

Member Countries Progress on the Aid Effectiveness Agenda

07/08/09

Revised Version

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* Disclaimer: The views presented in this paper are those of the authors and do not necessarily represent the views of the Commonwealth Secretariat

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Acknowledgements

This study was commissioned by the Commonwealth Secretariat. The report authors would like to express their thanks to Sam Attridge and Jonathan Ockenden from the Commonwealth Secretariat for providing insightful and useful guidance throughout the development of the study. Particular thanks are also due to the OECD for providing the raw data from which the findings in this study are calculated and Natalie Patrick-Knox for her tireless assistance in the calculation of the results. Finally, we would like to thank Alan Hudson and David Booth for their guidance and comments during the early stages of the study.

In its present form, the responsibility of any errors and opinions expressed in this report rests with the authors alone.

Contents

| | |
|---|-----------|
| Executive summary | vi |
| 1. Introduction | 1 |
| 1.1 Monitoring the Paris Declaration: The 2006 and 2008 surveys | 1 |
| 1.2 Making sense of the results | 1 |
| 1.3 Structure of the report | 2 |
| 2. Donor Performance..... | 3 |
| 2.1 Introduction..... | 3 |
| 2.2 Indicator 3: Aid Aligned to National Priorities | 3 |
| 2.3 Indicator 4: Coordinated Technical Cooperation | 7 |
| 2.4 Indicator 5a and 5b: Use of Recipient Country Public Financial Management and Procurement Systems | 10 |
| 2.5 Indicator 6: Parallel Project Management..... | 15 |
| 2.6 Indicator 7: Predictability of Aid..... | 18 |
| 2.7 Indicator 8: Untied aid..... | 21 |
| 2.8 Indicator 9: Programme-Based Approaches | 25 |
| 2.9 Indicator 10a and 10b: Donor Coordination..... | 28 |
| 3. Recipient Country Performance..... | 35 |
| 3.1 Introduction..... | 35 |
| 3.2 Indicator 1: Operational Development Strategies | 35 |
| 3.3 Indicator 2a and 2b: Reliable Recipient Country Systems..... | 38 |
| 3.4 Indicator 11: Results-Orientated Frameworks | 42 |
| 3.5 Indicator 12: Mutual Accountability..... | 44 |
| 4. Bibliography | 46 |
| 5. Annex | 48 |
| 5.1 Countries and organisations that participated in the monitoring surveys | 48 |
| 5.2 Methodology | 50 |

List of Tables/Figures

| | |
|--|----|
| Figure 1 Average percentage of disbursed aid recorded in budgets for Individual Commonwealth donors across all recipient countries | 5 |
| Figure 2 Percentage of disbursed aid recorded in budgets | 6 |
| Figure 3 Average percentage of coordinated technical cooperation for Individual Commonwealth donors across all recipient countries | 8 |
| Figure 4 Percentage of coordinated technical cooperation..... | 9 |
| Figure 5 Average percentage of aid flows that use recipient country public financial management systems for Individual Commonwealth donors across all recipient countries..... | 12 |
| Figure 6 Percentage of aid flows that use recipient country public financial management systems..... | 13 |
| Figure 7 Average percentage of aid flows that use recipient country procurement systems for Individual Commonwealth donors across all recipient countries..... | 14 |
| Figure 8 Percentage of aid flows that use recipient country procurement systems..... | 15 |
| Figure 9 Average number of parallel project implementation units per recipient country | 17 |
| Figure 10 Total number of parallel project implementation units across all recipient countries | 18 |
| Figure 11 Average percentage of scheduled aid that is disbursed for Individual Commonwealth donors across all recipient countries | 20 |
| Figure 12 Percentage of schedule aid that is disbursed | 21 |
| Figure 13 Average percentage of aid that is untied for Individual Commonwealth donors across all recipient countries..... | 23 |
| Figure 14 Average percentage of aid that is untied | 24 |
| Figure 15 Average percentage of aid provided by programme-based approaches by Individual Commonwealth donors across all recipient countries..... | 27 |
| Figure 16 Percentage of aid provided by programme-based approaches | 28 |
| Figure 17 Average percentage of joint donor missions for Individual Commonwealth donors across all recipient countries | 30 |
| Figure 18 Percentage of joint donor missions | 31 |
| Figure 19 Percentage of joint analytical works for Individual Commonwealth donors across all recipient countries..... | 32 |
| Figure 20 Percentage of joint analytical works | 33 |
| Figure 21 Percentage of recipient countries that have operational development strategies..... | 37 |
| Figure 22 Percentage of recipient countries with reliable public financial management systems... | 40 |
| Figure 23 Percentage and number of recipient countries with reliable procurement systems..... | 41 |
| Figure 24 Percentage of recipient countries that have largely developed results-orientated frameworks | 44 |
| Figure 25 Percentage of recipient countries that have mutual assessment reviews in place | 45 |
| Figure 26 Countries reporting on Commonwealth donors' aid in the monitoring surveys of 2006 and 2008..... | 50 |

List of Acronyms

| | |
|--------|--|
| AAA | Accra Agenda for Action |
| AusAID | Australian Agency for International Development |
| CIDA | Canadian International Development Agency |
| CPIA | Recipient Country Policy and Institutional Assessment |
| CSO | Civil Society Organisations |
| DAC | Development Assistance Committee |
| DFID | Department for International Development |
| FNDP | Fifth National Development Plan |
| HIPC | Heavily Indebted Poor Countries |
| IFAD | International Fund for Agricultural Development |
| MDG | Millennium Development Goals |
| MMS | Mkukuta Monitoring System |
| MTEF | Medium-Term Expenditure Framework |
| NAO | National Audit Office |
| NSGRP | National Strategy for Growth and Reduction of Poverty |
| ODA | Official Development Assistance |
| PBA | Programme-Based Approaches |
| PIU | Project Implementation Units |
| PEAP | Poverty Eradication Action Plan |
| PFM | Public Financial Management |
| PMU | Project Management Units |
| PRS | Poverty Reduction Strategy |
| SWAp | Sector-Wide Approaches |
| UK | United Kingdom |
| USD | United States Dollars |
| Nzaid | New Zealand's International Aid and Development Agency |

