the Paris Declaration itself. The Paris Declaration and its pillars formed part of their respective justifications, including addressing constraints to achieving the Paris objectives.²⁸ The more relevant policy papers that were approved after March 2005 are (i) *Pilot Financing Instruments and Modalities* (August 2005); (ii) *Cost Sharing and Eligibility of Expenditures for ADB Financing: A New Approach* (August 2005); (iii) *Use of Consultants by the Asian Development Bank and Its Borrowers* (January 2006); and (iv) *Revising the Procurement Guidelines* (January 2006).

46. In the revision of ADB's *Cost-Sharing and Eligibility of Expenditures Policy*, the Paris Declaration is cited. The revised policy aims to align with DMCs' actual expenditure requirements and harmonize with other development partners' project financing frameworks, while having a results orientation. The *Pilot Financing Instruments and Modalities* proposes new ADB assistance products anchored on harmonization principles. It seeks to align ADB's financial instruments and modalities with those of comparator organizations. The new products would facilitate partnerships and cofinancing with them. In 2006, ADB harmonized its definition of corrupt and fraudulent practices with those of other multilateral financial institutions. In 2007, ADB revised the Asian Development Fund grant framework for 2007–2008 towards greater alignment with the World Bank's IDA-14. Complete alignment is presently not possible due to differences between ADB and IDA that includes country membership and classification and lending terms.²⁹ The revision of ADB's supplementary financing policy in 2007 was partly motivated by the need to harmonize relevant procedures with those of other MDBs, particularly in the face of cost overruns. It also sought to advance the development effectiveness and results agenda. The *Second Governance and Anti-Corruption Action Plan* commits ADB to implementing the Paris principles within the context of governance and anticorruption. ADB will work with development partners to undertake joint analyses and reviews and adopt common measurements and programs for public financial management, procurement, and anticorruption. ADB's governance and anticorruption programs are also expected to increase its alignment with DMCs' priorities, systems, and procedures.

47. Among the strategy papers that were discussed and adopted after the endorsement of the Paris Declaration are (i) *Managing for Development Results in ADB: Revised Action Plan*; (ii) *Medium-Term Strategy II (2006–2008)*; and (iii) *Financing Partnership Strategy*. The MfDR

²⁷ The draft of the revised LTSF for 2009–2020 (or LTSF-II), dated 21 November 2007, includes meeting "all major commitments under the Paris Declaration by 2012."

²⁸ The ongoing update of ADB's Safeguard Policy includes the commitments under the Paris Declaration and discusses in its policy delivery process its overall approach to strengthening and using country safeguard systems. (<http://www.adb.org/Documents/Policies/Safeguards/Consultation-Draft.pdf>)

²⁹ ADB. 2007. *Revising the Framework for Asian Development Fund Grants*. Manila.

Action Plan provides greater detail than the 2003 plan, while the other strategies refer to the Paris Declaration in their background motivation.

48. *Post-Paris Country Strategies.* The preparation by ADB staff of country strategies, or country partnership strategies, is guided by guidelines that are updated from time to time. Country strategies provide the expected annual assistance pipeline from ADB for a specified period of time, which helps DMCs in planning their future budgets. The most recent revisions in the guidelines are contained in *Further Enhancing Country Strategy and Program and Business Processes* (August 2006), relevant sections of which have been disseminated through the *Country Partnership Strategy Guidelines* (February 2007). The review of the guidelines indicates that the refinements reinforce the objectives of the Paris Declaration.³⁰ The guidelines aim to mainstream results-based country strategies, and continue to emphasize the country development context and coordination and harmonization with development partners.

49. Country strategies³¹ continue to be expected to be aligned with national poverty reduction plans. The guidelines identify “ownership” by DMCs of the country partnership strategy process, leading to the development and implementation of national strategies.³² The guidelines further provide steps that could be taken by ADB staff to increase country ownership, including resident missions undertaking extensive policy dialogue and consultations in the field with various levels of the government and stakeholders. These guidelines also include country ownership of some of ADB’s thematic and sector policies developed before and after the Rome forum, e.g., governance and anticorruption, forestry, and education. The guidelines indicate that ADB will continue to support diagnostics and analytical work by DMCs, where relevant, in the preparation of national plans. Joint analytical work with other development partners is also encouraged where feasible, and staff are instructed to use recent analytical data of DMCs and assessments of development partners. The new guidelines for preparing country strategies support harmonization with development partners and selectivity of sectors for assistance, among others. Joint efforts may include sector wide approaches and pooling of funds.

50. In support of overall development performance, ADB has recognized the importance of capacity development by including it among its thematic priorities and by the adoption of a medium-term framework and action plan for related activities (*Integrating Capacity Development into Country Programs and Operations: Medium-Term Framework and Action Plan, 2007*). The plan refers to the Paris Declaration and supports its capacity-development objectives.

51. *The Difference The Paris Declaration Has Made.* Document reviews and interviews with staff indicate that ADB’s general direction before 2005 was towards compliance with the best practices that were later to comprise the five Paris pillars. Many of the staff interviewed noted that, for the policies and strategies supporting the Paris principles adopted or approved after the endorsement of the Paris Declaration, their preparation predated it. In procurement, consulting, disbursement, and evaluation, harmonization activities have been ongoing since 2003. In the

³⁰ ADB. 2006. *Further Enhancing Country Strategy and Program and Business Processes*. Manila. Para. 2.

³¹ After the endorsement of the Paris Declaration, country strategy documents, including country strategy updates, used “Paris Declaration” and provided updates of activities related to its implementation. Of the 16 such documents submitted to the Board in 2006 and 2007, 11 specifically refer to the “Paris Declaration.” However, when ADB shifted from having country strategy and program updates to preparing country operations business plans about mid-2006, the latter had fewer references to “Paris Declaration.” Country operations business plans include proposed individual ADB assistance. The main text of the plan is recommended to be about 3 pages, less than half the recommended length of the main text of the former country strategy and program update.

³² Para. 47, *Further Enhancing the Country Strategy and Program and Business Processes*.

case of the country strategy, the earlier version³³ of it in the 1990s included country ownership through discussions of the government's development objectives, strategy, approach, and actions.³⁴ In developing ADB's future role in a DMC, government preferences were analyzed, and relationships with other development partners and the extent to which a "shared approach" was adopted were reported.

52. Interviewed staff involved in policy dialogue with DMCs implementing the Paris pillars observed that a key difference made by the Paris Declaration is that it has provided an "umbrella legitimacy" to the various agenda articulated in the different gatherings in Monterrey, Rome, and Marrakech, among others. Given that it calls for a formal commitment from governments and development partners, ADB and development partners can appeal to Paris Declaration compliance to buttress policy dialogue. The Paris Declaration has become a recognizable "brand" that could be employed to refer to a set of international aid effectiveness agenda, rather than appealing to three or more principles separately.

53. Donor coordination through formal groups, i.e., country-specific development forums, is assisting information sharing among development partners. Development forums are also facilitating policy dialogue: More people and stakeholders are discussing policies, which broadens stakeholder discussion and increases ownership. Discussions and interactions in donor harmonization groups have influenced some of ADB's revisions of its guidelines and policies, including those in procurement, legal, governance and anticorruption, and gender.

54. *Potential Constraints to Meeting the Paris Commitments.* ADB's implementation of the Paris Declaration, however, may be challenged by some policies. Participation in multiyear program-based approaches that pool external funds and disburse not necessarily on policy reforms, but on outputs and/or outcomes, is presently challenged by the unavailability of a ready loan modality. Presently, ADB can disburse funds without earmarking through its program loan modality only. However, interviewed staff mentioned that, in preparing this type of assistance in education, they have had to be creative in "fitting" the assistance within the current program lending policy. Without an appropriate assistance modality and staff guidance, participation in program-based approaches may become *ad hoc*. Increased program lending may also breach the prevailing ceiling on the percentage of program loans in a year's lending. ADB is presently reviewing its policy on program loans with a view to addressing issues that have emerged since its last revision. The complete alignment of ADB's procurement procedures with national systems and harmonization with other development partners' procedures faces the limitation imposed by ADB's Charter;³⁵ further, fiduciary arrangements would have to be assessed in this connection. ADB's member countries, and thus the group of countries from which ADB-financed goods and services may be procured, are different from those of other development partners'. A significant reduction in the use of project implementation units has to take into account the assistance portfolio of a development partner and their implementation efficiency. An OED evaluation concluded that these units, in view of their implementation efficiency, are generally legitimate and justifiable arrangements for capital investment assistance, which comprise the majority of ADB's portfolio.³⁶

³³ The country partnership strategies were called "country strategy and program" and "country operational strategy study."

³⁴ GP:45, Issued on 19 November 1996, Appendix 3.

³⁵ Procurement using ADB loan proceeds has to be from ADB member-countries.

³⁶ ADB. 2005. *Special Evaluation Study on Project Implementation Units*. Manila.

55. **Summary.** ADB's policies and strategies are generally supportive of the Paris Declaration. The revised guidelines for preparing country partnership strategies reinforce the importance of the Paris principles. Some of ADB's policies, however, may challenge meeting some of the Indicators of Progress. For example, the current set of loan modalities may be reviewed with a view to facilitating ADB's participation in program-based approaches.

56. **The Paris Declaration and ADB's Board of Directors.** After the endorsement of the Paris Declaration, the Board of Directors requested a briefing on the Paris Declaration. The members of ADB's Board of Directors who were interviewed for this study are generally supportive of the Paris aid effectiveness agenda. In a review of Board discussion documents relating to the WPBF 2008–2010, Board members expressed interest in learning more about ADB's progress in implementing its Paris commitments. Board members also inquire after relevant Paris pillars in some pre-Board discussions of loans being considered for approval. For education projects, for example, the subjects of donor coordination and development results have been raised several times with concerned staff in pre-Board discussions.

57. **The Paris Declaration and ADB's Management.** ADB's Management underscored the importance of development effectiveness and the pillar of managing for results in its 2004 Reform Agenda,³⁷ in which it continued the commitment to harmonization and alignment with development partners and DMCs. The ADB President co-chaired the 2005 plenary session wherein the Paris Declaration was adopted by the development partner community. After the endorsement of the Paris Declaration, ADB Management briefed the ADB Board on the Paris Declaration and ADB's commitments in implementation.³⁸ However, from the interviews and document search conducted by the evaluation team, there seems to have been no Paris Declaration-specific guidance or instruction issued to staff to date, nor has a focal point been made responsible for implementing the Paris Declaration within the organization. From 2005, according to the ADB website on speech archives, ADB's Management delivered in international forums two speeches directly related to aid effectiveness and one on managing for results. A review of the transcripts of the meetings for the ninth replenishment of the Asian Development Fund revealed that Management unequivocally expressed its commitment to the Paris process. Within the Asia and Pacific region, ADB cohosted in Manila, with other development partners, the 2006 Asian Regional Forum on Aid Effectiveness. In 2007, ADB and the World Bank invited DMC representatives to Manila for the Asia Pacific Consultations in preparation for the Accra High-Level Forum on Aid Effectiveness.

58. Implementation and the visibility of ownership of "Paris Declaration" and its five pillars vary across ADB's departments and offices. As mentioned earlier, the pillar of managing for results is being mainstreamed, and ADB Management has made considerable effort to formally institutionalize it (Box 1). The management of the Pacific Regional Department is committed to implementing the Paris Declaration such that in its recent management retreat, a session on the Paris Declaration was included. Together with other development partners in 2007, the Pacific Regional Department endorsed the Pacific Principles for Aid Effectiveness and signed with the Government of Tonga an agreement to apply the Paris Declaration pillars in helping the Government meet its national development objectives. The South East Asia region includes two DMCs—Philippines and Viet Nam—that are at the forefront of implementing the Paris Declaration and ADB is actively interacting with their respective governments to implement the Paris pillars. In the Central and West Asia Regional Department, the Tajikistan Resident Mission

³⁷ The Reform Agenda aims to enhance the development effectiveness of ADB operations by reforming its policies, strategies, processes, and programs.

³⁸ ADB. 2005. *Paris Declaration on Aid Effectiveness*. Manila.

**Box 1: Implementing ADB's Managing for Development Results Agenda:
Ownership and Leadership, and Capacities**

Management for Development Results (MfDR) represents a fundamentally different approach to management than what has traditionally been practiced by MDBs. The successful implementation of reforms requires more than issuing new policies and procedures, the change process itself needs to be actively managed and staff commitment built through participation.

ADB has made considerable effort to mainstream and formally institutionalize MfDR and provides an example of planning and activities that can be pursued to implement an initiative. The preliminary results of the MfDR evaluation indicate that it is clearly supported by Management and by ADB policies and strategies. To implement MfDR, the Results Management Unit within ADB was established in December 2003 to support mainstreaming. An indicative action plan for implementing MfDR was released in 2004, and a revised plan was released in 2006. ADB is implementing MfDR at three strategic levels by (i) strengthening organizational capacity on MfDR, (ii) building capacity of DMCs in managing results-based development, and (iii) strengthening MfDR knowledge sharing and harmonizing efforts globally.

The Results Management Unit maintains a website on MfDR (<http://www.adb.org/MfDR/default.asp>) that provides information on progress, documents, and other relevant information. Since 2004, the unit has published *Results Matter*, a newsletter on MfDR-related activities, a hard copy of which is supplied to staff and its soft copy is available on the MfDR website. MfDR-related activities are announced in ADB's daily e-newsletter, *ADB Today*, which is e-mailed to all ADB staff.

To strengthen staff capacity in results-orientation, training programs on MfDR were initiated in 2006. The subjects offered include, among others, design and monitoring frameworks, preparation of results-based country strategies, preparation of sector roadmaps, and results-based country portfolio management and review. The preliminary results of the survey undertaken for the MfDR evaluation, however, seem to indicate that further capacity building is needed to help staff implement the MfDR agenda. About 20% of the respondents agreed that ADB has built organizational capacity and is now ready to mainstream MfDR.

Strengthening Capacity in Results-Orientation at ADB

Question/Statement	Agree (%)	Neutral (%)	Disagree (%)
1. I have a clear understanding of what results have to be achieved in my work.	85	9	6
2. I have the knowledge and skills required to enable me to be results oriented in my work	86	9	4
3. The MfDR training I attended has helped me better achieve results in my work.	41	39	19
4. ADB has built its organizational capacity and is now ready to mainstream the MfDR agenda.	20	29	27

Note: The results do not always add up to 100, as "don't know" responses were not included.

Source: ADB. 2007. *Special Evaluation Study on Managing for Development Results in the Asian Development Bank: A Preliminary Assessment*. Manila. Available: <http://www.adb.org/Evaluation/reports/BSES-Bayley.asp>

conducted a joint retreat with the World Bank focused on the Paris Declaration while a joint country strategy has just been prepared and approved for the Kyrgyz Republic. The South Asia Regional Department has been at the forefront of implementing MfDR and is supporting ADB's lead role in an education sector-wide approach (SWAp) in Bangladesh. The East Asia Regional Department, too, is supporting ADB's leadership in Mongolia's education SWAp. Activities to improve the results orientation of ADB's loan processing and project implementation have been started, including the preparation of sector results profiles by staff for all the sectors they are supporting in the region. The nonregional departments involved in developing ADB's policies and strategies have also been engaged in implementing the Paris principles. ADB has representation and is participating in the MDBs' donor harmonization groups, including those in procurement, public financial management systems, environment, and evaluation, among

others. Discussions and agreements in these working groups have contributed to several refinements in policies, procedures, and strategies for greater harmonization with other development partners.

59. The approach that ADB seems to have taken, in the absence of a consolidated Paris Declaration action plan, is delegated implementation through its regional departments and its resident missions, with each implementing according to the level of country ownership of the Paris principles and according to the personal commitment of regional and country managements. Interviewed staff observed that ownership and leadership by ADB Management of the Paris Declaration could be more visible, which would help communicate to staff Management's support and expectations of compliance and would help facilitate the implementation of related activities, including those that cut across vice-presidencies and departments.

60. **Concerns Relating to the Paris Declaration.** Some concerns regarding the Paris Declaration were expressed by some of the staff interviewed, including the need to clarify the scope of the Indicators of Progress for monitoring implementation and different stages of implementation, and costs of implementation.

61. *The Indicators of Progress Not Capturing Important Paris Declaration-related Activities.* The Indicators of Progress are not capturing many activities relating to the implementation of the Paris Declaration, including necessary capacity development and partnering and harmonization arrangements that are part of the implementation process. These include ADB's participation in various harmonization working groups, and formal partnership agreements between ADB and development partners. ADB's project cofinancing activities, where other development partners' funds are provided to ADB for administration, thus decreasing governments' potential transaction costs during implementation, are also not counted towards any of these harmonization indicators. Cofinancing was provided in about 41% of the 462 loans approved between 2000 and 2005 and in about 33% of the 174 TA operations in 2006.³⁹

62. Except for the indicators relating to a country's public financial management systems and procurement systems that recognize differences in stages of implementing the Paris Declaration, there are no other indicators that recognize activities that lead to compliance, particularly in countries at the early stages of implementation or in weakly performing countries. There may be a need to develop new indicators, particularly for countries where many of the Paris-related activities in the five pillars are for capacity development and/or strengthening, to capture these kinds of activities.