Executive summary

In Paris in 2005, over 100 donors and partner countries agreed on a set of practical measures to make aid more effective in meeting the MDGs. The Paris Declaration contains 56 commitments and 12 quantified targets to track and encourage progress - 8 of which primarily relate to donor performance and 4 to recipient country performance. Targets for the year 2010 have been set for all indicators and reflect five key underlying principles of:

1. Ownership. Recipient countries should lead their own development policies, strategies and coordination. The target is that at least 75% of countries should have operational strategies in place.
2. Alignment: Recipients should improve their own systems, and donors should base their support on them by:
 - i. Reporting on their aid spending to governments;
 - ii. Coordinating technical assistance;
 - iii. Using government financial and procurement systems;
 - iv. Reducing donor-run project implementation units (PIUs);
 - v. Making aid predictable by disbursing on schedule;
 - vi. Untying aid.
3. Harmonisation. Donor actions should be visible, transparent and effective collectively. The Paris Declaration requires more aid to be provided to programmes, rather than individual projects, and for missions and analytical work to be conducted jointly
4. Managing for results. Aid should be managed in ways that focus on desired results and use information to improve decision-making. The Paris Declaration target is that the number of countries lacking the necessary frameworks should be cut by one third.
5. Mutual Accountability. Donors and partners should be accountable to one another and to citizens for development results. The target is that all countries should have systems to achieve this.

A baseline monitoring survey was carried out in 2006, involving 34 recipient countries. A second survey was carried out in 2008 involving 54 recipient countries. This information provided raw material for the Third High Level Forum on Aid Effectiveness September 2008 which reviewed progress and identified further reforms to improve aid effectiveness, as laid out in the Accra Agenda for Action (AAA). The Paris Declaration surveys and AAA shows the formidable challenges that donors and aid recipients face going forward.

This report has been commissioned by the Commonwealth Secretariat to provide an analysis of the performance and progress of Commonwealth countries to help draw out lessons of particular relevance for this group of countries, recognising that the Commonwealth embraces a number of major donors and a substantial number of aid recipients. The report will be used as background information for the Commonwealth Finance Ministers' meeting at the end of September to guide the discussion around progress and policies on aid effectiveness.

The analysis draws on the data generated by the 2006 and 2008 monitoring surveys, as well as supporting data including evaluations, peer reviews and self-assessments. The countries included in the analysis are Commonwealth countries included in the two Paris monitoring surveys. There are four Commonwealth donors (Australia, Canada, the United Kingdom (UK), and New Zealand)

and twelve Commonwealth recipients (Bangladesh, Cameroon, Ghana, Kenya, Malawi, Mozambique, Nigeria, Papua New Guinea, Sierra Leone, Tanzania, Uganda, Zambia).

Effort has been made to align the approach as much as possible to the methodology of the Paris Declaration monitoring survey, though some differences have been necessary in order to provide a consistent basis for comparison. The main comparisons we have drawn are between the performance of:

- Commonwealth donors individually in different recipient countries groupings;
- Commonwealth donors as a group compared with non-Commonwealth donors, in different recipient country groupings;
- Commonwealth recipients as a group compared with their non-Commonwealth counterparts, in relation to commonwealth donors.

Our main findings are separated according to donor-related indicators and recipient-related indicators.

Donor Performance

- **Aligning aid to national priorities** (Indicator 3) and **aid predictability** (indicator 7) are important for supporting recipient governments to plan and implement their national development strategies effectively. Indicator 3 measures the extent to which aid is recorded in government budgets and Indicator 7 measures the percentage of scheduled aid that is disbursed. Considerable methodological issues surrounding information capture and comparing ex-ante and ex-post data should be considered when interpreting the results. Bearing this in mind, for both indicators the UK is the strongest performer (on average in recipient countries), closely followed by the other Commonwealth donors. For Indicator 3, most Commonwealth donors improved their performance despite varied progress rates, but methodology considerations make it difficult to determine the causality of behaviour because the degree to which aid is fully captured in the budget is a consequence of both donor and recipient country behaviour. As a group, Commonwealth donors are performing roughly as well as their non-Commonwealth countries. For Indicator 7, most Commonwealth donors have made good improvements and as a group Commonwealth donors are performing better than their non-Commonwealth counterparts, but despite this individually all Commonwealth donors are on average in recipient countries only disbursing less than 50% of their scheduled aid. On the whole Commonwealth and non-Commonwealth donors' performance changed more favourably in Commonwealth countries.
- In terms of **coordinated technical cooperation** (Indicator 4) Commonwealth donors are all performing well, having made good progress since 2005. However, as a group Commonwealth donors lag behind non-Commonwealth donors, who have already surpassed the 2010 target. This is because Commonwealth donors tend to give a relatively high proportion of their aid to recipients with relatively low levels of coordination. It is difficult to establish why this is the case because beyond affirming their commitment to capacity development activities, there is limited discussion of coordinated technical cooperation in Commonwealth donors Paris Declaration Evaluations, OECD Peer Reviews and self-assessments. Furthermore, guidance interpretation issues make comparisons between years and countries problematic, and differences across countries may in fact be capturing the relative use of Programme-Based Approaches (PBA), rather than the adoption of a new approach on capacity development. However, given that donors have either achieved or nearly reached the 2010 target – which measures the scale of coordinated technical cooperation - a subsequent challenge is to ensure that the quality not just the quantity of coordinated technical cooperation is secured.

- The **use of recipient country public financial management (PFM) and procurement systems** is measured by indicators 5a and 5b respectively. For both indicators Canada is the strongest performer (on average in recipient countries), followed by the UK, with Australia and New Zealand further behind. Yet when weighted indicator values are calculated it is clear that the UK channels the largest proportion of its aid through country PFM and procurement systems. Most Commonwealth donors channel more funds through recipient country PFM and procurement systems than their average performance per country suggests. On the whole Commonwealth donors' performance rates do not vary considerably between the two indicators and therefore as expected, there is a clear relation between donors' use of recipient country PFM systems and procurement systems. One important finding for Indicator 5a is that there is limited association between the quality of the recipient country PFM system and its use by donors. This suggests that other factors determine PFM system use, such as donor preferences, level of interest in systems alignment or organisational incentives for changing practices (Booth, 2007), and this is reflected by Commonwealth donors' behaviour. This in part explains why Programme Based Approaches (indicator 9) and the use of PFM systems tend to be positively correlated and is illustrated by the relatively consistent performance of Commonwealth donors across the two indicators (Indicator 5a and 9). For example out of Commonwealth donors, Canada and the UK achieved the highest scores for both indicators. Whereas Australia's lower performance can in part be explained by sample considerations and Australia's preference for project approaches (where government is weak and fiduciary risks are high) - an instrument which lends itself less easily to the use of country PFM systems (OECD 2009a). For donors as a group, Commonwealth donors outperformed their non-Commonwealth counterparts, with better performance and progress in the use of recipient country PFM and procurement systems. Whilst as groups both Commonwealth and non-Commonwealth donors perform better in Commonwealth recipient countries.
- **Parallel Project Management** (Indicator 6) is measured according to the number of Parallel Project Implementation units (PIUs) being used in recipient countries. Canada has by far the highest number of parallel PIUs out of all Commonwealth donors, but given the country spread of its operations, a more meaningful assessment examines the number of parallel PIUs per donor per recipient country. According to this Australia has the highest number of PIUs per recipient country (5.8), followed by Canada (4.6), the UK (1.4), and New Zealand (0.7). Although the absolute numbers of parallel PIUs grew in 2007 (given the larger sample in the 2007 survey), the average number of parallel PIUs per recipient country fell for all donors except for New Zealand (remained static at zero). Therefore it is clear that donors are on average, per recipient country, closing parallel PIUs at a faster rate than they are being created. Yet the results indicate a wide variation in performance among donors and countries, which reflect differing aid policies and recipient country circumstances. Commonwealth recipient countries on average face a lower number of parallel PIUs than their non-Commonwealth counterparts, but there is substantial variation among recipient countries.
- Indicator 8 measures the extent to which donors have **untied their aid**. Performance is good against this indicator and in comparison to other alignment indicators untying aid has shown consistent improvement. The results show that the UK and Australia have untied all of their aid and New Zealand is not far behind. Canada is lagging behind the other Commonwealth donors, and is the only donor whose performance slipped between the two years. Both groups of Commonwealth and non-Commonwealth donors are performing marginally better in the average Commonwealth country and this reflects a bias towards better performance in Least Developed Countries in line with the DAC Recommendation on Untying ODA to Least Developed Countries.

- Indicator 9 measures the extent to which donors disburse funds through **Programme-Based Approaches (PBA)** in an attempt to capture the degree to which common working among donors exists. Commonwealth donors generally channel more aid through PBA than their average scores across recipient countries imply, with the UK channelling the most and New Zealand the least. Therefore Commonwealth donors tend to tie a relatively high proportion of their aid to recipients with relatively high levels of PBA. However, differences in definition and interpretation weaken comparability across countries, donors and time. That said, significant differences among Commonwealth donors can be explained by differences in aid policies and field level capacity, and as will most indicators are influenced to some degree by differences in recipient country profile and regional concentration of Commonwealth donors. As a group Commonwealth donors are performing better both in terms of recent performance and progress than their non-Commonwealth counterparts, and collectively donors are performing better with higher rates of progress in Commonwealth rather than non-Commonwealth recipient countries.
- The Monitoring Survey measures **donor coordination** according to the percentage of joint donor missions (Indicator 10a) and joint analytical work (indicator 10b) achieved in recipient countries. It is evident that on the whole donors are more successful at coordinating their analytical work than their missions - this is expected given that the former is more straightforward. The Individual Commonwealth donor ranking of results for both indicators closely equates, illustrating that donor behaviour is similar across indicators, with Australia taking the lead (on average in recipient countries) for both indicators. Considered as a group there is little difference between the performance of Commonwealth and non-Commonwealth donors on joint missions. On joint analytical work however non-Commonwealth countries perform better. Across both indicators, collectively donors are performing considerably better, with higher progress rates in Commonwealth rather than non-Commonwealth recipient countries.