63. In addition, clarity and specific guidance in the definitions of the Indicators of Progress is needed from OECD-DAC. For example, the types of assistance that may be classified as program-based approaches should be provided to facilitate the classification of various kinds of assistance being provided by different kinds of development partners. Clarity is also being sought in what comprises joint missions.

64. *Paris Declaration and Countries in the Process of Developing National Plans.* While the Paris Declaration is recommending that development partners develop or strengthen the capacity for preparing national strategies where none is available, there is no guidance on how development partners are to conduct themselves in the absence of an operational development strategy. Thus, in this environment, there could potentially be a tendency for development

³⁹ ADB. 2006. *Cofinancing*. Manila.

partners to support individual projects that may not necessarily be highly prioritized by the government, or, worse, that may be duplicative. Guidelines and/or indicators capturing how development partners would coordinate their assistance in the absence of an operational development strategy are needed.

65. *Relationship between Indicators of Progress and Aid Effectiveness.* Some of those interviewed advised focusing on aid effectiveness (or development results) *per se*, rather than achieving the indicators. They observed that a direct relationship between the selected indicators and development results still has to be unambiguously established.

66. *Cost of Implementation.* Staff observed that the cost of coordination and harmonization to a development partner may be significant. In preparing an education SWAp where ADB is the lead development partner, 14 missions were fielded over a year. Attending and going to and from meetings take time, and obtaining consensus among development partners, where applicable, is also a time-intensive, sometimes lengthy, process. Thus, decision making among development partners may take time, which in turn can cause implementation delays. While the transaction costs for the government may be lower, the overall direct (and opportunity) costs of implementation may actually rise. More time allocated to donor coordination may also take away time from staff's other responsibilities, such that fulfilling all the responsibilities may entail employing additional staff. While some staff noted the cost of coordination, one expressed the view that some of the coordination and harmonization activities are upfront activities, and downstream costs could be lower and offset the higher upfront costs.

67. **Summary.** ADB's Board and Management are generally supportive of the Paris Declaration. ADB's Management could usefully provide more visible demonstration of support in this regard. Concern was expressed by several of those interviewed over the scope and definition of the Indicators of Progress in monitoring Paris Declaration compliance, the relationship between the Indicators of Progress and development results, and the cost of implementation.

B. Assessing Capacities

68. This section will assess the alignment of capacities in ADB to Paris Declaration commitments, as reflected in the guidance to staff for implementing the Paris Declaration, staff knowledge and understanding of the Paris agenda, and capacity strengthening of resident missions and country offices.

69. **Staff Knowledge and Understanding about Aid Effectiveness.** The interviews conducted at headquarters and resident missions, and the document search revealed that general awareness raising and provision of implementation guidance to ADB staff on the Paris Declaration in a formalized manner have not yet been undertaken. Despite this, interviewed staff were aware of the Paris pillars. In the process of conducting this study, the evaluation team had to conduct document searches in ADB's websites for information on its Paris Declaration commitments and found that in-house information is not readily available.⁴⁰ This result was confirmed by the feedback received during the interviews, confirming results obtained by the partnering and harmonization evaluation. Information is spread over several documents, and an overall picture of ADB's approach to the Paris Declaration is not at all clear. A more comprehensive and systematic reporting and monitoring system to track ADB's progress in implementing the Paris Declaration seems to be necessary. From the interviews, it appears that

⁴⁰ ADB's action plan for aid alignment and harmonization is presently not linked to ADB's website.

ADB staff keep up with development trends from their professional networks and interactions with fellow development professionals in-country and in other venues.

70. Staff working in resident missions, country programming, sectors with many development partners (e.g., education), and DMCs with governments actively implementing the Paris agenda (e.g., Bangladesh, Philippines, and Viet Nam) are the most familiar with the Paris Declaration *per se*. Where staff were not aware of “Paris Declaration” itself, they were still aware of some of the pillars. Interviewed staff were most acquainted with the pillars of alignment and harmonization, in relation to donor coordination, and managing for results. In the interviews conducted for this study, “Paris Declaration” was immediately associated with “donor coordination/harmonization.”

71. In the other DMCs that are at the early stage of mainstreaming the Paris Declaration, resident missions were involved in working towards improved donor coordination with governments and other development partners. However, staff time allocation to donor coordination activities were less when compared with resident missions in DMCs with strong ownership of the Paris pillars. They also requested for more information about the Paris Declaration itself; details of and guidance on ADB’s implementation and monitoring arrangements; and some training on implementation, including the preparation of ADB-specific country monitoring indicators.

72. According to the MfDR evaluation’s perception survey, staff to date have a low level of awareness of MfDR. Staff also indicated that their capacity needs to be further strengthened to mainstream MfDR in their work (Box 1).

73. **An Opportunity to Raise Awareness.** An opportunity for awareness raising and capacity strengthening has come up with the new CPS guidelines, which provide some guidance to staff in implementing the pillars of the Paris Declaration, including promotion of country ownership and results orientation. Training on the new CPS guidelines, to date, has been aimed at country programming staff actively involved in preparing and updating country strategies with DMC governments and development partners. Similar training aimed at nonprogramming staff, particularly country team members, resident mission staff, and operations-related staff, can also be eventually undertaken to help improve their work serving their respective DMCs.

74. **Capacity-strengthening to Mainstream the Paris Declaration.** According to the interviews and document reviews, capacity strengthening in ADB related to the Paris principles is being undertaken in other ways. In the area of procurement, ADB has started to more precisely assess national systems and to establish the conditions under which they may be used for ADB-financed projects. This is helping operations staff identify areas in which greater alignment with government procedures can be undertaken. In areas where regional departments may not have sufficient expertise or staff, some of ADB’s nonregional departments are providing interdepartmental support. For example, the Regional and Sustainable Development Department’s Capacity Development and Governance Division has assisted a regional department participate in a SWAp for an education assistance program and has provided advice in the related public financial management area. The standard financial management training for staff has also incorporated alignment and harmonization. Training programs for staff and government officials in the areas of procurement and safeguards, among

others, are ongoing not only in headquarters but also in DMCs.⁴¹ However, in-house training opportunities⁴² for staff in other subjects related to the Paris Declaration, e.g. program-based approaches and SWAs are limited.⁴³ Headquarters-based staff also have limited opportunities to interact with government counterparts and development partners in DMCs, or to visit development partners in their respective headquarters. Budgets for review missions are allocated based on a given number of days for a specified frequency in a year.

75. Capacity to Monitor Paris Declaration Commitments. While interviewed staff may be generally aware of the Paris pillars, feedback from them and comparison of data from the OECD baseline survey and the ADB monitoring data indicate that staff need further guidance in monitoring and reporting on Paris Declaration-related activities. Staff are seeking guidance on the scope of the Indicators of Progress. In the case of two countries, staff reported different figures for the same 2005 indicator for the OECD survey and the ADB survey. As the 13 DMCs in its monitoring survey received less than half of its total lending in 2005, ADB's plan to collect data from more sample DMCs is welcome. This also provides an opportunity for developing a systematic reporting mechanism and providing specific guidance for concerned staff.

76. Summary. ADB staff interviewed are generally aware of the Paris pillars, of some more than others. General awareness raising is yet to be undertaken, and staff is seeking guidance in implementation and monitoring. However, staff members are development professionals who, in their own time or through their work, are learning about development best practices. Staff working in resident missions, country programming, sectors with many development partners, and DMCs with governments actively implementing the Paris agenda are the most familiar with Paris Declaration *per se*. Staff, in general, according to the MfDR evaluation, have to date a low level of awareness of MfDR. Improved guidance to staff in monitoring and reporting on the Paris Declaration commitments is needed.

77. Resident Missions and Implementation of the Paris Declaration. Resident missions are at the forefront of delivering ADB assistance to DMCs and undertaking donor coordination for ADB. In addition, they have an important role to play in assisting DMCs to "localize" the Paris commitments. The resident mission evaluation⁴⁴ found that ADB's resident missions are effective in supporting project design and implementation in a better aligned manner with their concerned governments.⁴⁵ In the survey conducted for the evaluation, the resident missions were perceived to be better than headquarters staff at local donor coordination and are helpful in avoiding aid duplication. The evaluation found that existing resident missions could be further strengthened to improve their effectiveness and efficiency and enhance their coverage, among others. The evaluation recommends that ADB consider the preparation of a corporate decentralization strategy for ADB to be more responsive to future development challenges and to address the increasing call for more decentralization from some of ADB's largest DMCs.

⁴¹ See the Learning and Development website of ADB, <http://bphr.asiandevbank.org/newld/programlist.php>, for the list of ADB's ongoing training programs. For MfDR-related training, see <http://mfdr.adb.org>

⁴² Training for ADB staff is conducted mostly in-house.

⁴³ ADB's Learning and Development website lists only two programs related to policy-based lending, namely, Design and Monitoring Framework for Program Lending, and Introduction to Economic Analysis of Policy-Based Operations.

⁴⁴ ADB's Resident Mission Policy was developed in 2000. The standard functions of ADB's resident missions are in para. 18. Depending on the size of its portfolio, the complexity of its operations, and the number of its staff, some resident missions have delegated disbursement functions, and prepare and process loans and TA.

⁴⁵ ADB. 2007. *Special Evaluation Study of Resident Mission and Related Operations*. Manila.

78. The resident mission evaluation also found that the workload of resident missions is not only increasing, but their responsibilities are also broadening. In response to past evaluation results and with a view to improving portfolio performance and responsiveness to DMCs, a larger proportion of loans is being delegated to resident missions for administration. Between 2000 and 2006, the annual percentage of projects delegated increased from 21% to 40% while the proportion of staff in resident missions⁴⁶ increased from 9% to 17%. However, as presently set up, some project administration issues still have to be referred back to headquarters. For example, in the classification of changes in scope, consultations with the Office of General Counsel and the Central Operations Services Office, which are located at headquarters, are advised, and the decision has to be taken by the head of the concerned regional department, who is also located at headquarters. Consultant selection committees are chaired by COSO staff located at headquarters. Approval of documents and decisions for contracts estimated at more than \$10 million are beyond the authority of the country director, with the Procurement Committee comprising ADB officials from other departments. More recently, however, the resident missions in larger DMCs (e.g., People's Republic of China and India) have started to recruit procurement specialists to advice on procurement issues, and have counsels relocated from headquarters. It was observed that, while ADB regional operations departments are able to decentralize some of their responsibilities and staff, advisory and operations support departments, e.g., procurement and controller, have yet to initiate decentralization.

79. Many ADB policies, strategies, and guidelines have specified additional responsibilities beyond those specified in the Resident Mission Policy. The resident mission evaluation found that two thirds of the surveyed resident missions were highly aware of and highly responsive to the "creeping expansion" of their mandates. Among the major constraints encountered by resident mission staff in fulfilling their responsibilities was the insufficient number of staff, considering DMCs' needs and staff workloads. Fifteen percent of the respondents noted that the budget was not in line with their work requirements. From the interviews, staff indicated that they are increasingly undertaking donor coordination activities in addition to their other responsibilities directly related to project implementation.

80. Where ADB is also a large source of funding and a key development partner, as in Mongolia, and is perceived to be an "honest broker" by government officials, country-based development partners, and civil society members, they expect ADB to play a lead role in coordinating assistance and in leading policy dialogue. In this case, the issue for ADB is whether there is a desire to take on such a role and, if so, to provide the necessary associated resource requirements.

81. **Summary.** ADB's resident missions play a key role in implementing the Paris Declaration. Over the years, both the volume and scope of their work have grown. However, the capacities of resident missions are challenged by a lack delegated authority and increased workload without a commensurate quantitative and qualitative increase in resources. The resident mission evaluation has recommended the preparation of a decentralization study to further improve its responsiveness to emerging development issues and in response to calls for increased decentralization by its larger DMCs.

⁴⁶ The percentage refers only to professional staff and national officers. The percentage is from Appendix 4 of the resident mission evaluation.

C. Assessing Mainstreaming and Incentives

82. As illustrated in the previous sections, many ADB policies and strategies provide opportunities for implementing the Paris principles. The following discussion pertains to the application of the Paris pillars in the work of ADB staff, which would respond to the environment of encouragement and support provided.

83. **Encouraging Staff to Implement the Paris Declaration.** Most staff interviewed mentioned no specific institutional encouragement to implement the Paris agenda. The incentive, or disincentive, for complying with the Paris Declaration thus varies across offices. In the Pacific Regional Department and in the Philippine Country Office, senior staff interviewed expressed that implementation of the Paris Declaration principles is expected of the staff and thus forms part of the staff's performance evaluation. While no specific incentive may be offered, ADB staff who prepare new assistance in the social sectors are generally conscious of the Paris pillars and the compliance of their assistance. In past pre-Board consideration discussions of proposed loans, members of the Board have inquired about the status of donor coordination, country ownership, and results orientation. Interviewed staff directly involved in country programming and project operations continue to undertake activities that promote the Paris principles. They view the Paris principles as part of good practice in development assistance and thus have tried to apply it as appropriate, even before the Rome Harmonization Forum and the Paris Aid Effectiveness meetings were held.

84. Field visits and interviews with resident mission staff and field-based development partners clearly indicated that there is a positive correlation between country ownership of the Paris principles and the level of ADB's and other development partners' compliance with the commitments (see Box 2). For example, ADB's resident mission staff in Viet Nam stressed that, for ADB to remain relevant and effective, it was paramount that ADB embrace the Paris principles in delivering assistance to the country. For small countries with limited absorptive capacity, as in the Pacific region, ADB and development partners are coordinating and working together. In these DMCs, the managements of the resident missions and country offices expect their staff to practice the Paris principles. Interactions with development partners also reinforce donor coordination activities in some countries.

85. The MfDR evaluation's perception survey found that approximately half of the staff felt that they were held accountable for achieving results. The results were consistent across headquarters (54%) and the resident missions (47%). However, staff seem to view accountability separately from incentives. The response to the two questions on ADB's motivating factor and incentives structure revealed that their performance evaluations did not adequately factor in MfDR-related aspects of their work activities. For example, only a minority of the respondents (14%) agreed that the current incentives encourage staff to manage for development results, while over half (53%) disagreed and approximately 25% were neutral on the statement. Similarly, about half of the respondents disagreed that the human resource systems motivate staff to focus on results in their work, while about a quarter agreed. The focus group discussions for the MfDR evaluation revealed the persistent belief among staff that loan approvals and disbursements take higher priority among their activities.

86. As ADB implements the Paris agenda, staff indicated that they would like to see more recognition of its importance, including through increased resources, more staff, and more training. As mentioned in para. 26, ADB's WPBF does not include a separate cost estimate for implementing the Paris Declaration. In the case of some DMCs where project loans are financed from ADB's ordinary capital resources, commitment charges accumulate on

Box 2: The Importance of Ownership of the Paris Declaration by Partner Countries for Effective Compliance by Development Partners

Viet Nam and Mongolia, both countries undergoing transition from centrally planned to market-based economies, illustrate differential levels of support needed from development partners in their full implementation of the Paris Declaration. Viet Nam has a strong record of effective policy making, and the government takes the lead in managing its aid resources. The country is considered to be at the forefront of mainstreaming the Paris Declaration commitments. The result-based Socio-Economic Development Plan (SEDP) (2006–2010) has been developed incorporating the Paris Declaration commitments.^a The plan lays out a framework with clear objectives and milestones for program/sector development strategies to help funding agencies develop their own assistance strategies. The results framework of the plan was highlighted at the Third International Roundtable on Management for Development Results as an example of good practice.

In the case of Mongolia, it is in the process of finalizing a National Development Strategy 2020, which is expected to provide strategic directions for the long-term development of the country and guide development partners to align their assistance. The policies, strategies, and actions to be taken are to be developed based on the national plan. The country is in the process of raising awareness of the Paris Declaration principles and commitments across various government sectors and their line agencies. It is also developing capacity and institutions, and building country systems and procedures to make aid more effective. Various modalities are being developed and organized to coordinate development partners' activities to achieve development effectiveness.

With such strategic planning and clear guidance on donor coordination in Viet Nam, ADB and other development partners, indicated to have embraced the principles of the Paris Declaration on development assistance. They see no alternative than to go along with the Paris commitments in order for them to remain relevant and effective in the country. As such, ADB's role has been to strengthen harmonization among the other development banks operating in the country for improved aid delivery and to align aid to public investment management. Also, ADB's current support to Viet Nam is closely aligned with the indicators and targets of the country's Medium-Term Development Agenda as outlined in the SEDP. Specifically, ADB is directly contributing to three main pillars of the country's development agenda: (i) infrastructure support on transport, power, and public-private partnership financing is closely aligned with the business-led, pro-poor, and sustainable growth pillar; (ii) support in public health is aligned with inclusive social development; and (iii) support to improve natural resource management for rural/coastal livelihood and biodiversity initiatives is aligned with the sustainable environment management pillar. The Government's capacity and harmonizing policies for greater involvement of development partners have been enhanced with these efforts.

In Mongolia, ADB has also been harmonizing and strengthening the use of national systems and procedures in their aid delivery. In addition, it has been proactive in developing the country's capacity to enable implementation of the Paris Declaration. For example, ADB's assistance in developing a results framework and the related performance indicators is establishing a sound mechanism to manage the country strategy for results. ADB's country partnership strategy, to be developed in 2008 through a \$2 million TA, will reflect the Government's priorities in the National Development Strategy for 2008–2021.