Recipient Country Performance

- The Monitoring Survey measures country ownership according to **the strength of country's development strategies** (Indicator 1). According to this indicator, Commonwealth recipient countries are outperforming their non-Commonwealth counterparts both in terms of recent performance and progress. Commonwealth countries generally have better development strategies if they have embarked on a second generation Poverty Reduction Strategy, or achieved successful results-orientated monitoring frameworks (Indicator 11); demonstrating the mutually reinforcing mechanisms that exist between indicators in the Monitoring Survey. Some countries such as Uganda and Tanzania have emerged as models of good practice.
- On the whole countries have done well in improving the **reliability of their public financial management (PFM) systems** (Indicator 2a). Although improvements in Commonwealth countries' PFM systems have been smaller than their non-Commonwealth counterparts, they have achieved ratings that are equally good if not better than their non-Commonwealth counterparts. This is commendable particularly because as a group they consist of higher proportion of low-income countries. With regard to the **reliability of procurement systems** (Indicator 2b), Commonwealth countries are marginally out performing their non-Commonwealth counterparts.
- The principle of Managing for Results, measured by the quality of **Results-Orientated Frameworks**, has been a largely overlooked principle of the Paris Declaration. Yet, Commonwealth countries are on the whole performing well in comparison to their non-Commonwealth counterparts. For example, a larger proportion of Commonwealth countries than non-Commonwealth countries improved their performance between 2005 and 2007,

and in 2007 only Commonwealth countries achieved largely developed results-orientated frameworks; Mozambique, Tanzania and Uganda. However, more needs to be done by both recipient countries and donors (through better more comprehensive support) to improve performance according to this Paris Declaration principle.

- On the whole both donors and recipient countries are failing to address the challenge of ***Mutual Accountability***. Despite the limited progress achieved, the proportion of Commonwealth countries that have mutual assessment reviews is twice that of Commonwealth countries. Commonwealth countries reported as having such mechanisms are Ghana, Malawi, Mozambique, Papua New Guinea and Tanzania.

Although the overall picture for Commonwealth countries is a relatively positive one, it remains the case that attaining the Paris Declaration targets still poses huge challenges, with progress lagging in almost all areas with the exception of coordinated technical cooperation and untied aid. High-level commitments to aid effectiveness are yet to be adequately translated into changes in agency behaviour on the ground. This suggests that more needs to be done to mainstream aid effectiveness into internal business processes and incentives within aid agencies. The analysis in this report is designed to strengthen that process by providing indications of areas where steps to greater effectiveness can be taken. For Commonwealth donors and recipient countries there is also an opportunity to learn from counterparts that have emerged as examples of international good practice.

1. Introduction

This report has been commissioned by the Commonwealth Secretariat. Its aim is to measure the performance and progress of Commonwealth countries (donors and aid-recipients¹) against the monitoring indicators from the Paris Declaration. It draws on the data generated by the 2006 and 2008 monitoring surveys, as well as supporting data including evaluations, peer reviews and self-assessments. The overall objective of the report is to provide an informed basis for reflection and policy dialogue around the performance currently and over time of Commonwealth countries, set against the performance of non-Commonwealth countries and all countries participating in the monitoring surveys. The report will be used as background information for the Finance Ministers' meeting at the end of September to guide the discussion around progress and policies on aid effectiveness.

1.1 Monitoring the Paris Declaration: The 2006 and 2008 surveys

The Third High Level Forum on Aid Effectiveness took place in September 2008, to review progress on the implementation of the Paris Declaration and identify reforms required to improve the effective use of aid disbursement (as laid out in the Accra Agenda for Action). The Paris Declaration was endorsed by donor and recipient countries in 2005 and sets out five mutually reinforcing principles to improve aid effectiveness: ownership, alignment, harmonisation, managing for results and mutual accountability. In order to review progress against the Paris Declaration in a measurable and evidence-based way, 12 indicators were developed to assess donor and recipient country performance; eight of which primarily relate to donor performance and 4 to recipient country performance. A baseline monitoring survey was carried out in 2006, involving 34 recipient countries. Following this a second survey was implemented in 2008 and involved 54 recipient countries.²

The countries included in the two monitoring surveys are self-selected and therefore the surveys are not representative samples of Commonwealth countries (donors and recipients). There are four Commonwealth donors (Australia, Canada, the United Kingdom (UK), and New Zealand) and twelve Commonwealth recipient countries (Bangladesh, Cameroon, Ghana, Kenya, Malawi, Mozambique, Nigeria, Papua New Guinea, Sierra Leone, Tanzania, Uganda, Zambia).

1.2 Making sense of the results³

To achieve the aim of this study choices have been made about the most relevant data sets drawn from the monitoring surveys and the summary statistics used to present the results. Effort has been made to align the approach as much as possible to the monitoring survey. Slight differences in approaches have created marginal differences in the results from the two exercises, though the overall trends are similar.

In terms of the sample size, for indicators relating to the performance of recipient countries, all 54 recipient countries covered in the monitoring survey 2008 are included in the analysis. For the indicators relating to the performance of donors, the sample includes *recipient countries where at least one Commonwealth donor is present*.

¹ Throughout the report referred to as recipient countries.

² For a detailed summary of the countries that participated in both surveys, divided according to Commonwealth status, see Annex 5.1. The 2008 survey included 54 recipient countries (of which 12 are Commonwealth countries); 22 bilateral (of which 4 are Commonwealth countries) and 9 multilateral donors. The 2006 survey included 34 recipient countries (of which 8 were Commonwealth countries), 22 bilateral (of which 4 were Commonwealth countries) and 8 multilateral donors. Only two of the countries that participated in the 2006 survey – Mongolia and South Africa - did not take part in the 2008 survey.

³ Please see Annex 2, for a detailed summary of the methodology used in this report.

In terms of the analysis of performance and progress, for recipient related indicators all recipient countries are treated equally and as a result performance and progress are aggregated through unweighted averages of individual country performance.

For donor related indicators, performance is measured both in terms of *unweighted* and *weighted* averages. These provide different insights into performance and progress. The aggregate *performance* of each **individual Commonwealth donor** (Australia, Canada, New Zealand and UK) is first presented according to the *unweighted* average of that donor's performance in each of the recipient countries in the sample, following the same logic as for recipient countries. The unweighted average is supplemented, however, by a weighted average which takes account of the scale of donor activity where this comparison reveals interesting trends and suggests areas for further examination. In comparing the aggregate *performance* of **all Commonwealth donors/all non-Commonwealth donors/all donors** we have used the *weighted* average of performance in order to take account of the size of their country programmes. The rationale here is that larger programmes will normally (other things being equal) exert a greater effect on recipient country processes. It also identifies where donor behaviour differs relative to the size of its individual programmes.

Care is taken to measure progress consistently across all indicators. The primary measure of progress is based on a stable set of recipient countries. That is, the set of countries that participated in - and have observations for - both years in the survey. Progress is also calculated by measuring the difference between the average performance of donors in recipient countries in 2005 and 2007; though it should be noted that the groups are not strictly comparable since they include all participating countries in both surveys, not just the stable set.

The Paris Declaration sets out targets for all of the 12 indicators. For most of the donor-related indicators the 2008 Monitoring Survey compares the weighted indicator values to the Paris Declaration targets. Given that weighted and unweighted results can be quite different (see annex 5.2), in the report we have avoided comparing the unweighted individual Commonwealth donor results to the targets, instead only the weighted Commonwealth donors/all non-Commonwealth donors/all donors results are compared to the Paris Declaration targets.

1.3 Structure of the report

This report examines the performance and progress of Commonwealth countries (donors and recipients) against each other, as well as non-Commonwealth countries. The report is divided into two parts. The first part examines the eight donor-related monitoring indicators (Indicators 3-10). The second part examines the four recipient-related monitoring indicators (Indicators 1,2,11,12).

Performance against each indicator is presented under the relevant Paris Declaration principle. For each indicator, Commonwealth countries' performance in 2007 will be analysed, as well as their progress or slippage between 2005 and 2007. Comparisons are also drawn between Commonwealth and non-Commonwealth countries, and between the full set of countries in the monitoring surveys and the stable set, that is that group of countries for which data is available for each monitoring survey.

2. Donor Performance

2.1 Introduction

This section of the report will examine the progress and performance of donors against the relevant Paris Declaration Indicators. The indicators included in this section are Indicator 3: aid aligned to national priorities; Indicator 4: coordinated technical cooperation; Indicator 5: use of country systems (5a: public financial management, and 5b: procurement); Indicator 6: parallel project management; Indicator 7: predictability of aid; Indicator 8: untied aid; Indicator 9: programme-based approaches; Indicator 10: donor coordination (Indicator 10a: joint donor missions and Indicator 10b: joint donor analytical work).

ALIGNMENT

The commitment to align donor support to national policies and strategies covers the largest number of action areas in the Paris Declaration and largest number of indicators: 7 of the 12 Paris Declaration indicators relate to the principle of alignment, 6 of which relate to donor performance and one of which relates to recipient country performance. Improving alignment in the context of the Paris Declaration is a process of ensuring that donors not only support recipient country development policies but in doing so support government systems and structures to facilitate the development of a sustainable and effective development state.

This process involves effort on behalf of both recipient countries and donors i.e.:

- (a) on recipients to ensure that development policies are observable, and government systems reliable (Indicators 2a and 2b respectively); and
- (b) on donors to ensure that they channel funds: through government systems (Indicators 5a and 5b respectively); predictably (Indicator 7); in ways that strengthens capacity through coordinated support (Indicator 4) and by avoiding parallel implementation structures (Indicator 6), and in an untied fashion (Indicator 8) so that aid can be fully coupled to the strategies of recipient countries (Indicator 3) rather than donor defined actions.

2.2 Indicator 3: Aid Aligned to National Priorities

Indicator 3 measures the proportion of disbursed aid that is reported in recipient countries national budgets, as a proxy for measuring alignment to government policies and strategies. The Paris Declaration commits donors to “base their overall support - country strategies, policy dialogues and development co-operation programmes – on partners’ national development strategies and periodic reviews of progress in implementing these strategies” (in OECD, 2005b).

Indicator 3 is calculated by dividing total aid recorded in the government budget (USD), by total aid disbursed by donors for the government sector (USD), to derive the percentage of disbursed aid that is reported in government budgets by donor, by recipient country. However, there are considerable methodological concerns with this indicator, which should be considered when interpreting the results. Firstly, government reported data is compared with donor reported data. However, inadequate information by budget authorities in recipient countries as well as weak information about possible disbursements by donors often results in different recordings by government and donors (OECD, 2008a). Secondly, this indicator compares ex-ante budget estimates to ex-post disbursements, yet the predictability of aid is predominantly not 100% (as

shown by Indicator 7) and disbursements often vary from planned amounts due to in-year decision processes⁴. Both factors contribute to large discrepancies in both directions⁵.

Bearing this in mind the Paris Declaration target for this indicator is to halve the percentage of aid to the government sector not reported in the government's budget by 2010. Yet, performance for all donors across all recipient countries that Commonwealth donors are active in, declined from a level where 20% of aid was not reported through country systems in 2005 to 25% in 2007 – an increase of a quarter.⁶

Performance and progress of individual Commonwealth donors

Recording of aid in government budgets was best achieved by the UK in 2007, with an average of 43% of its aid being recorded in government budgets, closely followed by Australia (37%), New Zealand (31%) and Canada (29%)⁷ (Figure 1). Progress between 2005 and 2007 was varied for individual Commonwealth donors. The UK's aid coverage increased on average by 21 percentage points, followed by New Zealand (8 percentage points) and Australia (3 percentage points), while Canada's performance actually fell by an average of 1 percentage point.