As a key development partner in Mongolia, ADB is expected to play a lead role in coordinating assistance and in leading policy dialogue involving government officials, country-based development partners, and civil society. As the country is in the process of making plans for development activities, development partners are not clear on what they are to harmonize and what do they align their support to. In this environment, there is a tendency for various development partners to support individual projects, which may lead to duplication or at best support activities that have short-term benefits only.

^a See para. 8. The Hanoi Core Statement includes 14 indicators with targets that are more ambitious than those included in the Paris Declaration. An Independent Monitoring Group (co-chaired by the Government and representative donor) that is monitoring the progress considers that Viet Nam is on track to achieve the targets by 2010.

undisbursed amounts. Where there is insufficient staff, a trade-off could potentially ensue between project implementation and donor coordination responsibilities, with consequent delays in project implementation.

87. The approach taken at ADB thus appears to be that, although there are no clear guidelines for including efforts in donor coordination and other Paris commitments in staff performance assessments, incorporating Paris Declaration commitments is part and parcel of doing business in most cases in the current environment. Hence, in the overall assessment of

staff performance, their performance in these activities would be included. The current staff performance assessment includes two ADB-wide competencies that could be used in assessing Paris-related staff performance, viz., "client orientation" and "achieving results."

88. **Activities to Mainstream the Paris Declaration.** As already noted in Chapter III, activities are ongoing in ADB to implement the Paris Declaration. The revised CPS guidelines and the implementation of the MfDR action plan facilitate the implementation of the Paris pillars. As part of mainstreaming MfDR, the South Asia Regional Department of ADB initiated activities in 2006 to increase the awareness of its staff and orient them towards results-based implementation of development assistance. The department's country teams were introduced to results-based frameworks and have prepared sector results profiles linked to projects' design and monitoring frameworks and CPS outcomes. Portfolio reviews and country team meetings in the department also include reminders on results orientation.

89. ADB also revised its procurement and consulting services guidelines in 2006 for greater harmonization with other MDBs, primarily the World Bank. The document review indicated that the revised guidelines introduce a number of features to promote greater ownership of DMCs in the procurement process and to move away from the "one size fits all" approach. In terms of international competitive bidding (ICB), while the revised procurement guidelines express ADB's commitment to the Paris Declaration's support for greater country ownership of procurement policies and procedures, the use of country systems for ICB is not yet supported. ADB is presently coordinating with the World Bank on the possible pilot-testing of country procurement systems for ICB in selected countries and sectors.

90. To provide timely loan and grant financial information to DMCs, ADB continues to have a information database system that can be accessed by authorized relevant DMC officials. In addition, ADB's *Project Administration Instructions*, which guides staff in the procedures relating to project implementation activities, was made publicly available from 2005. Both of these actions are contributing to the transparency of ADB's actions and decisions relating to project implementation and aid flow information.

91. **Summary.** Staff, as development professionals, are implementing Paris principles to the extent they can. There is no specific encouragement to implement the Paris principles; however, in various offices, staff are expected to integrate them in their work. Mainstreaming Paris principles in a specific DMC is also affected by the DMC's ownership of the Paris Declaration.

V. SUMMARY, LESSONS IDENTIFIED, AND RECOMMENDATIONS

A. Summary

92. The policies and strategies of ADB generally support the five pillars of the Paris Declaration, and its revised guidelines for preparing its key country partnership document, the CPS, reinforce their importance. Some of the policies, strategies, and/or processes, however, may need to be revisited and refined, if not modified, to help meet the targets for the Indicators of Progress. For example, a new loan modality would facilitate ADB's participation in PBAs. During the interviews, ADB's Management and Board of Directors were generally supportive of the Paris Declaration; however, interviewed staff observed that ADB Management could provide a more visible demonstration of leadership and support.

93. ADB's resident missions play a key role in implementing the Paris Declaration. Resident missions are effective in supporting project design and administration and are perceived by

development partners to increase the effectiveness of ADB's services. Over the years, both the volume and scope of their work have grown. The effectiveness and efficiency of resident missions could still be improved with increased delegation and transfer of required resources. Increased decentralization would improve ADB's responsiveness to emerging development issues and would respond to calls for increased decentralization by the larger DMCs.

94. Activities to facilitate mainstreaming the Paris principles into staff work are ongoing; however, these seem to be few and insufficient. Staff are of the perception that there is no specific inducement to implement the Paris principles, while in resident missions with DMCs implementing the Paris Declaration, staff are expected to comply with the commitments. Although there are no clear guidelines for including efforts in donor coordination and other Paris commitments in staff assessment, incorporating Paris Declaration commitments is viewed as part and parcel of doing business and, hence, is included in the evaluation of staff performance. The *de facto* approach to implementation has been bottom-up, which would benefit from complementary support from the top.

95. ADB staff is generally aware of the Paris pillars, but of some pillars more than others. General awareness-raising is yet to be undertaken, but ADB staff members are development professionals who continue to learn about good development practices. Improved guidance to staff in monitoring and reporting on the Paris Declaration commitments is needed. Staff working in resident missions, country programming, sectors with many development partners, and DMCs with governments actively implementing the Paris agenda are the most familiar with the Paris Declaration *per se*. Staff, in general, according to the MfDR evaluation, have to date a low level of awareness of the MfDR. The new CPS guidelines, which were approved in 2006 and widely distributed in 2007, provide guidance to staff in implementing the pillars of the Paris Declaration when preparing country strategies, including promotion of country ownership and results orientation.

96. Several concerns were expressed over the pillars of the Paris Declaration. The scope and definition of the Indicators of Progress used to monitor compliance do not take into account other significant Paris-related activities, including capacity development activities. The indicators do not recognize activities that lead to compliance, particularly in countries at the early stages of implementation or in weakly performing countries and fragile states. With the current definition, many of ADB's partnering and harmonization activities are not captured. In addition, the definitions of some of the indicators need to be clarified by OECD-DAC and the High-Level Forum. The relationships between the Indicators of Progress and development results also have not yet been clearly established, so placing emphasis on meeting the targets should not entail losing sight of on-the-ground development results. Implementing the Paris commitments may not be resource neutral for development partners. Donor coordination may require additional staff and require additional time for gaining agreements among development partners.

B. Lessons Identified

97. Several lessons were identified from ADB's implementation of the Paris Declaration. In implementing a large program comprising several actions across the organization, the roles of disseminating information and building staff awareness cannot be underestimated. A strategy for doing so would provide consistency in the message and guidance to the staff.

98. Implementation of the Paris Declaration is not necessarily resource neutral under the current organizational setup of ADB. Alignment and coordination activities can require a lot of time, which may impact on other staff responsibilities, such as project implementation and

supervision. A careful analysis of the additional resource requirement(s) is necessary to ensure that staff do not face difficult tradeoffs between their responsibilities. Guidance is needed on the prioritization that should be accorded to this area versus other apparently equally pressing agendas.

99. In the absence of a corporate strategy or action plan to implement the Paris commitments, implementation differs across departments, and among resident missions. The major factors affecting the implementation of the commitments, in general, appear to be staff knowledge and ownership of the Paris Declaration. At the resident missions and in country teams, countries' ownership of their national development plans and their capability to coordinate development partners were key determinants of compliance.

100. Where ADB is an established funding source in a sector or area, other development partners are more likely to expect it to play a lead role in coordinating assistance and in leading policy dialogue. ADB is frequently perceived to be a reliable "honest broker," and government officials, country-based development partners, and civil society often expect ADB to take much more of a leadership role. However, ADB often appears reluctant to do so because of inadequate resources.

101. While the Paris Declaration requires that development partners develop or strengthen the capacity for preparing national strategies where none is available, there is no guidance on how development partners are to conduct themselves in the absence of a national development strategy. Thus, in this environment, there is the potential for development partners to support individual projects that may not necessarily be prioritized by the government or that may duplicate the efforts of others.

C. Recommendations for Action

102. **Recommendations for ADB.** To meet all the targets of the Paris Declaration and improve implementation, ADB could consider the following recommendations:

Recommendation	Responsibility	Time Frame
1. ADB's commitment to the Paris Declaration needs to be communicated regularly with visible demonstration of support by ADB Management and regional managements, such as issuing a memo to staff emphasizing ADB's commitments and responsibilities for implementation.	Management, SPD, regional departments, operations support departments	Next 9 months
2. For more effective implementation of the Paris commitments, there is need to designate a focal point/group to provide overall guidance, knowledge management, monitoring, and reporting on the Paris Declaration.	Management, SPD	Next 9 months
3. Tracking and monitoring ADB's implementation of the Paris Declaration can be facilitated by developing a consolidated implementation and monitoring framework that considers the commitments under each pillar. This would include outlining ADB's planned actions to meet the commitments under the pillars of "ownership" and "mutual accountability"; aligning the planned actions indicated in the "Aid	Management, SPD, regional departments, operations support departments	Next 12 months

Recommendation	Responsibility	Time Frame
Harmonization and Alignment Action Plan” with the commitments under the pillars of “alignment” and “harmonization”; and outlining new actions to meet the commitments as appropriate. This, too, would facilitate a more comprehensive assessment of the outcome and impact of the Paris Declaration on aid effectiveness, as planned in the second phase evaluation.		
4. There is need for better guidance and staff capacity development to facilitate implementation, and monitoring and reporting on the progress of implementation. Training in the new country strategy preparation guidelines could be modified for training nonprogramming staff. There is need for better clarification on scopes and definitions of indicators (e.g., program-based approaches), and various modes of harmonization in different country situations.	SPD, BPMSD, regional departments, operations support departments	Next 12 months
5. The incentive mechanism for implementing the Paris pillars may need to be reviewed. An option might be to apply two ADB-wide competencies in the forthcoming round of performance evaluation in assessing Paris-related staff performance, i.e., “client orientation” and “achieving results.”	SPD, BPMSD, regional departments, operations support departments	Next 12 months
6. A review should be conducted regarding the necessity of modifying an existing loan modality or creating a new one and increasing the program loan ceiling to facilitate ADB’s participation in pooled funding arrangements.	SPD	Until 2009
7. ADB needs to better understand the resource implications of meeting its Paris Declaration commitments with a view to providing guidance to staff on tradeoff choices or, where deemed necessary, reallocation of and/or additional resources and the priority that various activities should have.	SPD, BPMSD, regional departments, operations support departments	Next 12 months

ADB = Asian Development Bank; BPMSD = Budget, Personnel, and Management Systems Department; SPD = Strategy and Policy Department.

103. **Recommendations for OECD-DAC and the High-Level Forum.** The scope and definitions of indicators to measure an organization’s progress in meeting their Paris Declaration targets need to be reviewed vis-à-vis significant activities that are not presently captured. This would include, among others, what constitutes “program-based approaches” and “joint donor missions,” treatment of cofinancing partnerships, and memoranda of understanding between development partners. The varying stages of implementation and ownership of the Paris Declaration could be better recognized within the current set of monitoring indicators or by developing new ones. Guidelines and/or indicators capturing how development partners would coordinate their assistance in the absence of an operational development strategy are recommended.

DEVELOPMENT PARTNER TERMS OF REFERENCE

Inception Workshop Report Annex 9
Revised 29 June 2007

First Phase of the Evaluation of the Implementation of the Paris Declaration Generic TOR for Development Partner¹ HQ Evaluations

1. Background and rationale

Alongside its strong focus on monitoring, the Paris Declaration also highlights the importance of an independent cross-country evaluation process. The Declaration states that this evaluation process should provide a more comprehensive understanding of how increased aid effectiveness contributes to meeting development objectives and that it should be applied without imposing unnecessary additional burdens on partners.

In response to this commitment, the DAC Development Evaluation Network explored possible approaches to an evaluation. A two-phase evaluation was proposed: The first phase of the evaluation will address input and output levels, through a series of partner country, development partner headquarters, and thematic evaluations. The second phase of the evaluation will address outcome and impact levels. The evaluation will be designed to complement the monitoring of the implementation of the Paris Declaration, including the Medium Term Monitoring Plan, which has advanced through the Joint Venture on Monitoring.

The proposed Evaluation received strong support from the Working Party on Aid Effectiveness (WP-EFF) and the DAC Evaluation Network. An international Reference Group has been established, comprising partner country members of the WP-EFF, members of the DAC Evaluation Network and representatives of civil society, to commission and oversee the evaluation.

The first phase will run from March 2007 to July 2008. It will provide information on the 'HOWs and WHYs' of the implementation process of the Paris Declaration, to deliver practical lessons and help take stock of implementation performance at the 3rd High-Level Forum (HLF) on Aid Effectiveness to be held in Ghana (September 2008).

The second phase of the evaluation will run from the HLF in Ghana in 2008 and up to the 4th HLF in 2010. This phase will focus on whether the intended, long-term effects of the Paris Declaration are being achieved.

2. Purpose and Objectives

While the **overall purpose** of the evaluation is to provide information about the end impacts and effects of the steps taken in order to increase aid effectiveness; the first phase of the evaluation will only focus on the relevance and effectiveness of the input and (to the extent possible) output levels.

The **specific purpose** of the evaluation is to assess what constitutes better practices for development partner headquarters in implementing their Paris Declaration commitments in order to contribute to increased aid effectiveness. The emphasis will be on learning, by asking the twin questions: are we doing the right things and are we doing things right?

The **objectives** of the development partner level evaluation are:

¹ By Development Partners is meant donors, multilateral agencies, IFIs and other organisations engaged in development assistance

- To deepen our understanding of the lessons emerging from the PD baseline survey.
- To facilitate global learning on aid effectiveness through the evaluation processes and to facilitate more efficient implementation of the Paris Declaration.
- To make specific recommendations both to the evaluated development partners and to the global aid community for improving the aid effectiveness.
- To provide the basis for the second phase of the evaluation.

3. Scope and Focus of the Evaluation

Since the endorsement of Paris Declaration (PD) in March 2005, most development partner agencies have made major efforts to implement the PD within their organisations and communicate the importance to their staff. A large majority of DAC members, for example, have developed corporate action plans to implement the PD and five of them have informed their national parliaments. Nonetheless, the Survey Report² summarizing the baseline findings, as well as different studies recording country-specific implementation experiences, highlight that these corporate commitments are not always matched by practices. Three explanatory dimensions have been identified as contributors to development partner behaviour: **(a) commitment, (b) capacity building, and (c) incentive systems in terms of their alignment to the Paris Declaration.** These three dimensions will constitute the **main scope** of the evaluation.

a. Commitment: The Paris Declaration calls for a radical new way of delivering aid. Country strategies are no longer to be formulated by individual development partners. Instead, with the emphasis on partner ownership, development partners' co-operation strategies are to be guided by partner government needs-based demands in an aligned and harmonized manner. This may explain why the Survey Report, in line with good practices for institutional reform, has **development partner leadership as the most important factor for ensuring commitment to PD objectives.** However, the manner in which effective leadership is to be enacted is less clear, as the emphasis on demand-driven development cooperation challenges the current reality of HQ policies, programmes, and procedures being driven by development partner administrative *and* political concerns.

For example in Zambia, the government's implementation of a division of labour, determining which development partners should intervene in which sectors has been positively embraced by the more than 20 different bilateral and multilateral development partners providing support to Zambia. Nonetheless, some development partners have voiced their concerns over the new sector distribution – especially when the new distribution requires an exit from social (MDG-focused) sectors often enjoying strong backing from donor constituencies and the donor country's own public commitments.

Similarly, with ownership, the use of conditionalities as an instrument for reform is challenged. Instead development partners are now increasingly designing programmes (more) focused on policy dialogue in support of identified drivers for changes in the partner countries. Nonetheless, the usage of process indicators for release of e.g. general budget support is still widely applied through the Performance Assessment Frameworks (PAF). This might also explain the weak correlation between the quality of a partner country's Public Financial Management system and the level of alignment noted in the Survey Re-

² The Survey Report is scheduled for release in March/April 2007.

port: “other factors than quality of systems are affecting development partners’ willingness to use them”.

Further, other than the development partner/partner country schism, a disconnect between headquarter policies and in-country practices has been noted. For some development partners it may be the case that the PD is owned by policy staff at headquarter level with country level staff seeing harmonisation tasks as getting in the way of efforts to achieve tangible development results. For other (typically project-oriented) development partners, the picture is the reverse, with country level staff experiencing difficulties in engaging in collaborative efforts due to legal liability and the financial control concerns of their headquarters. Indeed, in some instances the legal liability concerns of development partner HQs have led to initial below-PD commitments at field level. This is why the Survey Report recommends³ that development partner agencies make an effort to review procedural and legal frameworks so that the rules, procedures, or practices that work against the PD commitments can be identified.

b. Capacities: Also within development partner offices, whether at HQ or at field level, uneven commitment to PD roll-out may be found, demonstrating that leadership on PD commitments reflects first and foremost the commitment/ownership of individual members of staff as well, as uneven capacities between different staff employed by the same development partner. Indeed, a single development partner representation might represent very different approaches to aid effectiveness. As a consequence, development partners and National Coordinators alike have called for **more effective communication on PD issues between headquarter policy advisers and operation staff**; this especially in countries where the aid effectiveness agenda has been launched only recently.

Furthermore, the devolution of authority to Embassy/field office level may be inadequate to allow for an adequate response to PD commitments. In particular decisions concerning the granting of general budget support tend to be heavily centralized at HQs. A head of a donor field office illustrated the oft-seen country situations with these words: “It’s a ‘black box’. We do not know how many funds are budgeted, on what conditions they are granted, and when they are scheduled for transfer. We only know that HQ is going to grant general budget support to the country sometime this year.” It goes without saying that such donor behaviour also goes against the PD commitment of rendering aid more predictable.

Linked to the issue of devolution is the issue of transaction costs and resourcing. The Survey Report stresses that more effective aid is not necessarily aid delivered cheaply. Indeed, according to the World Bank, preparation of coordinated multi-development partner programmes typically require 15-20 per cent more staff and budget resources than traditional stand-alone projects. These costs constitute an up-front investment in doing business in accordance with the PD (assuming that coordinated aid is more effective) and should be factored into operational budgets and allocation of staff time. Several development partners have started to decentralise staff resources as a consequence of the new aid effectiveness agenda, but so far no increases in operational budgets have been noted. Many countries are also concerned about the costs of delivering aid, and whether it is effectively reaching the poorest people for whom it is intended rather than being spent on

³ Survey Report (Final Draft 20 March 2007) p. 46.

the development partner's administrative costs – this is a legitimate concern, and one which must be examined even at the level of perception in Phase One.

c. Incentive Systems of the development partners have been reported as a critical parameter for efficient development partner behaviour. The baseline survey suggests that a number of obstacles work against development partners' ability to meet the commitments made in Paris. These include amongst other things, inappropriate pressures for disbursements, lack of flexibility on staff time, and high staff turnover, which taken together create incentives that reward short-term benefits over longer term and collective, gains.

Further, the development partners need for visibility and influence takes at times precedence over the commitment to harmonised approaches – a tendency which has been especially noted in intervention areas such as decentralisation where development models are seen as 'export-vehicles' of different development partner systems. Similarly, experiences demonstrate that the same need for visibility limits effective delegation – this even when development partners are willing to harmonise and align – as illustrated by the proliferation of development partner groups *and* development partner group members. It seems that career prospects for development partner staff are improved by the maintenance of individual development partner profiles through active participation in development partner coordination. Such incentives may result in permanently high transaction costs.⁴

Focus

The **focus** of the evaluation will be on the input level, through the assessment of the three dimensions (commitment, capacity building and incentive systems) in terms of their alignment to the PD commitments. Outputs will be captured through the country level evaluations in the form of field office behaviour. Hence, the evaluation will not at this stage seek to assess the underlying assumption of the PD; namely that increased aid effectiveness lead to greater development impact. This will be assessed, to the extent possible, during the second phase of the evaluation.

The evaluation work will primary involve a documentary review (policy documents, instructions, guidelines, annual plans) supplemented by a questionnaire survey focused on the embassies / country offices located in those countries of the 10 countries which have volunteered to conduct a partner country level evaluations in which the development partner operates. This type of data collection will need to be supplemented by structured interviews with key respondents at HQ level.

Development partners may consider conducting a field level investigation in the event they do not have representation in a sufficient number of countries in which partner country level evaluations will be conducted.

4. Limitations of the evaluation

The selection of development partners to conduct the evaluation at headquarter level is based on a process of auto-selection which does not enable the establishment of a proper sampling frame. In order to match the number of partner country level evaluations (ten in total), it is preferable that an equal number of development partner level evaluations be conducted. A total of 10 development partner level evaluations will be a sufficiently large

⁴ Ole Winkler Andersen and Ole Therkildsen. *Harmonisation and Alignment: the double-edged swords of budget support and decentralised aid administration*. Danish Institute for International Studies. 2007.

sampling frame provided large bilateral and multilateral development partners as well as small bilateral donors are included.

5. Evaluation Questions⁵

As mentioned above the evaluation will focus on learning by asking the twin questions: ‘are we doing the right things?’ (Relevance) and ‘are we doing things right?’ (Effectiveness). The evaluation will be particularly interested in examples of where potential obstacles to implementation of the Paris Declaration have been identified, and how these have been overcome, and with what results? Hence, the outlined evaluation questions below shall be taken as explorative starting points for the assessments.

Assessing leadership

- How has the Paris Declaration’s emphasis on demand-driven development cooperation been reflected in development partner development policies, programmes and procedures? Has the implementation of the PD affected development partner development co-operation priority-setting? Has the role of development partner HQ/field offices been adapted to the aid effectiveness agenda? If not, why not?
- How the PD is owned at development partner HQ level? How is the PD acknowledged at governing body/parliamentary level and by civil society? What are the potential conflicts with other political / administrative systems, and what is being done to resolve these?
- Are development partners content that they are fulfilling their PD commitments including implementation of the DAC Principles for Good Engagement in Fragile States? If they have concerns, what are the reasons for these? Are the concerns linked to the relevance and coherence of the PD commitments and indicators? Are there ways in which these might be overcome?

Assessing capacity development

- What is the level of staff knowledge and understanding about aid effectiveness and its operational implications, particularly in the field?
- Have specific instructions, guidelines, operational directives evaluation criteria been disseminated to staff to stimulate implementation of the PD implementation plan?
- How is delegated authority structured, and why? Have there been any changes to procedures to meet PD commitments? Is the development co-operation organisation/agency sufficiently decentralised (staff, resources, delegation of authority) to address field-based aid management in line with the PD?

Assessing incentive systems

- Are there specific incentives provided by the agency – e.g. for recruitment, performance assessment and training – for management and staff to comply with the PD objectives of ownership, harmonisation, alignment and results orientation?
- Are there any perceived disincentives, in respect of other agency priorities?

⁵ The evaluation questions are partly derived from the *DAC Peer Review Content Guide: Chapters One to Five*. February 2007.

6. Structure of Work

The development of this generic ToR into agency specific ToR should be guided by the “Guidance for Management of Development partner Level Evaluations”. The evaluation should be conducted in three phases:

Inception Phase. Based on the adapted terms of reference, the contracted evaluation team will develop an inception report (30 pages maximum) including:

- A contextualised evaluation approach based on the outlined evaluation questions of the present generic ToR;
- A sampling frame including the identification of relevant information sources;
- Data collection methods and draft instruments (interview guide, questionnaires, etc.);
- Processes for institutional learning during the evaluation; and
- A detailed work plan and methodology.

The Evaluation Management Group should be invited to review the Terms of Reference and the draft Inception report. If at all possible there will be an Inception Workshop/Meeting of all evaluation teams to discuss and compare approaches, before evaluation work is undertaken to share ideas and understanding and to try to encourage comparability in approach and conceptual frameworks including evaluation indicators and criteria.

Data collection and report drafting Phase.

The drafting of the report will be facilitated by adhering to the development partner level evaluation report outline attached in Annex 1 (to be developed). The evaluation report should be of maximum 50 pages including the executive summary.

Consultation and Finalisation Phase.

Evaluation findings would need to be discussed at development partner headquarters level before being finalised and communicated to the Synthesis Team through the Evaluation Management Group.

7. Competencies

The evaluation team should comprise the following key skills: Advanced knowledge and experience of aid effectiveness policies including that of the Paris Declaration. Advanced knowledge and experience of institutional change approaches. Knowledge and experience of the development partner in question. Knowledge of and training in evaluation methodology including process and participatory evaluation. Team members should reflect a gender balance **and comprise national and regional/international consultants.**

8. Timing and Conduct of Work

The timetable for the evaluation is as follows:

2007	
Jan – March	Agree Evaluation Framework
April – May	Develop specific ToR for development partner level evaluations.
May – June	Contract evaluators
May – October	Development partner lesson learning evaluations
June or July	Possible Inception Workshop

September/October	Draft development partner level evaluation reports
November	International Workshop on emerging findings
November-December	Finalize Development partner reports for publication

Source: This generic terms of reference can be found on the OECD website at http://www.oecd.org/secure/pdfDocument/0,2834,fr_21571361_21570391_38406864_1_1_1_1,00.pdf.

THE INDICATORS OF PROGRESS

III. Indicators of Progress

To be measured nationally and monitored internationally

OWNERSHIP		TARGET FOR 2010	
1	<i>Partners have operational development strategies</i> — 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.	At least 75% of partner countries have operational development strategies.	
ALIGNMENT		TARGETS FOR 2010	
2	<i>Reliable country systems</i> — 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.	(a) Public financial management — Half of partner countries move up at least one measure (i.e., 0.5 points) on the PFM/ CPIA (Country Policy and Institutional Assessment) scale of performance. (b) Procurement — One-third of partner countries move up at least one measure (i.e., from D to C, C to B or B to A) on the four-point scale used to assess performance for this indicator.	
3	<i>Aid flows are aligned on national priorities</i> — Percent of aid flows to the government sector that is reported on partners' national budgets.	Halve the gap — halve the proportion of aid flows to government sector not reported on government's budget(s) (with at least 85% reported on budget).	
4	<i>Strengthen capacity by co-ordinated support</i> — Percent of donor capacity-development support provided through co-ordinated programmes consistent with partners' national development strategies.	50% of technical co-operation flows are implemented through co-ordinated programmes consistent with national development strategies.	
5a	<i>Use of country public financial management systems</i> — Percent of donors and of aid flows that use public financial management systems in partner countries, which either (a) adhere to broadly accepted good practices or (b) have a reform programme in place to achieve these.	PERCENT OF DONORS	
		Score* Target	
		5+ All donors use partner countries' PFM systems.	
		3.5 to 4.5 90% of donors use partner countries' PFM systems.	
		PERCENT OF AID FLOWS	
		Score* Target	
5+ A two-thirds reduction in the % of aid to the public sector not using partner countries' PFM systems.			
3.5 to 4.5 A one-third reduction in the % of aid to the public sector not using partner countries' PFM systems.			
5b	<i>Use of country procurement systems</i> — Percent of donors and of aid flows that use partner country procurement systems which either (a) adhere to broadly accepted good practices or (b) have a reform programme in place to achieve these.	PERCENT OF DONORS	
		Score* Target	
		A All donors use partner countries' procurement systems.	
		B 90% of donors use partner countries' procurement systems.	
		PERCENT OF AID FLOWS	
		Score* Target	
A A two-thirds reduction in the % of aid to the public sector not using partner countries' procurement systems.			
B A one-third reduction in the % of aid to the public sector not using partner countries' procurement systems.			
6	<i>Strengthen capacity by avoiding parallel implementation structures</i> — Number of parallel project implementation units (PIUs) per country.	Reduce by two-thirds the stock of parallel project implementation units (PIUs).	
7	<i>Aid is more predictable</i> — Percent of aid disbursements released according to agreed schedules in annual or multi-year frameworks.	Halve the gap — halve the proportion of aid not disbursed within the fiscal year for which it was scheduled.	
8	<i>Aid is untied</i> — Percent of bilateral aid that is untied.	Continued progress over time.	

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

Important Note: In accordance with paragraph 9 of the Declaration, the partnership of donors and partner countries hosted by the DAC (Working Party on Aid Effectiveness) comprising OECD/DAC members, partner countries and multilateral institutions, met twice, on 30-31 May 2005 and on 7-8 July 2005 to adopt, and review where appropriate, the targets for the twelve Indicators of Progress. At these meetings an agreement was reached on the targets presented under Section III of the present Declaration. This agreement is subject to reservations by one donor on (a) the methodology for assessing the quality of locally-managed procurement systems (relating to targets 2b and 5b) and (b) the acceptable quality of public financial management reform programmes (relating to target 5a.ii). Further discussions are underway to address these issues. The targets, including the reservation, have been notified to the Chairs of the High-level Plenary Meeting of the 59th General Assembly of the United Nations in a letter of 9 September 2005 by Mr. Richard Manning, Chair of the OECD Development Assistance Committee (DAC).

***Note on Indicator 5:** Scores for Indicator 5 are determined by the methodology used to measure quality of procurement and public financial management systems under Indicator 2 above.

**STATUS OF THE APPLICATION OF THE PEFA PERFORMANCE MEASUREMENT
FRAMEWORK IN PUBLIC FINANCIAL MANAGEMENT IN ASIA,
AND ADB'S INVOLVEMENT**

Region	DMC	Donor Partners^a	ADB^b	Status	Year
CWRD	Afghanistan	WB , IMF, coordinated with DFID, EC, and ADB	✓	Completed	2005
	Armenia	WB		Completed	2007
	Azerbaijan	WB , Switzerland		Begun	2007
	Kyrgyz Republic	DFID, Switzerland , WB, Sweden, IMF, EC		Completed	2005
	Pakistan	WB , DFID, ADB, EC	✓	Planned	2008
	Tajikistan	WB , Switzerland, DFID, IMF		Begun	2007
EARD	Mongolia	WB		Planned	2008
PARD	Fiji Islands	WB , Australia		Completed	2005
	Papua New Guinea	ADB , WB, Australia	✓	Completed	2005
	Samoa	EU , France, Australia, New Zealand, WB		Completed	2006
	Tuvalu	ADB	✓	Completed	2006
	Vanuatu	EC , France, Australia, New Zealand, WB		Completed	2006
SARD	Bangladesh	WB , DFID, Japan, ADB	✓	Completed	2005
	Nepal	WB , DFID		Begun	2007
SERD	Cambodia	WB , EC, DFID, AusAID, Sida, France, JBIC, JICA, ADB, IMF	✓	Planned	2008
	Indonesia	WB		Planned	2007
	Lao PDR	WB, EC		Completed	2006
	Philippines	WB , Australia, ADB	✓	Begun	2007
	Timor-Leste	EC , other donors	✓	Begun	2007
	Viet Nam	WB , EU, other donors	✓	Planned	2007

ADB = Asian Development Bank; AusAID = Australian Agency for International Development; CWRD = Central and West Asia Department; DFID = Department for International Development, UK; DMC = developing member country; EARD = East Asia Department; EC = European Commission; EU = European Union; IMF = International Monetary Fund; JBIC = Japan Bank for International Cooperation; JICA = Japan International Cooperation Agency; Lao PDR = Lao People's Democratic Republic; PARD = Pacific Department; PEFA = public expenditure and financial accountability; SARD = South Asia Department; SERD = Southeast Asia Department; Sida = Swedish International Development Cooperation Agency; WB = World Bank.

^a Lead agency's name is in boldface.

^b Check indicates ADB involvement.

Source: World Bank. Status on Applications of Public Expenditure and Financial Accountability (PEFA) Performance Measurement Framework (update by the PEFA Secretariat as of 6 March 2007). – as included in ADB. 2007. *Special Evaluation Study on the Asian Development Bank's Approaches to Partnering and Harmonization: In the Context of the Paris Declaration on Aid Effectiveness*. Manila. Appendix 6, Table D.