It is difficult to establish clear cut reasons for variations in Commonwealth donor performance, partly because the degree to which aid is fully captured in the budget, is a consequence of both donor and recipient country behaviour⁸ and it is not easy to derive the proportional effect of each factor. Furthermore Commonwealth donor behaviour against this indicator is not explored in detail in aid effectiveness documentation and there is limited consensus among development staff about the explanations of country performance (Thornton, 2008). The DFID Paris Declaration Evaluation recognises these constraints and recommends that analysis and reporting of performance variations be carried out by the 'Aid Effectiveness and Accountability Department' (Thornton, 2008).

Although DFID is performing well compared to other Commonwealth donors, its performance here against other donor-related indicators is less consistent, and may be because it has not been high on DFID's corporate agenda (Thornton, 2008). New Zealand's Paris Declaration Evaluation similarly recognises New Zealand's International Aid and Development Agency's (Nzaid) weak

⁴ A more disaggregated way to calculate this indicator and account for the predictability of aid flows is to compare the aid reported by government in budget to the aid scheduled to be disbursed by donors (see Booth, 2007 and Hudson et al, 2009).

⁵ Although not dealt with in detail here, another area of interest is the objectives of this indicator. It is not immediately clear how the comprehensiveness of a recipient country government budget, a process largely determined by the effectiveness of public financial management systems in Ministries of Finance and central line-ministries in that country, usefully measures donor commitment to national development strategies (as stated in the Paris Declaration). See 'Putting Aid on Budget', Mokoro, 2008, for more information regarding the challenges to improving budget comprehensiveness.

⁶ The 2008 monitoring survey presents i) only unweighted values for this indicator, and ii) the indicator values account for under/over-reporting. This considerably affects the results and explains the primary difference between the results, which in the 2008 monitoring survey equalled 42% for 2007 and 48% for 2005 (where the progress trend is reversed). The weighted figures presented here do not take into account over/under-reporting, hence high scores may be driven either by good performance or large discrepancies in either direction.

⁷ For indicator values for individual donors (unweighted averages only), to account for 'over/under-reporting' of aid, if the amount of aid recorded on the government budget is greater than that disbursed by donors, the figures in the equation are reversed.

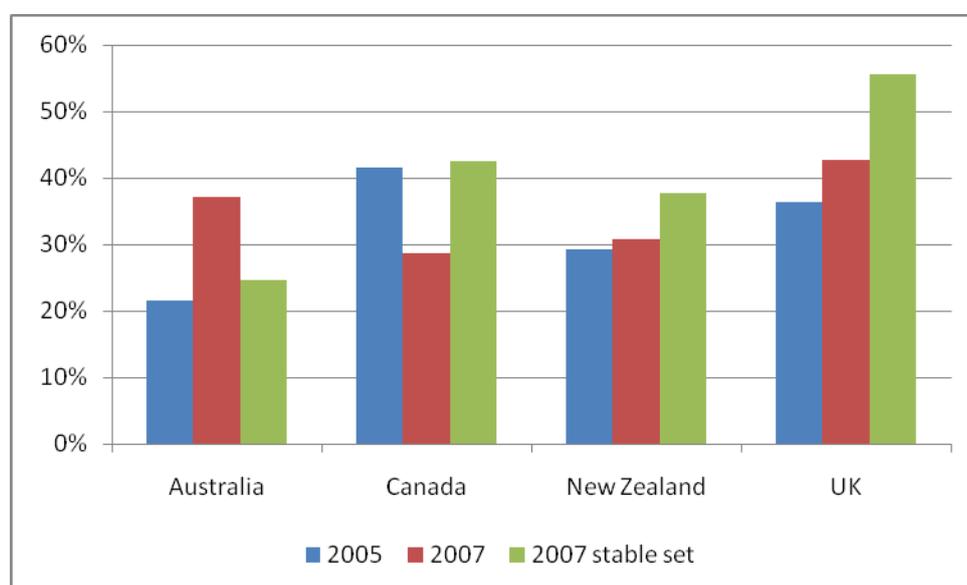
⁸ For instance, according to DFID's Medium-Term Action Plan on aid effectiveness despite good progress being achieved (in 2005), "less well performing countries were fragile states where PRS development and conflict resolution were inhibiting factors (2006)" (in DFID, 2006). However, the 2008 monitoring survey recognises that despite the variation of country systems, the World Bank and Asian Development Bank consistently perform well for Indicator 3.

performance, indicating that it still struggles to provide information on total aid flows to Pacific partner countries (Nzaid, 2007).

Variations between Commonwealth donors' scores in certain recipient countries, such as Bangladesh and Zambia, suggest donors' efforts to ensure aid is recorded in budget is a key determining factor, whereas similar donor scores in other Commonwealth countries, such as Ghana, Tanzania and Sierra Leone, may reflect the importance of recipient countries' capacity and willingness to include aid in their budgets.

In 2007, Commonwealth donors (bar Australia) performed better on average in Commonwealth recipient countries than non-Commonwealth recipient countries, with considerable differences for New Zealand, the UK and Canada.

Figure 1 Average percentage of disbursed aid recorded in budgets for Individual Commonwealth donors across all recipient countries⁹



Performance and progress of Commonwealth donors as a whole

In 2007 Commonwealth donors as a group performed roughly as well as their non-Commonwealth counterparts, with the percentage of all disbursed aid reported in budgets reaching 72% and 75% respectively (Figure 2). Furthermore in 2007, it appears that both groups of donors performed roughly the same in both Commonwealth and non-Commonwealth recipient countries.