**DATABASE OF ADB COUNTRY PARTNERING AND HARMONIZATION ACTIVITY
AS OF 2007**

Activity	Approach
A. Central and West Asia Department	
1. Afghanistan	
a. Joint support for Afghanistan harmonization action plan (multi-donor)	HP
b. Joint analytical work for country transport strategy (Japan)	JAW
c. Joint analytical work for natural resource management and environmental protection (UNEP)	JAW
d. Joint support for public administration reform and economic management, trade and investment, and social protection and livelihood strategy harmonization (multi-donor)	SCA
e. Joint support for strengthening of development information and statistics capacity (multi-donor)	SCA
f. Joint support for Afghanistan Compact Joint Coordination Monitoring Board (multi-donor)	SCA
g. Joint analytical work for thematic groups, especially agriculture, road transport, and poverty assessment (multi-donor)	JAW
h. Joint support for the Afghanistan national development strategy, including poverty assessment and results framework (multi-donor)	HP
i. Joint support for Aid Effectiveness Working Group, including standardized reporting format on aid (multi-donor)	SCA
j. Joint support for analytical work and programming of NGO Peace Dividend Trust Fund (multi-donor)	JAW
k. Joint support for Afghanistan Reconstruction Trust Fund Management Committee and the Counter Narcotics Trust Fund (WB, UN, others)	SCA
l. Joint analytical work on anticorruption (WB, UN, USAID, others)	JAW
m. Joint use of government procurement system (WB)	SCA
2. Azerbaijan	
a. Joint analytical work for country strategy and programming (WB, EBRD)	JAW
b. Joint support for country industry and energy, including harmonized capacity support (WB, EBRD)	SCA
c. Joint strategy and programming for transport and road sector (WB)	SCA
d. Joint analytical work and capacity support for economic analysis (WB, EBRD)	JAW
e. Joint capacity support for road sector strategy and project implementation (WB, EBRD)	SCA
f. Joint strategy and programming for urban water supply and sanitation (KfW)	SCA
g. Joint strategy and programming, Trade Finance Facility Program (EBRD, IFC, KfW, three private sector banks)	SCA
3. Kazakhstan	
a. Joint policy dialogue on foreign investment (EBRD, IFC Foreign Investors Council, American Chamber of Commerce)	HP
b. Joint policy dialogue on staff remuneration harmonization (WB)	SCA
4. Kyrgyz Republic	
a. Joint support for Kyrgyz harmonization action plan, including NPRS, joint procedures, and sector-wide approaches (multi-donor)	HP
b. Joint support for harmonized donor country assistance strategy, including results framework (WB, DFID, UN, SECO/SDC)	JPR
c. Joint country portfolio reviews and programming missions (WB, IDB, KfW)	JPR
d. Joint project implementation arrangements (PIUs) for JFPR project (WB)	SCA
e. Joint program implementation for use of water management facilities (UN, OSCE, NGOs)	SCA
5. Pakistan	
a. Joint analytical work on decentralization/devolution, including social sector delivery (DFID, CIDA, Netherlands)	JAW

Activity	Approach
b. Joint support and analytical work for country gender assessment (CIDA)	JAW
c. Joint analytical work and support for access to justice reform program (CIDA, USAID, Japan, and DFID)	SCA
d. Joint analytical work and strategy development for poverty reduction programs (CIDA, UN, DFID, SDC, WB)	JAW
e. Joint economic work and assistance strategy for Balochistan, NWFP, Punjab, and Sindh (WB, DFID, European Commission)	JAW
f. Joint analytical program for PFM and accountability reforms (WB, DFID, EC)	JAW
g. Joint analytical work and support for aid effectiveness and harmonization action planning (multi-donor)	JAW
6. Tajikistan	
a. Joint support for formulation of approaches to harmonization and aid effectiveness (multi-donor)	JAW
b. Joint country program portfolio review missions (WB)	JPR
c. Joint implementation arrangements (PIUs) for energy and transport sectors (IDB, Kuwait Fund, KfW, WB)	SCA
d. Joint support for strategy development for rural livelihoods (DFID)	SCA
e. Joint support for harmonized procedures related to financial reporting and audit (WB)	SCA
f. Joint support for development policy dialogue through Donor Coordination Council (multi-donor)	HP
g. Joint support for analytical work in energy sector (WB)	JAW
h. Joint support for formulation of cotton farm debt resolution strategy and results framework and action plan (WB, USAID, DFID, SDC, CIDA, European Commission)	SCA
i. Joint donor midterm review of the Fast Track Initiative–Catalytic Fund grant impact (WB, UNICEF, USAID, GTZ)	JPR
7. Uzbekistan	
a. Joint support for health sector program review mission (WB)	JPR
b. Joint analytical work for formulation of PRSP and implementation capacity support (WB, UNDP)	JAW
c. Joint policy dialogue on social sector welfare section (WB, UNDP, UNICEF, USAID, EBRD)	HP
d. Joint policy dialogue on energy sector (WB, UNDP, UNICEF, USAID, EBRD)	HP
e. Joint policy dialogue on waste management sector (WB, UNDP, UNICEF, USAID, EBRD)	HP
f. Joint policy dialogue on medium-term development strategy (EBRD, EC, WB, Japan, USAID)	HP
g. Joint support for common implementation arrangements for Woman and Child Health Development Project (WB, USAID, UNAIDS, Kuwait Fund, Global Alliance, and PRC)	SCA
h. Joint analytical work for Central Asian Gateway Project (UNDP)	JAW
i. Joint country portfolio review (WB)	JPR
B. East Asia Department	
1. China, People's Republic of	
a. Joint analytical work and results framework in support of PRC's Five-Year Program, 2006–2010 (multi-donor)	JAW
b. Shared analytical work for PER and environment (WB)	JAW
c. Shared analytical work for poverty profile, private sector, governance assessment (WB)	JAW
d. Joint support for country gender assessment (WB)	JAW
e. Joint analytical work for land degradation and ecosystem harmonization processes (AusAID, WB, USAID, CIDA)	JAW
f. Shared analytical work for poverty reduction fund (WB, DFID, NGOs)	JAW
g. Shared analytical work on portfolio management (WB)	JAW

Activity	Approach
2. Mongolia	
a. Joint analytical work on economic growth support and poverty reduction strategy and action plan (WB, JICA, UN)	JAW
b. Shared analytical work on education, transport, and health through donor working groups (multi-donor)	JAW
c. Shared regional analytical work on energy, trade, and transport (WB)	JAW
d. Shared regional analytical work on trade policy (IMF)	JAW
e. Joint analytical work for education SWAp and joint proposal for EFA FTI (WB, JICA, others)	JAW
f. Joint support for education sector-wide approach (Germany, UNICEF)	PBA
g. Joint support for Urban Development and Housing Project (GTZ/KfW)	SCA
h. Joint support for agriculture and rural development (Netherlands, GTZ)	SCA
i. Joint analytical work for gender assessment (WB)	JAW
j. Joint analytical work for civil society assessment (WB)	JAW
k. Joint analytical work for infrastructure and transport strategy (WB)	JAW
l. Joint analytical work for participatory poverty assessment (WB, UNDP)	JAW
C. Pacific Department	
1. Pacific Regional	
a. Joint analytical work and performance monitoring of shared cooperation agenda (AusAID, NZAID, WB)	JAW
2. Cook Islands	
a. Joint consultation on development policies and future programming (AusAID, NZAID)	JPR
b. Joint analytical work on public expenditure and aid management (AusAID, NZAID, European Commission, WB, UNDP)	JAW
c. Joint analytical work and programming for Cyclone Emergency Assistance Project (multi-donor)	JAW
d. Joint analytical work and programming for outer-island infrastructure program (AusAID, NZAID)	JAW
3. Fiji Islands	
a. Joint country strategy and programming and results framework (AusAID, NZAID, European Commission, WB)	JPR
b. Joint economic sector work (AusAID, NZAID, WB)	JAW
4. Kiribati	
a. Joint country strategy and programming and results framework (AusAID, NZAID, EC, WB)	JPR
b. Joint economic sector work (AusAID, NZAID, WB)	JAW
c. Joint analytical work on outer-island growth centers (AusAID, NZAID, WB)	JAW
5. Papua New Guinea	
a. Joint analytical work and possible support for health SWAp (WB, AusAID, others)	JAW
b. Joint analytical work on road transport sector (WB, AusAID)	JAW
c. Joint analytical work on public expenditure review and rationalization process and joint review missions (WB, AusAID)	JAW
6. Samoa	
a. Joint country strategy and programming and results framework (AusAID, NZAID, EC, WB)	JPR
b. Joint economic sector work (AusAID, NZAID, WB)	JAW
c. Joint strategy and programming for education SWAp (AusAID, NZAID)	PBA
7. Solomon Islands	
a. Joint analytical work and common strategy on transport sector (AusAID, NZAID)	JAW
b. Joint strategy for funding roads rehabilitation, including common management arrangements (AusAID, NZAID)	SCA

Activity	Approach
8. Tonga	
a. Joint country strategy and programming and results framework (AusAID, NZAID, EC, WB)	JPR
b. Joint economic sector work (AusAID, NZAID, WB)	JAW
c. Joint analytical work on Integrated Urban Development Project (AusAID, NZAID, WB)	JAW
9. Tuvalu	
a. Joint country strategy and programming and results framework (AusAID, NZAID)	JPR
b. Joint consultation on meetings of the Tuvalu Trust Fund Board (AusAID, NZAID)	HP
c. Joint analytical work on public expenditure and financial accountability analysis using PEFA methodology (WB, AusAID, NZAID)	JAW
D. South Asia Department	
1. Bangladesh	
a. Joint analytical work for CSP/CAS preparation (DFID, Japan, WB)	JAW
b. Joint support for country PRSP implementation (DFID, Japan, WB)	HP
b. Joint economic sector and thematic analytical work and BSB capacity building (WB, IMF)	JAW
d. Joint education PBA/SWAp and pooled funding, including use of government/donor common procedures (11 donors)	PBA
e. Joint analytical work for transport sector (WB, JBIC/JICA, DFID)	JAW
f. Joint funding of railways sector investment program based on analytical work (WB, JBIC)	SCA
g. Joint country portfolio review mission (DFID, WB, JBIC/JICA)	JPR
h. Joint support for harmonized project documentation and processing (multi-donor)	SCA
i. Joint support for harmonized donor procedures for local procurement (multi-donor)	SCA
2. India	
a. Joint support for rural finance restructuring and development program (KfW)	SCA
b. Joint support for India Development Marketplace small grants initiatives (WB)	SCA
c. Joint support for strategic trust fund and technical assistance (DFID)	SCA
d. Joint support for railways reform and development program (WB)	SCA
e. Joint support for national highway strategy and development program (WB)	SCA
3. Maldives	
a. Joint analytical work on post-tsunami reconstruction assessment (WB, UN, and NGOs)	JAW
b. Joint support for post-tsunami reconstruction program (multi-donor and NGOs)	SCA
c. Joint country assessment, strategy, and programming (WB, UNDP)	JAW
d. Joint representation of ADB and WB in the Maldives (WB)	SCA
e. Joint support for Tsunami Relief and Reconstruction Fund, including harmonized programming and review systems (WB, IMF, UNDP)	SCA
4. Nepal	
a. Policy dialogue in thematic harmonization donor groups, including agriculture, rural development, and HAP (multi-donor)	HP
b. Joint development policy dialogue and reform planning (WB, IMF)	HP
c. Joint action plans for harmonized assistance, including MOU (DFID, GTZ)	SCA
d. Joint support for government-led PRSP, including joint operational reviews (WB)	HP
e. Joint support for Peace Secretariat and post-conflict strategy (WB)	HP
f. Joint support for budget preparation, including rural investment program (WB)	JAW
g. Support for donor group on fragile states and DAC reporting (multi-donor)	HP
h. Joint country portfolio review mission and results framework (WB, JBIC)	JPR
i. Joint support for national poverty reduction action plan monitoring (WB, JBIC)	HP
j. Joint support for Road Connectivity Sector Project (OPEC)	SCA
k. Joint support for Education Sector Cluster Program funding and review (Danida, DFID, Finnida, WB, and Norad)	PBA

Activity	Approach
l. Joint support for Decentralized Rural Infrastructure and Livelihood Development Project and review (SDC)	SCA
m. Joint support for Road Network Development Project and review (DFID)	SCA
n. Joint analytical work for proposed Rural Reconstruction and Rehabilitation Sector Development Program (DFID, SDC, WB, JICA)	JAW
o. Joint analytical work and possible Skills for Employment Project (SDC)	JAW
5. Sri Lanka	
a. Joint support for government participation in harmonization roundtable	HP
b. Joint post-tsunami needs assessment and program review meetings (JBIC, WB, others)	JAW
c. Joint analytical work on using national procurement systems and agency strengthening (multi-donor)	JAW
d. Joint capacity building for fiscal management, audit, disbursement, and anti-money laundering (IMF)	SCA
E. Southeast Asia Department	
1. Cambodia	
a. Joint country portfolio review mission (WB, DFID)	JPR
b. Joint consultation for the preparation of the Cambodia country strategy program (DFID, UNDP, WB)	JAW
c. Joint support for government-led action plan on harmonization and alignment and its monitoring and reporting to OECD/DAC (11 donors)	HP
d. Joint support for harmonization of public financial management (WB, IMF, and seven other donors)	SCA
e. Joint support for harmonized standard operating procedures and financial management manual (WB)	SCA
f. Joint support for harmonized procurement procedures and operations manual (WB)	SCA
g. Joint support for harmonized standard bidding documents for national competitive bidding (WB)	SCA
h. Joint support for multi-donor country gender assessment (WB, UNDP, UNIFEM)	JAW
i. Joint support for education SWAp 1, including use of government system and common monitoring (EC, WB, JICA, UNICEF, others)	PBA
j. Joint support for education SWAp 2, including use of government system and common monitoring (EC, WB, JICA, UNICEF, others)	PBA
k. Joint support for health SWAp, including common monitoring (WB, DFID, European Commission, JICA, UNICEF, others)	PBA
2. Indonesia	
a. Joint country portfolio performance review (WB)	JPR
b. Joint country financial accountability assessment (WB)	JAW
c. Joint analytical work for country gender assessment (WB, CIDA, ILO, NGOs)	JAW
d. Joint support for CGI working group on aid effectiveness and decentralization (multi-donor)	HP
e. Joint analytical work and dialogue on power sector (WB, JBIC)	JAW
f. Joint analytical work and dialogue on private sector investment (WB, JBIC)	JAW
g. Selective joint sector support and programming in education (multi-donor)	SCA
h. Selective joint sector support and programming in health (multi-donor)	SCA
i. Selective joint sector support and programming in coastal and irrigation development (multi-donor)	SCA
j. Joint post-tsunami needs assessment and multi-donor trust fund (WB, other donors)	JAW
k. Joint support for decentralization support facility (WB, DFID, UNDP, Netherlands, and other donors)	SCA
l. Joint analytical work for poverty reduction program (DFID, WB)	JAW
m. Joint analytical work for local government performance assessment and index (GTZ, USAID, WB)	JAW

Activity	Approach
n. Joint support for development policy support program and results framework (WB, JBIC)	SCA
o. Joint analytical work for procurement guidelines and bidding documents (WB, JBIC, European Commission, others)	JAW
p. Joint needs assessment and programming for post-earthquake reconstruction in central Java (multi-donor)	JAW
3. Lao People's Democratic Republic	
a. Joint country portfolio effectiveness review (DMC, Sida, WB)	JPR
b. Joint preparation of harmonized operating procedures for project administration (WB, Sida)	SCA
c. Joint analytical work on sector capacity development frameworks in four key ministries (multi-donor)	JAW
d. Joint preparation of harmonized financial management manual for administration of projects and programs (WB)	SCA
e. Harmonized payment tracking system to monitor financial performance of projects/ programs (WB)	SCA
f. Joint preparation of harmonized standard procurement documents for national competitive bidding (WB)	SCA
g. Joint support for DMC draft harmonization and alignment action plan and results framework (multi-donor)	HP
h. Joint support for HAP roundtable process, Vientiane Declaration of Aid Effectiveness (multi-donor)	HP
i. Joint analytical work on poverty assessment (WB, Sida)	JAW
j. Joint analytical and survey work on investment climate (WB)	JAW
k. Joint support for public expenditure review (WB, other donors)	JAW
l. Joint support for National Socio-Economic Development Plan (NSED6) and review and information-sharing systems (multi-donor)	JAW
4. Philippines	
a. Joint procurement guidelines and operations manuals (DMC, WB, JBIC)	SCA
b. Joint support for preparation for regional forum on aid effectiveness (WB, JICA, DFID)	HP
c. Joint support for review of financial management and audit procedures (multi-donor)	JAW
d. Joint country portfolio reviews and report submission to national Congress (WB, JBIC)	JPR
e. Joint support for Philippine Development Forum (multi-donor)	HP
f. Joint analytical work on macroeconomics and fiscal prospects (WB, IMF)	JAW
g. Joint support for health sector PBA (World Bank, GTZ)	PBA
h. Joint analytical work on judicial reform, possibly sector-wide approach (WB)	JAW
5. Viet Nam	
a. Joint support for institutional development for Partnership Group on Aid Effectiveness (PGAE) (multi-donor)	HP
b. Joint support for formulation of Viet Nam harmonization action plan and results framework (multi-donor)	HP
c. Joint support for PGAE thematic groups and action plans (multi-donor)	HP
d. Joint support for strengthening of government systems for the management of public investment and ODA (WB, JBIC, KfW, AFD)	SCA
e. Joint support for procurement management, standard bidding procedures, and results framework (WB, JBIC, KfW, AFD, and others)	SCA
f. Joint support for harmonized guidelines for public financial management (WB, JBIC, KfW, AFD, and others)	SCA
g. Joint support for harmonized guidelines for environmental impact assessment (WB, JBIC, KfW, AFD, and others)	SCA
h. Joint support for harmonized guidelines for social impact assessment (WB, JBIC, KfW, AFD and others)	SCA

Activity	Approach
i. Joint support for harmonized guidelines for cost norms (project management) (WB, JBIC, KfW, AFD and others)	SCA
j. Joint support for harmonized guidelines for project preparation and feasibility study (WB, JBIC, KfW, AFD)	SCA
k. Joint support for harmonized guidelines for monitoring and reporting (WB, JBIC, KfW, AFD)	SCA
l. Joint country portfolio performance review (WB, JBIC, KfW, AFD)	JPR
m. Joint donor support for PRSC, Phase 3 (WB, DFID, EC, JBIC, UNDP, others)	PBA
n. Joint donor support for PRSC, Phase 4 (WB, DFID, EC, JBIC, UNDP, others)	PBA
o. Joint donor support for PRSC, Phase 5 (WB, DFID, EC, JBIC, UNDP, others)	PBA
p. Joint analytical work on key sectors, including energy, water resources, transport, and urban sectors (WB, JBIC, KfW, AFD)	JAW

AFD = Agence Française de Développement, AusAID = Australian Agency for International Development, CIDA = Canadian International Development Agency, CAS = country assistance strategy, CSP = country strategy and program, Danida = Danish International Development Agency, DFID = Department for International Development, EC = European Commission, EBRD = European Bank for Reconstruction and Development, EFA = Education for All, Finnida = Finnish International Development Agency, FTI = Fast Track Initiative, GTZ = German Technical Cooperation (Deutsche Gesellschaft für Technische Zusammenarbeit), HAP = harmonization action plan, HP = harmonization policy, IDB = Islamic Development Bank, IFC = International Finance Corporation, IMF = International Monetary Fund, JAW = joint analytical work, JBIC = Japan Bank for International Cooperation, JICA = Japan International Cooperation Agency, JRP = joint review mission, KfW = Kreditanstalt für Wiederaufbau, NGO = nongovernment organization, NORAD = Norwegian Agency for Development Cooperation, NPRS = National Poverty Reduction Strategy, NZAID = New Zealand's International Aid and Development Agency, ODA = official development assistance, OPEC = Organization of the Petroleum Exporting Countries, OSCE = Organisation for Security and Cooperation in Europe, PBA = program-based approach, PEFA = public expenditure and financial accountability, PER = public expenditure review, PFM = public financial management, PGAE = Partnership Group on Aid Effectiveness, PIU = project implementation unit, PRC = People's Republic of China, PRSC = Poverty Reduction Support Credit, PRSP = poverty reduction strategy paper, SCA = selected common arrangement, SDC = Swiss Agency for Development and Cooperation, SECO = State Secretariat for Economic Affairs, Sida = Swedish International Development Cooperation Agency, SWAp = sector-wide approach, UN = United Nations, UNDP = United Nations Development Programme, UNEP = United Nations Environment Programme, USAID = United States Agency for International Development, WB = World Bank.

Source: ADB. 2007. *Special Evaluation Study on the Asian Development Bank's Approaches to Partnering and Harmonization: In the Context of the Paris Declaration on Aid Effectiveness*. Manila. Appendix 7.

ADB'S AND OTHER DONOR AGENCIES' ROLE IN FORMULATING DMC-LED POVERTY REDUCTION STRATEGIES

Country	Role
Afghanistan	A series of consultations with the international donor community, among others, formed the basis for the development of Interim Afghanistan National Development Strategy (I-ANDS). An External Advisory Group of development partners also provided informal feedback on different parts of the I-ANDS. The international community and the Government also underwent intensive consultations on the negotiation of the Afghan Compact specifically on the benchmarks.
Azerbaijan	The Government of Azerbaijan prepared the PRSP on two stages based on its agreement with the IMF, World Bank, and ADB. The agreement included assistance from the institutions in the form of TAs, grants, consulting services, training and seminars, etc. The two stages included the development of the interim PRSP and the main PRSP which constituted a specific action plan of the Government.
Bangladesh	The UNDP project on "Strengthening Parliamentary Democracy" paved the way for the most extensive consultation process on the draft PRSP. This consultation process was undertaken by members of Parliament belonging to all the political parties. ADB assisted with formulation of the NPRS monitoring systems.
Cambodia	ADB contribution went through capacity building efforts in the Government preparation of the Socio-economic Development Plan 2001–2005 with focus on poverty reduction, which fed into the PRSP. UNDP provided assistance in the medium-term capacity building in poverty monitoring and analysis; World Bank provided Institutional Development Fund grant assistance in strengthening capacity in poverty reduction strategy formulation with participatory approaches; the World Food Programme supported through poverty mapping exercise, and UNICEF supported through statistical monitoring of poverty-related issues.
Indonesia	<p>ADB initiated the poverty reduction strategy process in late 1999/early 2000 in cooperation with the Government through several stakeholder fora with private sector and NGO participation. It led to the signing of the ADB-Government Partnership Agreement on Poverty Reduction, leaving the poverty reduction strategy not formalized as a separate document. The Partnership Agreement has not been monitored separately. The World Bank, through its Indonesia Poverty Analysis program (2003–2005), provided a comprehensive support package that encompassed poverty analysis, capacity building for monitoring and evaluation, and policy advisory.</p> <p>ADB as the initiator of the process and World Bank as the inventor of the poverty reduction strategy concept. ADB became the chair for the Consultative Group on Indonesia while the World Bank provided strong conceptual and technical input to the poverty reduction strategy paper formulation. Other development partners defined their specific contributions to the poverty reduction strategy process oftentimes formalized through partnership agreements.</p>
Kyrgyz Republic	International organizations and donor countries provided technical assistance to the Government for the preparation of the National Strategy for Poverty Reduction (NSPR) and Comprehensive Development Framework (CDF). These were in the form of research work and reports on various aspects of the NSPR and the CDF. Donors, including ADB, are mainly involved in the consultation processes for the discussion and capacity building for PRSP/CDF implementation, including joint approaches.
Lao People's Democratic Republic	The IMF and World Bank constitute the main external institutions collaborating with the State Planning Committee in the formulation of the interim and full PRSP. The ADB and other development partners take part in the formulation only of the full PRSP in collaboration with Lao representatives of civil society, mass organizations, and donor agencies. The ADB had been directly involved in the poverty diagnosis and monitoring, in the support of the Participatory Poverty Monitoring Project, and in the streamlining of the Public Investment Program as part of the preparation for the National Poverty Eradication Program, which was fed into the PRSP.
Mongolia	The IMF and World Bank organized the first workshop that formed the basis for the development of the draft PRSP. The joint workshop was attended by donor agencies and other stakeholders who also gave comments on the development of the draft PRSP. Development partners also participated in the

Country	Role
	Government-set Coordinating Committee responsible for arranging the development of PRSP.
Pakistan	The World Bank and a number of donor agencies including ADB supported the preparation of the full PRSP process and contributed in policy design, implementation, and evaluation. ADB supported the organization of provincial workshops and a high-level forum as part of the second phase of consultations of the PRSP preparation. National workshops were also conducted by the Government in all the provincial capitals in close collaboration with ADB.
Sri Lanka	The PRSP was directly supported by World Bank, IMF, UNDP, ILO, and GTZ. World Bank and IMF initiated and guided the poverty reduction strategy process, with the World Bank giving the initial conceptual input in 2002. UNDP organized a number of consultative meetings with NGOs, and funded external assistance for drafting the PRSP and provided social impact assessments. ILO supported the social partners such as labor unions by helping them formulate and present their perspectives within the poverty reduction strategy process. GTZ provided assistance in the drafting of the monitoring chapter of the PRSP and the supporting of the local capacity building for the poverty social impact analysis.
Tajikistan	The Government of Tajikistan focused on information sharing and consultations with foreign development partners through round tables to address issues in health care, education, and social protection in the context of poverty reduction strategy. The Government consults with development partners also through the mid-term budget reviews. Donor agencies, through their consultants, also provided comments on the sector notes prepared for the PRSP.
Uzbekistan	The World Bank and IMF were involved in the discussion and assessment of the Interim Welfare Improvement Strategy Paper (PRSP Interim) at the World Bank. Other donor agencies were involved in the development of the monitoring indicators system, holding of public consultations for the preparation of the Welfare Improvement Strategy Paper, and conducting additional analytical work.
Viet Nam	The World Bank was directly responsible for the approval of the progress made in the Comprehensive Poverty Reduction and Economic Growth Strategy as part of the conditions for the award or extension of the Poverty Reduction Support Credit (PRSC) and Poverty Reduction and Growth Facility (PRGF) credit. ADB, along with other donors, cofinances the PRSC and supports some of the PRSP sub-goals according to the 2002 Poverty Reduction Partnership Agreement.

ADB = Asian Development Bank, CDF = comprehensive development framework, GTZ = Deutsche Gesellschaft für Technische Zusammenarbeit (German Agency for Technical Cooperation), IMF = International Monetary Fund, ILO = International Labor Organization, NGO = nongovernment organization, NPRS = national poverty reduction strategy, PRSP = poverty reduction strategy paper, UNDP = United Nations Development Programme, UNICEF = United Nations Children's Fund.

Source: ADB. 2007. *Special Evaluation Study on the Asian Development Bank's Approaches to Partnering and Harmonization: In the Context of the Paris Declaration on Aid Effectiveness*. Manila. Appendix 6, Table C.

LIST OF ADB STATISTICAL CAPACITY BUILDING ACTIVITIES

Date of Approval/ Approval of TA Letter	TA Name	TA Completion
December 2006	Measurement and Policy Analysis for Poverty Reduction	July 2009
November 2006	Improving Administrative Data Sources for Monitoring of MDG Indicators	December 2008
July 2006	Statistical Capacity Building in the Asian and Pacific Region	December 2007
November 2005	Key Indicators of Developing Asian and Pacific Countries 2006	December 2008
March 2006	Strengthening National Accounts II	December 2008
October 2005	Portal for Statistics Resources	June 2008
December 2004	Developing a Poverty Monitoring System at the Country Level	December 2007
December 2004	Strengthening the National Statistical System	December 2006
January 2004	Support for Poverty Assessment and Socioeconomic and Macroeconomic Statistical Capacity Building	January 2007
December 2003	Improving the Climate for Investment and Productivity	April 2006
August 2003	Improving Services Sector Statistics	November 2007
April 2003	2003 Key Indicators of Developing Asian and Pacific Countries	September 2004
December 2002	Strengthening and Collection of Purchasing Power Parity Data in ADB DMCs	March 2008
December 2002	Developing Tools for Assessing the Effectiveness of ADB Operations in Reducing Poverty	December 2004
December 2002	Improving the Climate for Investment and Productivity in Sri Lanka	July 2006
November 2002	Improving the Climate for Investment and Productivity	March 2004
September 2002	Improving the Climate for Investment and Productivity	December 2003
October 2002	Improving the Statistical Methodology of the National Institute of State Statistics and Information	December 2004
July 2002	Poverty Mapping in Selected DMCs	December 2005
November 2001	Enhancing Social and Gender Statistics	March 2005
November 2001	Building a Poverty Monitoring Mechanism	October 2003
August 2001	Key Indicators of Developing Asian and Pacific Countries	
July 2001	MON-3684:Improving Social Statistics	September 2004
June 2001	BHU-3669:Strengthening the National Statistical System	July 2004
May 2001	PHI-3656:Improving Poverty Monitoring Surveys	November 2003
August 2001	Strengthening the National Accounts and Poverty Monitoring System	Q2 2005
September 2000	Establishing an Enterprise Sample Survey	October 2003
September 2000	Harmonizing and Strengthening Business Tendency Surveys in Selected DMCs	December 2002
June 2000	NEP:Strengthening the National Statistical System	June 2004
May 2000	Building a Poverty Database	September 2004
March 2000	VIE: Improving National Accounts (Phase II)	October 2003

BHU = Bhutan, DMC = developing member country, MDG = Millennium Development Goal, MON = Mongolia, NEP = Nepal, PHI = Philippines, VIE = Viet Nam.

Source: Asian Development Bank's Economic and Research Department database on technical assistance.

ADB POLICIES AND STRATEGIES, PRE- AND POST-PARIS DECLARATION

1. Even before ADB endorsed the Paris Declaration in 2005, several ADB policies and procedures already included elements of the five pillars of ownership, alignment, harmonization, managing for results, and mutual accountability. As a development institution, ADB has been moving along the general development best practice trends of the international development community. ADB has been following the articulations of several high-level forums, including the 2003 High-Level Forum on Harmonization in Rome and the 2004 Marrakech Roundtable on Managing for Development Results (MfDR). Several of ADB's policies and strategies that were developed and adopted before the endorsement of the Paris Declaration incorporate concepts of country ownership, building governments' capacities in their respective thematic areas, and cooperation with other development partners.
2. The key institutional strategies include the Poverty Reduction Strategy (1999) and the Enhanced Poverty Reduction Strategy (EPRS, January 2004), the Long-Term Strategic Framework (LTSF, February 2001), the Medium-Term Strategy (September 2001) and the Medium-Term Strategy II (March 2006), and the Reform Agenda (August 2004).
3. ADB's overarching mission of poverty reduction is articulated in the Poverty Reduction Strategy and the EPRS. The strategies to attain it rest on the three pillars of pro-poor sustainable growth, inclusive social development, and good governance. The strategies comprise greater country focus, which includes building partnerships around national poverty reduction strategies, country strategies, and results-oriented programming; and having thematic priorities of gender equality, environmental sustainability, private sector development, regional cooperation, and capacity development. In order to implement the Strategy, the activities include MfDR, fostering learning and developing new tools, and building ADB's capacity for its implementation.
4. The LTSF provides ADB with the program of activities for the realization of the poverty reduction mission. The LTSF is the key statement for guiding the strategic management of the mission for 2001–2015. To implement the Strategy, the LTSF looks toward country leadership and ownership, a long-term approach to development assistance, building on the strengths of other development partners, and measurement of development impacts. The LTSF declares that "ADB must strongly support its DMCs [developing member countries] in preparing long-term national poverty reduction strategies." The LTSF is to be implemented through three medium-term strategies covering nonoverlapping periods. The first *Medium-Term Strategy (2001–2005)* echoed the same priorities and guiding principles as the LTSF, its main themes including country ownership, strategic alliances and partnerships, and development effectiveness. The follow-on *Medium-Term Strategy II (2006–2008)* (March 2006) confirms the validity of these principles.
5. In August 2004, ADB consolidated its reform initiatives into the *Reform Agenda*, the development of which was directed by the Poverty Reduction Strategy and the LTSF. The Reform Agenda mainstreams MfDR and refines organizational processes and structure. Business processes are to be continuously improved. ADB expressed its commitment to harmonizing and aligning with development partners to reduce transaction costs for DMCs and to improve the efficiency and effectiveness of development assistance.
6. A document review of the policies and strategies indicated that several of the Paris principles, under some other rubric, have been taken into consideration even before 2005. After the Paris endorsement, the Paris Declaration terminology was adopted and "Paris Declaration"

itself is specifically cited in various strategies. Tables A6.1 and A6.2 present a tabular checklist of ADB strategies and policies that were prepared and/or approved before the endorsement of the Paris Declaration in 2005 and after.

7. **Country Strategies.** The preparation by ADB staff of country strategies, now called country partnership strategies (CPSs), is guided by guidelines that are updated from time to time. CPSs provide the expected annual assistance pipeline from ADB for a specified period of time, which helps DMCs in planning their budgets. The most recent revisions in the guidelines are contained in *Further Enhancing Country Strategy and Program and Business Processes* (August 2006), relevant sections of which were disseminated through the *Country Partnership Strategy Guidelines* (February 2007). The review of the guidelines indicates that the refinements reinforce the objectives of the Paris Declaration.¹ The guidelines aim to mainstream results-based CPSs, and continue to emphasize the country development context and coordination and harmonization with development partners.

8. CPSs² continue to be expected to be aligned with national poverty reduction plans. The guidelines identify “ownership” by DMCs of the CPS process, with DMCs’ leading the development and implementation of its national strategies.³ The guidelines further provide steps that could be taken by ADB staff to increase country ownership, including resident missions’ undertaking extensive policy dialogue and consultations in the field with various levels of the government and stakeholders. These guidelines also include country ownership of some of ADB’s thematic and sector policies developed before and after the Rome forum, e.g., governance and anticorruption, forestry, and education. The guidelines indicate that ADB will continue to support diagnostics and analytical work by DMCs, where relevant, in the preparation of national plans. Joint analytical work with other development partners is also encouraged where feasible, and staff are instructed to use recent analytical data of DMCs and assessments of development partners. The new guidelines for preparing CPSs support harmonization with development partners and selectivity of sectors for assistance, among others. Joint efforts may include sector-wide approaches (SWAs) and pooling of funds.

9. **Ownership.** The 2001 LTSF, the 2004 EPRS, and ADB’s 2006 revised guidelines for preparing country partnership strategies reinforce the importance of country ownership in ADB’s development assistance. The LTSF looks toward country leadership and ownership, and the EPRS reiterates the importance of DMC leadership in preparing national poverty reduction strategies and in partnerships. The most recent guidelines to be followed in preparing CPSs identify “ownership” by DMCs of the CPS process.⁴ The guidelines outline steps that can be taken to increase ownership, including ADB resident missions undertaking extensive policy dialogue and consultations in the field with various levels of the government and stakeholders. The CPS guidelines support country ownership that are in some of ADB’s thematic and sector policies developed before and after the Rome forum, e.g., governance and anticorruption, forestry, and education. In an interview, a member of ADB’s Board observed that, in his

¹ ADB. 2006. *Further Enhancing Country Strategy and Program and Business Processes*. Manila. Para. 2.

² After the endorsement of the Paris Declaration, country strategy documents, including country strategy updates, use “Paris Declaration” and provide updates of activities related to its implementation. Of the 16 such documents submitted to the Board in 2006 and 2007, 11 specifically refer to the “Paris Declaration.” However, when ADB shifted from having country strategy and program updates to preparing country operations business plans in about mid-2006, the latter had fewer references to “Paris Declaration.” Country operations business plans include proposed individual ADB assistance. The main text of the plan is recommended to be about 3 pages long, less than half the recommended length of the main text of the former country strategy and program update.

³ Para. 47, *Further Enhancing the Country Strategy and Program and Business Processes*.

⁴ Para. 47, *Further Enhancing the Country Strategy and Program and Business Processes*.