However, it is important to bear in mind that the weighted averages do not take into account over/under-reporting. For example, in 2007 Cameroon appears to have performed very well, achieving 86% (weighted average) of all aid disbursed by donors reported in the government budget. However, according to the underlying data, Cameroon over-reported data for 3 out of the 13 donors (e.g. the data Cameroon recorded in its budget was higher than that disbursed by donors – the cause of this is not discussed), and when this is accounted for the proportion changes to 35% (unweighted average) (OECD, 2008b). Similarly, very high weighted scores for Honduras (99%); Bangladesh (92%); and Vietnam (80%) are also affected by such discrepancies. Nevertheless, some recipient countries appear to be performing well; in Zambia the main factor behind improvements were changes in reporting, while Ghana, Tanzania and Uganda obtained high weighted and unweighted averages. Although the reasons behind this are not immediately

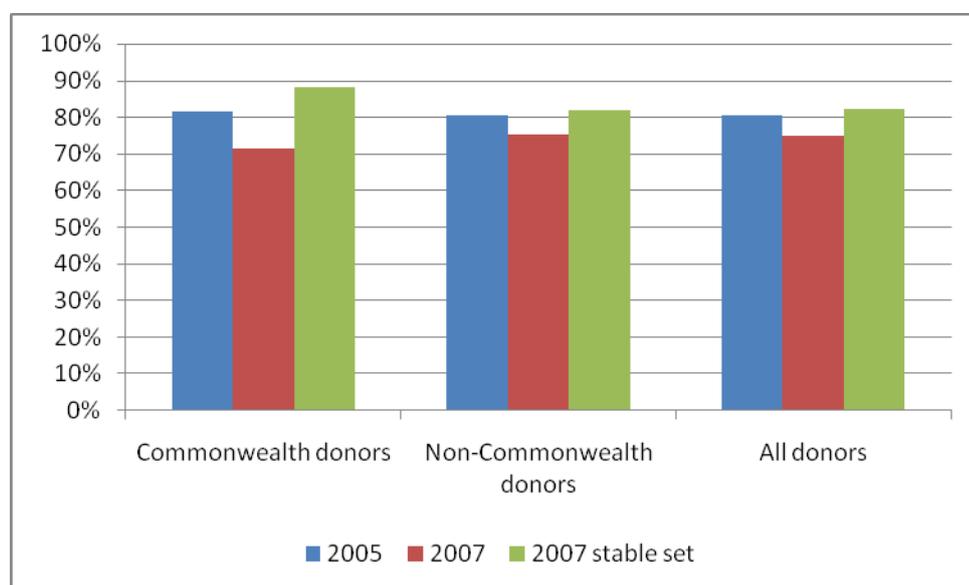
⁹ Unweighted indicator values.

obvious from the country chapters, the fact that Tanzania and Uganda record some of the highest proportions of aid through their PFM systems, may demonstrate that political pressure affects the inclusion of aid in the budget.

Progress between 2005 and 2007 only marginally increased for all donors as a whole, increasing by 1 percentage point over the time period. Despite the varied progress of Commonwealth donors, their performance as a group increased by 7 percentage points across all recipient countries, compared to only 1 percentage point for non-Commonwealth donors¹⁰. Overall Commonwealth and non-Commonwealth donors' performance rose in Commonwealth recipient countries, but dropped in non-Commonwealth countries.

Yet progress rates may mask performance levels. For example, in 2007, progress rates achieved by Bangladesh and Ghana were low at 4% and -1% respectively, however in 2007 Bangladesh had achieved 92% of aid coverage in its budget, compared to 95% for Ghana.

Figure 2 Percentage of disbursed aid recorded in budgets¹¹



Aid Aligned to National Priorities: highlights

Performance in recipient counties in which Commonwealth donors are active has declined.

Most Commonwealth donors improved their performance, but greater improvement can still be made.

On the whole, Commonwealth donors are performing roughly as well as their non-Commonwealth counterparts.

However, the effects of information capture and aid predictability affect the robustness of this indicator.

¹⁰ If progress is recalculated taking into account all countries participating in the monitoring survey (rather than only those participating and reporting on data in both years), progress for both groups reduces and the Commonwealth donors' progress turns negative (at -10 percentage points), reflecting much weaker performance in newly participating countries. Non-Commonwealth donors' progress drops to - 5 percentage points.

¹¹ Weighted indicator values.

2.3 Indicator 4: Coordinated Technical Cooperation

Indicator 4 measures the degree of coordinated donor technical cooperation in recipient countries. Capacity constraints within recipient countries undermine their ability to manage and utilise aid flows more effectively. As a result the Paris Declaration commits donors and recipient countries to work together to sustainably strengthen recipient country capacity, according to a set of clearly defined objectives outlined by the recipient country; thereby ensuring that donor support is aligned to a national, endogenously driven capacity development process.

Indicator 4 is calculated using total donor technical cooperation (USD), and total donor coordinated technical cooperation (USD) to derive a percentage of technical cooperation that is coordinated by donor, by recipient country. It is important to note that since the baseline survey in 2005, 'definitional' guidance regarding the classification of coordinated technical cooperation provided by the Joint Venture has tightened, therefore making comparisons between 2005 and 2007 problematic (Hudson et al 2009). Furthermore, comparisons across countries are similarly problematic because the data for this Indicator is highly dependent on interpretation of the definitional criteria (Hudson et al 2009)¹².

Bearing this in mind, the Paris Declaration target for this Indicator is for 50% of technical cooperation to be coordinated by 2010. In practice in 2007, all donors across all recipient countries that Commonwealth donors are active in, performed well, exceeding the 2010 target by providing 60% of technical cooperation in a coordinated manner compared to 46% in 2005¹³.