Table A6.1: ADB Policies, Pre- and Post-Paris Declaration

Policy	Approval Date	Pillar				
		Ownership	Alignment	Harmonisation	Managing for Results	Mutual Accountability
A. Pre-Paris Declaration Policies						
Public Communications Policy	Mar-05	X			X	X
Performance-Based Allocation for ADF Resources	Nov-04	X	X	X	X	X
Disaster and Emergency Assistance	May-04			X		X
Indigenous Peoples Accountability Mechanism	Jun-03	X	X		X	
Combating Money Laundering and the Financing of Terrorism	May-03		X			
Environment	Mar-03	X	X	X	X	
Private Sector Operations	Nov-02					
Program Lending	Aug-01	X		X	X	
Anticorruption	Nov-99		X			
Cooperation between ADB and NGOs	Jul-98	X	X	X	X	X
Involuntary Resettlement	Mar-98	X	X			
Regional Cooperation	Sep-95	X	X	X		
Education	Apr-94	X	X	X	X	X
Water	Aug-02	X	X	X	X	X
Energy	Oct-01	X	X	X		X
Health	Jun-00	X	X	X		X
Fisheries	Feb-99	X	X	X		X
ANRR	Sep-97	X		X		
Forestry	Nov-95	X	X			
Population	Feb-95	X	X	X	X	
Jul-94	X	X				
B. Post Paris Declaration Policies						
Review of ADB's Credit Enhancement Operations	Aug-06	X	X	X	X	X
Revising the procurement Guidelines	Feb-06	X	X	X	X	X
Use of Consultants of the ADB and its Borrowers	Feb-06	X	X	X	X	X
Supplementary Financing	Nov-05	X	X	X	X	X
Cost Sharing and Eligibility of Expenditures for Asian Development Bank Financing: A New Approach	Aug-05					
Introducing the Local Currency Loan Product	Aug-05	X	X	X	X	X
Pilot Financing Instruments and Modalities	Aug-05	X	X	X	X	

X = incorporation of the Paris Declaration pillar in the corresponding policy, ADB = Asian Development Bank, ANRR = agriculture and natural resources research, ADF = Asian Development Fund, NGO = nongovernment organization. Source: Document review of ADB's policies.

Table A6.2: ADB Strategies, Pre- and Post-Paris Declaration

Strategy	Approval Date	Pillar				
		Ownership	Alignment	Harmonization	Managing for Results	Mutual Accountability
A. Pre-Paris Declaration Strategies						
Poverty Reduction	Jun-04	X	X	X		X
E-Development	Nov-03	X	X			
Social Protection	Jul-03	X	X	X	X	X
LTSF I	Mar-01	X	X	X	X	X
Microfinance Development	Jun-00	X	X	X	X	
Private Sector Development	Mar-00	X	X	X		
Urban Sector	Dec-99	X	X	X	X	
Cofinancing	Mar-95	X	X	X	X	
B. Post-Paris Declaration Strategies						
Middle Income Countries and Borrowers from OCR	Aug-06	X	X	X	X	X
Financing Partnership	Jun-06	X	X	X	X	X
MTS II	May-06	X	X	X	X	X
Regional Cooperation	May-06	X	X	X	X	

X = incorporation of the Paris Declaration pillar in the corresponding strategy, ADB = Asian Development Bank, MTS = Medium-Term Strategy, OCR = ordinary capital resources, LTSF = Long-Term Strategic Framework.

Source: Document review of ADB's strategies.

experience in the government, ADB may be emphasizing country ownership more than other development partners in its approach to providing assistance.

10. **Alignment.** The ADB policies and strategies approved or adopted before and after the endorsement of the Paris Declaration that were reviewed for this study support alignment activities. Medium-Term Strategy II has indicated progressive alignment of ADB country program cycles with DMCs' medium-term planning and public investment cycles and harmonization and partnership with other development partners. The guidelines for the preparation of CPSs state that CPSs will be aligned with national development plans and their preparation synchronized with the development planning cycle of the DMC. ADB will support diagnostics and analytical work by DMCs, where relevant, in the preparation of national plans.

11. The alignment commitment also aims for technical cooperation flows (technical assistance) to be implemented through coordinated programs consistent with national development strategies. ADB's Technical Assistance (TA) Policy⁵ states that TA activities are based on CPSs or a regional cooperation strategy that is based on national development strategies. TA operations support the preparation of program and project loans, capacity-building and strengthening of government systems, and promotion of policy dialogue, among others. An evaluation of ADB's TA operations (March 2007)⁶ recommends that TA operations be guided by a clear strategy and program and be addressed to strategic areas in CPSs that reflect country requirements. As most TA activities are presently being administered from ADB headquarters, the evaluation further recommends that ADB consider delegating more preparation and contracting responsibilities to executing agencies that have adequate systems to guard against corruption.

⁵ OM D12/BP, para. 5.

⁶ ADB. 2007. *Special Evaluation Studies on Performance of Technical Assistance*. Manila.

12. ADB's Governance and Anti-Corruption Action Plan II supports the establishment of mutually acceptable criteria with DMCs for moving to country procurement and public finance management systems. It also plans on using harmonized reviews and assessment frameworks for PFM and procurement.

13. ADB assistance within a given calendar year is fairly predictable. CPSs provide the expected annual assistance pipeline within a given programming period. Annually, ADB fields missions to confirm with DMCs the lending and nonlending assistance pipeline for the calendar year.

14. Heads of procurement of various multilateral development banks (MDBs), including ADB, have been engaged in a harmonization process from 1998. In 2006, ADB revised its procurement and consulting services guidelines for greater harmonization with those of other MDBs, primarily the World Bank. The revised guidelines introduce a number of features to promote greater ownership of partner countries in the procurement process and to move away from the "one size fits all" approach. The optional use of postreview is an example. Although the procurement guidelines continue to establish general principles for local procurement (national competitive bidding, shopping, and similar procedures), as has always been the case, national procedures can be applied as long as they meet minimum standards. Recently, ADB has started to more precisely assess national systems, and to establish the conditions under which they may be used for ADB-financed projects. In terms of international competitive bidding (ICB), while the revised procurement guidelines express ADB's commitment to the Paris Declaration's support for greater country ownership of procurement policies and procedures, the use of country systems for ICB is not yet supported. ADB is coordinating with the World Bank on the possible pilot testing of country procurement systems for ICB in selected countries and sectors.

15. ADB's establishment of project implementation units (PIUs) is country-specific: PIUs are established mainly due to the weak capacity of some of the executing and/or implementing agencies in these countries.

16. **Harmonization.** The review of ADB's policies and strategies revealed that they generally support harmonization with development partners. The LTSF looks towards building on the strengths of other development partners, while the EPRS recognizes the potential of close donor partnerships and harmonization for decreasing transaction costs and increasing development effectiveness. Medium-Term Strategy II indicates that harmonization and partnership with other development partners, and financing partnerships and cofinancing will be used strategically.

17. The *Pilot Financing Instruments and Modalities* (2005) proposes new ADB assistance products that are anchored on harmonization principles. It seeks to align ADB's financial instruments and modalities with those of comparator organizations, which will further facilitate partnerships and cofinancing with them. The revision of the *Cost-sharing and Eligibility of Expenditures Policy* (2005) aims to align with DMCs' actual expenditure requirements and harmonize with other development partners' project financing frameworks, while having results orientation. In 2006, ADB harmonized its definition of corrupt and fraudulent practices with those of other multilateral financial institutions (*Second Governance and Anti-Corruption Action Plan*). In 2007, ADB revised the Asian Development Fund grant framework for 2007–2008 towards greater alignment with the World Bank's 13th replenishment of International Development Association (IDA) grants; complete alignment is presently not possible due to differences between ADB and IDA, which include country membership and classification and lending

terms.⁷ The revision of ADB's supplementary financing policy in 2007 was partly motivated by the need to harmonize relevant procedures with other MDBs.

18. **Program-Based Assistance.** The new guidelines for preparing CPSs support harmonization with development partners and selectivity of sectors for assistance, among others. CPSs are to provide details on the development partner coordination, including foci of assistance, joint efforts, and opportunities for cofinancing. Joint efforts may include SWAPs and pooling of funds. While performance-based allocations (PBAs) and SWAPs may be pursued through the project loan modality, undertaking such through pooling of funds towards budget support through the program loan modality may encounter ADB's 3-year moving average ceiling of 20%, which has been breached annually these past 3 years. Program loans, as described in the current policy, are to be provided to meet the costs of adjustments associated with policy reforms. Program loans are to be tranching after meeting the policy conditions set out in a policy matrix. Project loans are to meet the investment needs of a specific sector, subsector, and/or geographical area. As the needs and situations of DMCs and donor harmonization agreements are evolving, staff who have participated in preparing and developing SWAPs have identified the need for a loan modality that would readily support financing regular and development activities channeled through budget support, which are not necessarily adjustment activities. To date, staff have been creative in "fitting" these assistance activities within the program loan concept. Where ADB is cofinancing a project with other development partners, the change in its supplementary financing policy in 2006 facilitates providing additional financing when the cofinanced project faces a cost overrun situation. Further, this revision would facilitate cofinancing in programmatic-based or framework-based approaches with substantial investment components.

19. **Joint Donor Missions.** ADB policies and strategies do not discourage joint missions. Within ADB, project-specific joint review missions are more often than not directly linked to the project being cofinanced with a development partner. ADB missions are being fielded from both headquarters and resident missions. The challenge faced in fielding joint review is in synchronizing the schedules of government counterparts and joint mission participants, who are now more numerous.

20. **Joint Country Analytical Work.** CPS guidelines encourage joint analytic work where feasible and instruct staff to use recent analytical data of DMCs and assessments of development partners.

21. **Harmonized Environmental Assessments and Other Themes.** The Environment Policy (2002) states that ADB will, among others, continue to partner with development partners for harmonization of environment policies and processes, dissemination of information, and sharing research. The Gender and Development Policy (1998) declares that ADB will seek opportunities for cooperation with other development partners on assistance aimed at improving gender equity, including through cofinancing and information sharing.

22. **Managing for Results.** Development partners are expected to link country programming and resources to results and align them with DMC performance assessment frameworks, rely to the extent possible on DMCs' results-oriented reporting and monitoring frameworks, and harmonize monitoring and reporting requirements. Development partners are to work together with DMCs to strengthen capacities for results-based management.

⁷ ADB. 2007. *Revising the Framework for Asian Development Fund Grants*. Manila.

23. ADB is mainstreaming MfDR. An action plan developed in 2006 provides a results framework for ADB; articulates its implementation; and provides an analysis of its resource implications, including for capacity development in DMCs. The revised CPS guidelines call for results-based CPSs that articulate results frameworks that link poverty reduction constraints to the program, outputs and outcomes, and sector road maps that link project outputs to sector and CPS outcomes.

24. **Mutual Accountability.** Development partners are expected to provide comprehensive information on aid flows in a timely and transparent manner. Jointly with DMCs, development partners will assess mutual progress in implementing agreed upon aid effectiveness commitments. At the country level, country program update missions are fielded annually to discuss with governments the expected program of assistance for the calendar year. During this time, the risk of slippage of any assistance is assessed. ADB staff work with project executing and implementing agencies in preparing estimates of expected project disbursements. ADB's portfolio performance in DMCs is reviewed annually, during which time constraints and solutions are jointly identified and developed.

25. **Potential Constraints.** ADB's implementation of the Paris Declaration, however, may be challenged by some policies. In the case of participation in PBAs through pooling of funds, ADB's can disburse funds without earmarking through its program loan modality. However, program loans are to cover immediate adjustment costs due to the policy reforms adopted. Thus, program loans are disbursed when policy reform conditions, which are specified in a policy matrix, are met. ADB financing of development projects is normally through the project loan modality, and the funds are disbursed on the inputs. Participation in multiyear PBAs that entail pooling of external funds and disburse not necessarily on policy reforms, but on outputs and/or outcomes (and may thus be financing both recurrent and development expenditures) is presently challenged by the unavailability of a ready loan modality. Staff interviewed who were involved in preparing this type of assistance in education noted that they have had to be creative in "fitting" the assistance within the current program lending policy. Without an appropriate assistance modality and staff guidance, participation in PBAs may become *ad hoc*. If participation in PBAs were to increase and all were through program loans, the prevailing ceiling on the percentage of program loans in a year's lending may also be potentially breached. The complete alignment of ADB's procurement procedures with national systems and harmonization with other development partners' faces the limitation imposed by ADB's Charter. ADB's member countries, and thus the group of countries where ADB-financed goods and services can be procured, are different from other development partners'.

26. **The Difference that the Paris Declaration Has Made.** Document reviews and interviews with staff indicated that ADB's general direction before 2005 was towards compliance with the five Paris pillars. Many of the staff interviewed noted that, for the policies and strategies supportive of the Paris principles that were adopted or approved after the endorsement of the Paris Declaration, the commencement of activities to revise or prepare them predated the endorsement. In procurement, consulting, and disbursement, harmonization activities have been ongoing since 2003. In the case of country strategies, the earlier version⁸ in the 1990s included country ownership through discussions of government development objectives, strategy, approach, and actions.⁹ In developing ADB's future role in a DMC, government preferences were analyzed, and the relationships with other development partners and the extent to which a "shared approach" was adopted were reported.

⁸ The country partnership strategies were called "country strategy and program" and "country operational strategy."

⁹ GP:45, Issued on 19 November 1996, Appendix 3.

REVIEW OF ADB POLICY, STRATEGY, BUSINESS PRACTICES, AND PARIS DECLARATION COMMITMENTS

Over the past decade, the Asian Development Bank (ADB) has systematically reviewed its policies, strategies, and business processes to ensure increased responsiveness to the need for country ownership, alignment with country systems, and harmonization of donor procedures. Many of these policy and operational documents are currently the subject of harmonization efforts between the multilateral development banks as set out in related appendices. A summary of these ADB initiatives is summarized and analyzed below.

A. ADB Policies and Strategies

ADB Medium Term Strategy II 2006–2008 (May 2006)

Alignment and Harmonization. ADB's priorities also need to reflect the international consensus on development assistance embodied in the Paris Declaration on Aid Effectiveness and the United Nations Millennium +5 Summit in 2005. ADB and its bilateral and multilateral development partners are committed to aligning assistance more closely with DMC development priorities and country systems, greater harmonization of assistance programs among the development partners themselves, and an increasing emphasis on managing for development results (para. 16).

MDB Analytical Partnership. ADB will also work closely with other MDBs to develop a uniform framework for preventing and combating fraud and corruption by participating in the dedicated task force established at the meeting of MDB heads in February 2006. Under this framework, MDBs will harmonize their definitions of corruption, improve consistency of their investigative rules and procedures, improve information sharing, and ensure that compliance and enforcement actions taken by one MDB are supported by all others (para. 47).

Harmonized Financial Partnership. ADB's relevance is defined by forging partnerships with official and commercial financing partners in support of sustainable development impact. In particular, beyond generating project and deal flows for financing partners, ADB can provide—against a fee—a range of intermediation products and services, including the financial administration of grants and loans, credit enhancement, loan and guarantee syndications, and other related risk-sharing arrangements (para. 64).

Knowledge Management Partnership. ADB will strengthen its partnerships with other development partners in the [core] sectors. Partnerships can range from financing partnerships and cofinancing to sector-wide approaches, sharing of sector knowledge, and coordination of assistance and policy dialogue (para. 56).

Enhanced Poverty Reduction Strategy (December 2004)

Harmonized Results Frameworks. ADB will further its collaboration with the International Monetary Fund, World Bank, United Nations agencies, and bilateral development organizations to include country strategy, project implementation, analytical work, cofinancing, sector-wide approaches, policy advocacy, and measuring and monitoring accomplishments in relation to the Millennium Development Goals and to other poverty indicators (para. 40).

Enhanced Country Ownership. ADB will involve other stakeholders in the analyses (of poverty) and build on the extensive data already developed by the government and the donor community. Wherever possible, ADB makes extensive use of poverty assessments done by development.

Aligned Country Programming. The country strategy and program translates the substance and priorities of the national poverty reduction strategy into specific activities and program of loans and assistance (para. 41).

Asian Development Fund IX (July 2004)

Harmonized Results Framework and Accountability. Donors agreed that collaboration with the Bretton Woods institutions, specialized United Nations agencies, multilateral development institutions, and major bilateral development organizations is vital for achieving development effectiveness. Such collaboration should span areas such as country level planning, implementation, analytical work, cofinancing, and measuring and monitoring accomplishments in relation to the Millennium Development Goals and other poverty-related indicators (para. 26).

Harmonized and Aligned Systems. Donors encouraged ADB to intensify inter-MDB cooperative agreements to make donor collaboration more coherent and systematic. Donors noted the importance of aligning the processes and procedures of development partners at country level (para. 27).

ADB Medium Term Strategy 2001–2005 (October 2001)

Aligned Development Results Frameworks. The country strategy and program cycles for all DMCs will be aligned progressively with DMCs respective medium-term planning and public investment cycles, and by 2004 all country strategy and programs will be prepared in parallel with these for each DMC (para. 25).

Harmonized Results Framework and Accountability. Agreements with partners will also relate to funding mechanisms. The Strategy and Policy Department will promote the partnership agenda and report annually on progress and activities. (para. 31).

Donor Harmonization and Delegated Cooperation. Relations with other development partners must be clearly spelled out in the country strategy and program, identifying areas where ADB will take a long-term leadership role based on its particular capabilities and experiences, as well as areas where it will play a complementary role. Partnerships will also drive all economic and sector work to avoid duplication and overlap (para. 31).

Innovative and Efficient Financial Partnership. A sequence of interventions will be developed and a level of flexibility introduced. New forms of loans will be examined to meet such requirements. Appropriate financing mechanisms responsive to the special needs and requirements of regional cooperation will be developed (para. 45).

Expanded and Harmonized Financial Partnership. ADB will also need to actively seek additional sources of financing through partnerships on its strategic agenda with regional institutions, bilateral funding agencies, and private foundations (para. 49).

ADB Long Term Strategic Framework 2001–2015 (March 2001)

Harmonized and Delegated Cooperation. ADB will work closely with other development partners to complement and build on one another's strengths (para. 66). ADB will strongly emphasize, and is committed to, country-based coordination processes, such as the comprehensive development framework or similar partnership principles, depending on country circumstances. ADB will work closely with development partners (MDBs) to avoid duplication and ensure collaboration and complementarity (para. 67).

Review Financial and Analytical Partnership. ADB will have to review operating modalities and procedures. This includes innovations in modalities that will involve doing different things, as well as doing things differently (para. 71).

Asian Development Fund VIII (November 2000)

Aligned Country Development Planning and Review. Defining development needs and planning and implementing programs and projects should be done through partnerships, with government providing leadership (para. 34).

Harmonized and Delegated Cooperation. Development partners recommended ADB take the lead in strengthened donor coordination in DMCs in situations where ADB has a comparative advantage to do so and when requested by the government, and to play an active role in donor coordination in situations where it does not take the lead role (para. 33).

Country Owned Partnership Agreements. Development partners recommended that ADB ensure that practical steps are taken (to consider partnership approaches), including staff training, to put partnership principles into practice (para. 35).

Environmental Development Effectiveness. Development partners recommended that the environment policy and revisions to the environmental assessment guidelines be finalized in a timely manner so that they may apply during the ADF VIII period (para. 91).

Poverty Reduction Strategy (1999)

Harmonized and Delegated Cooperation. ADB will build on the work of other multilateral and bilateral agencies, and nongovernment organizations, expand coordination with them, and make best use of their comparative strengths through innovative cofinancing arrangements (IV-D).

Enhanced and Harmonized Development Results. By coordinating with other agencies and, where appropriate, nongovernment organizations, ADB will enhance its effectiveness, avoid duplication, and accelerate its learning. In this context, ADB will, in cooperation with other agencies, examine the effectiveness of the Comprehensive Development Framework proposed by the World Bank (III-J).

B. ADB Business Process and Operational Manuals

Thematic Policy: Environment Safeguards

Harmonized and Delegated Cooperation. Partnership is one of the five main elements of ADB's environment policy. Partnership is seen by ADB as a means to (i) complement and draw upon the comparative advantage of other partners; (ii) mobilize additional knowledge and financial resources; (iii) ensure coordination, avoid duplication, and maximize effectiveness in the use of scarce resources in DMCs. Partnership can be formed with NGOs, civil society organizations, bilateral agencies and MDBs, subregional institutions, and international agencies (para. 7).

Thematic Policy: Governance

Harmonized Results Framework. Partnership is a means for ADB to build consensus on relevant benchmarks, best practices and codes of conduct, indicators of good governance, and expansion of cooperation with civil society and NGOs (para. 21iv). Harmonization is sought by ADB with development agencies active in governance activities through enhanced cooperation and partnership (para. 21 [vii]).

Thematic Policy: Anti-Corruption

Harmonized Country Strategy. ADB cooperates closely with MDBs, the United Nations, the Organisation for Economic Co-operation and Development, bilateral development agencies, and NGOs with the support of government, in supporting international and country-specific efforts to control corruption (para. 32).

Thematic Policy: Combating Money Laundering

Harmonized Analytical Work. ADB increases and strengthens its collaboration and cooperation with other international organizations through (i) adoption of Financial Action Task Force's Forty Recommendations and relevant United Nations conventions and Security Council's resolutions; (ii) strengthening ADB's collaboration and cooperation with Asia/Pacific Group on Anti-Money Laundering in its operations; and (iii) regularly participating in relevant international meetings and workshops, and remain active in the recently established international and regional frameworks for donor coordination for technical assistance and training needs initiated by the World Bank and International Monetary Fund (para. 10).

Thematic Policy: Disaster and Emergency Assistance

Harmonized Donor Partners Assistance Programs. Recognizes that ADB alone cannot provide all the necessary resources to respond to emergency; partnership is a means to maximize synergies among development and specialized (relief) organizations for effective emergency aid delivery (para. 9[iii]).

Thematic Policy: Regional Cooperation

Joint Analytical Work. ADB complements and, where possible, collaborates in the efforts of other development agencies concerned with the regional cooperation among DMCs. ADB establishes and maintains dialogue and cooperation with such agencies (para. 3). Opportunities for DMC regional cooperation include harmonization of standards and regulations to facilitate cross-border initiatives (para. 7[iv]).

Thematic Policy: Private Sector Operations

Harmonized Financial Partnership. ADB partnership with other financial institutions, MDBs, and bilateral organizations in financing private sector projects create a stronger signal to the market of the MDBs' confidence in and commitment to a particular sector or undertaking, as well as a signal of confidence in the overall "country environment". Through partnering, MDBs and bilateral agencies can create complementarity in regional knowledge and sectoral expertise, risk sharing, and enhancement of project viability (para. 23).

Business Process: Country Strategy and Program

Country Ownership and Harmonized Programming. One element in translating ADB's overarching goal, strategic objectives, operational themes, and priorities into individual country strategy and programs is coordination with development partners (para. 2[viii]).

Business Process: Performance-Based Allocation of ADB Resources

Harmonized Analytical Work and MDB Procedures. In cases where eligible demand exceed volume of resources, ADB Management will prioritize projects based on projects with components supporting institutional and policy harmonization and deeper integration and lower cross-border transaction costs, among others (para. 11).

Business Process: Project Performance Management System

Shared Analytical Work. Considers harmonization of the support given by development agencies as one of the pillars for development effectiveness (para. 1).

Business Process: Processing Loan Proposals

Country Ownership and Country Strategy Alignment. ADB involves all stakeholders (DMC government, borrower, executing agency, project beneficiaries) at all stages of project cycle beginning with project identification (para. 2).

Business Process: Cost Sharing and Eligibility of Expenditures for ADB Financing

Harmonized Donor Procedures. ADB works closely with DMCs and other development partners in adopting a similar criteria and methodologies in processing proposals for cost-sharing ceilings. In such manner, duplicating assessments will be avoided, consistency ensured, harmonization accelerated, and costs for DMCs reduced (para. 4).

Business Process: Cofinancing

Financial Partnerships. ADB, through cofinancing arrangements, can mobilize additional official and private capital for ADB-assisted projects, and appropriately leverage ADB's financial resources (para. 3).

ADB = Asian Development Bank, DMC = developing member country, MDB = multilateral development bank, NGO = nongovernment organization.

Source: ADB. 2007. *Special Evaluation Study on the Asian Development Bank's Approaches to Partnering and Harmonization: In the Context of the Paris Declaration on Aid Effectiveness*. Manila.

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**MANAGEMENT RESPONSE TO THE SPECIAL EVALUATION STUDY ON
EVALUATION OF THE IMPLEMENTATION OF THE PARIS DECLARATION AT THE ASIAN
DEVELOPMENT BANK: A DEVELOPMENT PARTNER'S STUDY
FOR AN OECD-DAC JOINT EVALUATION**

On 27 March 2008, the Officer-in-Charge, Operations Evaluation Department, received the following response from the Managing Director General on behalf of Management:

I. General Comments

1. We welcome OED's Special Evaluation Study (SES) on Evaluation of the Implementation of the Paris Declaration at ADB: A Development Partner's Study. We commend OED for having volunteered to undertake this SES, especially as ADB is the only multilateral development bank (MDB) to undertake such an evaluation.

2. We feel that this is a fairly comprehensive study that takes into consideration the varying and differing aspects of the Paris Declaration (PD) and its commitments, and what these imply for ADB in terms of its applicability and implementation. The PD does not contain commitments that are new areas or actions to achieve aid effectiveness, but is in fact a codification of most, if not all, of the emerging best practices on development and aid effectiveness.

3. Prior to the PD, ADB along with most other international financial institutions had a long history of pursuing various initiatives to address country ownership, harmonization, alignment and results, and to some extent, mutual accountability. We are pleased to note that the SES acknowledges this and details at some length the various policies and strategies that included the basic principles of the PD, much before the PD existed. These include the Poverty Reduction Strategy (1999), the Long-Term Strategic Framework (2001-2015), Medium-Term Strategy (MTS) (2001-2005), the Enhanced Poverty Reduction Strategy (2004), and the Reform Agenda (2004). Moreover, after the endorsement of the PD, the SES correctly notes that ADB adopted the PD principles and terminology and specifically cited it in subsequent strategies, policies and procedures, including in the MTS II (2006-2008), country strategies (now termed country partnership strategies) and their guidelines, and all post-Paris ADB policies. Appendix 6 of the SES provides a comprehensive review of both pre- and post-Paris ADB policies and strategies in the context of the PD.

4. This having been said, we note that there are still some areas where the SES does not fully acknowledge the extent of ADB's commitment to the PD and its principles. For example, the new *Country Development Effectiveness Briefs* that include a commentary on the implementation of the Paris commitments are not mentioned in the SES. These briefs were prepared in 2007 in response to donor demands at the Asian Development Fund (ADF) IX mid-term review. At present, 15 such briefs have been completed and eventually all developing member countries (DMCs) will be covered.

5. We would also like to point out that ADB is working very closely with Organisation for Economic Co-operation and Development-Development

Assistance Committee (OECD-DAC) in helping conduct the 2008 Monitoring Survey for the implementation of the PD. Eleven ADB DMCs are covered under the survey and the relevant resident missions (RMs) are closely involved in this activity. Further, the Strategy and Policy Department (SPD) has been working with OECD and other development partners in briefing partner countries in the conduct of this survey, including participating in orientation workshops for the Asia and Pacific region DMCs.

II. Specific Recommendations

6. There is a certain amount of overlap between this SES and the recent OED SES on Partnering and Harmonization, including some overlaps on the recommendations contained in both documents. Thus, there will be some commonality in some of the responses to the recommendations.

Recommendation 1: ADB's commitment to the Paris Declaration needs to be communicated regularly with visible demonstration of support by ADB Management.

7. We agree with this recommendation. We note that Management has expressed this commitment in such key documents as the *President's Planning Directions* and the *Work Program and Budget Framework*, the importance ADB attaches to the effective delivery of development assistance based on the principles of the PD. Further, the regional departments—through their management—have also incorporated into their work programs the implementation of the PD in country strategies and business processes. Regional management regularly communicate ADB's commitment to the PD to their staff, particularly at the RMs and country level, wherein the PD principles are being primarily implemented. This has proved very helpful in securing staff's attention and support. Additional effort will continue to be made for further progress in the successful implementation of the PD.

Recommendation 2: For more effective implementation, there is need to designate a focal unit to provide overall guidance, knowledge management, monitoring, and reporting on the Paris Declaration.

8. We do not believe that creating a focal point specifically for this purpose is necessary. SPD is principally designated with these tasks and is coordinating all activities related to ADB's involvement with the PD, including liaison with other development partners, including OECD, on PD-related matters.

Recommendation 3: Tracking and monitoring ADB's implementation of the Paris Declaration can be facilitated by developing a consolidated implementation and monitoring framework that considers the commitments under each pillar. This would include outlining ADB's planned actions to meet the commitments under the five pillars.

9. We note that ADB already has the "Aid Harmonization and Alignment Action Plan" which is updated every six months and incorporates various elements of the Paris principles both at the institutional and at the country level. SPD is currently reviewing the format and structure of the Action Plan with a view

to revising it to more accurately reflect the PD commitments and monitor progress.

Recommendation 4: There is need for better guidance and staff capacity development to facilitate implementation, and monitoring and reporting on the progress of implementation.

10. Activities in relation to capacity building and training are already being undertaken at the country level. The monitoring of the PD is being conducted at the country level by OECD-DAC through surveys, the first being concluded in 2006 and the second currently underway. The OECD-DAC in close consultation with all donors, including ADB, and the partner countries, has been actively working on clarifying the indicators of the PD, including the definition of program-based approaches. We note that activities in relation to staff capacity development and awareness are being undertaken at the country and regional department level, and as the number of countries included in the surveys increases, the understanding of staff will be broadened and deepened. Given resource constraints, we do not consider additional staff capacity development and training programs at this moment to be of high priority. However, consideration will be given to expanding existing training syllabi by building in PD related concerns.

Recommendation 5: The incentive mechanism for implementing the Paris pillars may need to be reviewed. An option might be to apply two ADB-wide competencies in the forthcoming round of performance evaluation in assessing Paris-related staff performance, i.e., “client orientation” and “achieving results.”

11. We do not agree with this recommendation. We believe that our staff incentive mechanism to implement the PD is adequate. The constraints for implementing the PD are resources, not staff incentives. However, we note that the study on incentives in relation to the implementation of the PD is being conducted by PriceWaterhouseCoopers, sponsored by the World Bank and the Department for International Development, UK. ADB has been involved with this study and PriceWaterhouseCoopers has visited ADB and held intensive interviews with a wide range of staff at various levels. The results of the study are to be shared with all donor agencies including ADB. ADB will examine the results and appropriately take into consideration the recommendations of the study.

Recommendation 6: A review should be conducted regarding the necessity of modifying an existing loan modality or creating a new one and increasing the program loan ceiling to facilitate ADB’s participation in pooled funding arrangements.

12. We note that SPD is currently undertaking a review of ADB's program lending policy with a view of enhancing its applicability. This review will also consider ways in which program lending can be made more applicable in support of program-based approaches. Also, ADB has been periodically reviewing its other loan modalities and expanding the scope of its assistance. As part of this ongoing process, loan modalities such as Sector Wide Approaches and pooled funding of projects and programs are also being considered, in a continuing effort to provide a wider range of products and services to ADB's member countries.

Recommendation 7: ADB needs to better understand the resource implications of meeting its Paris Declaration commitments with a view to providing guidance to staff on tradeoff choices or, where deemed necessary, reallocation of and/or additional resources and the priority that various activities should have.

13. We agree with the SES suggestion that compliance with PD would be resource intensive. We note that the resource implications will be assessed through the Work Program and Budget Framework exercise. It needs to be acknowledged, though, that in many ways, ADB was implementing aspects of the PD before they were formalized in Paris in 2005 and therefore, to some extent, resources were already being allocated for this task.

DEVELOPMENT EFFECTIVENESS COMMITTEE

Chair's Summary of the Committee's Discussion on 9 April 2008 of the

- (i) **Asian Development Bank's Approaches to Partnering and Harmonization: In the Context of the Paris Declaration on Aid Effectiveness; and**
- (ii) **Implementation of the Paris Declaration at the Asian Development Bank: A Development Partner's Study for an OECD-DAC Joint Evaluation**

1. The two special evaluation studies (SES) were carried out to (i) provide an independent assessment to DEC and Management on ADB's progress and challenges with respect to achieving greater partnering and harmonization; and (ii) provide ADB with inputs for the Third High-level Forum on Aid Effectiveness in Ghana, being organized by the Organisation for Economic Co-operation and Development (OECD). Due to time constraints, the DEC only discussed the SES on Partnering and Harmonization.

Summary of Discussions

2. DEC noted two recommendations from the study, namely, (i) to include a progress report on the Paris Declaration commitments in ADB's new country partnership strategies (CPSs) and their mid-term reviews and completion reports; and (ii) to ensure, through training and other awareness-creating activities, that all concerned staff understand ADB's commitments under the Paris Declaration and their concomitant responsibilities.

3. DEC observed that ADB's achievements vis-à-vis the Paris Declaration commitments were often underreported, and expressed concern about the inadequacy of the existing Management Information System. OED mentioned that a time-recording system was necessary to analyse relative cost effectiveness of different operations, as previously recommended in the *SES on MfDR in ADB: A Preliminary Assessment* (DOC.IN.10-08).

4. DEC sought clarification on the limitations that certain charter provisions pose to ADB's harmonization efforts, such as those relating to procurement. Management explained that, on procurement, harmonization was being achieved by seeking waivers from the Board, if and when necessary.

5. Management explained that it was not necessary to include an additional progress report on Paris Declaration commitments in CPSs. There was already a monitoring mechanism in place that assesses progress at the country level. Management also explained that additional training programs were not a high priority, as these were also being undertaken at the country level.

Conclusions

6. DEC noted the progress made in strengthening long-term country development strategies, setting up institutional arrangements for country ownership, partnership dialogues, and aligning development partners' assistance programs with country priorities.

7. DEC noted that Management agreed with the SES' recommendations, except on the issue of giving high priority to additional training programs to create awareness about ADB's

commitment under the Paris Declaration; and on the recommendation to have a progress report on the Paris Declaration indicators at the country level.¹

8. DEC agreed that additional reporting for monitoring progress on implementation of Paris Declaration was not necessary at this stage. It could be taken up if and when there were indications of unsatisfactory progress in implementing the Paris Declaration. On the issue of training, DEC opined that existing training programs could incorporate a module on ADB's commitment under the Paris Declaration.

Ashok K. Lahiri
Chair, DEC

¹ DEC's recommendation for incorporating in existing training programs a module on Paris Declaration is now being acted upon (for example, in the Induction Program now being conducted, the session on MfDR was expanded to include Paris Commitments).