Performance and progress of individual Commonwealth donors

This successful performance at the aggregate level was reflected by Commonwealth donors who all performed well individually. In 2007, the UK was the strongest performer with an average of 59% of its technical cooperation being coordinated, closely followed by New Zealand (54%), Australia (51%) and Canada (49%) (Figure 3). Considerable progress was also achieved by all individual donors between 2005 and 2007. New Zealand achieved the highest progress score of (49 percentage points), driven by its significant improvement in Cambodia and Vietnam, followed by Canada (21 percentage points), UK (18 percentage points) and Australia (8 percentage points). However, when the weighted average of coordinated technical cooperation across all recipient countries is calculated, all individual Commonwealth donors, bar New Zealand, achieved slightly lower performance scores in 2007, despite higher progress rates recorded by Australia and Canada. This is because a greater proportion of Commonwealth donors' aid is generally provided to countries where there is lower coordinated technical cooperation.

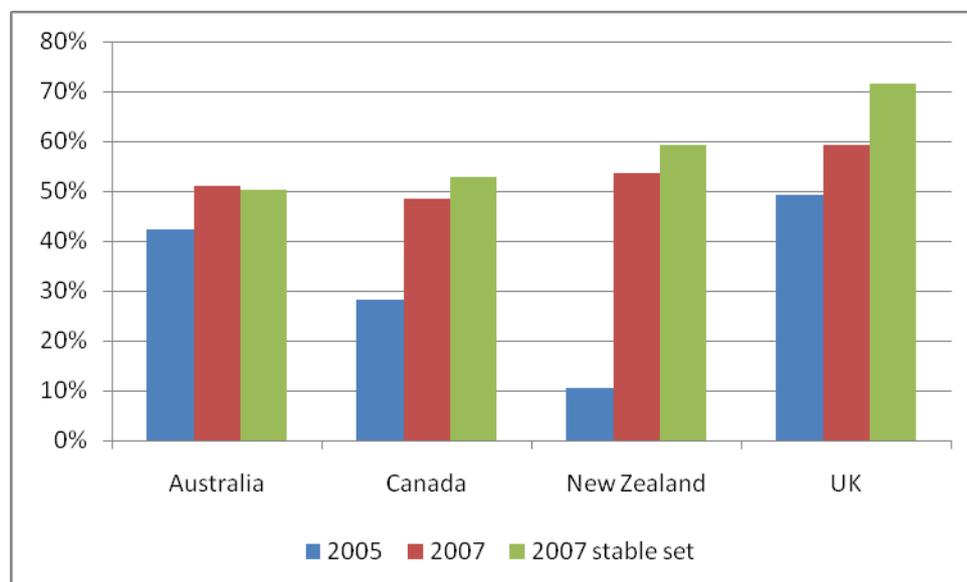
Despite the achievements of Commonwealth donors in this area, there is limited discussion of 'coordinated technical cooperation' in their Paris Declaration evaluations, OECD Peer Reviews and self-assessments, beyond donors affirming their commitment to capacity development activities. For example, Australia's Peer Review discusses capacity development with reference to its approach of mainstreaming it into the aid programme, defining capacity development as an approach and a process (OECD 2009a). The UK goes further, affirming its commitment to support coordinated capacity development whilst acknowledging the difficulties in implementing this "if the willingness and capacity of partner countries to lead on capacity building remains deficient" (Thornton et al 2008). Canada's Peer Review, suggests that "Canadian International Development Agency's (CIDA) bilateral programming reveals that the agency does not usually engage in capacity development in a comprehensive and strategic way. Although Canada still performed well in 2007, this may explain its weaker position compared to other Commonwealth donors. The Peer Review goes on to recommend that CIDA work more closely with other donors to strengthen recipient countries' ability to compile their own capacity development frameworks (OECD 2007).

¹² There have also been major corrections in both directions (OECD 2008a).

¹³ The 2008 monitoring survey reports marginally higher aggregate percentages of 60% for 2007 and 48% for 2005.

In 2007, on the whole individual donors (bar New Zealand) performed better on average in Commonwealth recipient countries than non-Commonwealth recipient countries. The UK's average performance in Commonwealth countries was over 20 percentage points higher than in non-Commonwealth countries.

Figure 3 Average percentage of coordinated technical cooperation for Individual Commonwealth donors across all recipient countries¹⁴



Performance and progress of Commonwealth donors as a whole

In 2007 non-Commonwealth donors as a group performed considerably better than their Commonwealth counterparts, with the percentage of coordinated technical cooperation reaching 62% and 45% respectively (Figure 4). Non-Commonwealth donors performed better in non-Commonwealth recipient countries while Commonwealth donors performed (marginally) better in Commonwealth countries (though they were still outperformed by non-Commonwealth donors in these countries as well). Overall all donors exceeded the target for this indicator in both Commonwealth and non-Commonwealth recipient countries (54% and 62% respectively).

The high percentages should be interpreted cautiously. For example, in 2007 in Bangladesh the survey reports a significant improvement in coordinated technical cooperation to 69%, while at the time the country lacked a comprehensive capacity development strategy –one of the key criteria of coordinated technical cooperation (OECD 2008b). This situation is not restricted to Bangladesh, but also noted in other high performing countries, such as Nigeria and the Philippines (OECD 2008b). Assessing the extent to which technical cooperation is led by government has proved challenging for the survey; for example the 2006 survey included a lot of technical assistance that may only be considered coordinated in the limited sense that it was agreed with government, rather than stipulated in a capacity development framework. Furthermore, despite having met the target in 2007 (52%) Malawi's country report indicated that "technical assistance continues to be mostly in the form of isolated interventions", and that it should be better coordinated and focused on Malawi's capacity development needs (OECD 2008b). Conversely, countries which achieved lower scores have already embarked on activities to significantly improve their performance, for example in Papua New Guinea (which only obtained an score of 25%), the Kavieng Declaration (the local equivalent of the Paris Declaration) contains a protocol on technical assistance, outlining

¹⁴ Unweighted indicator values.

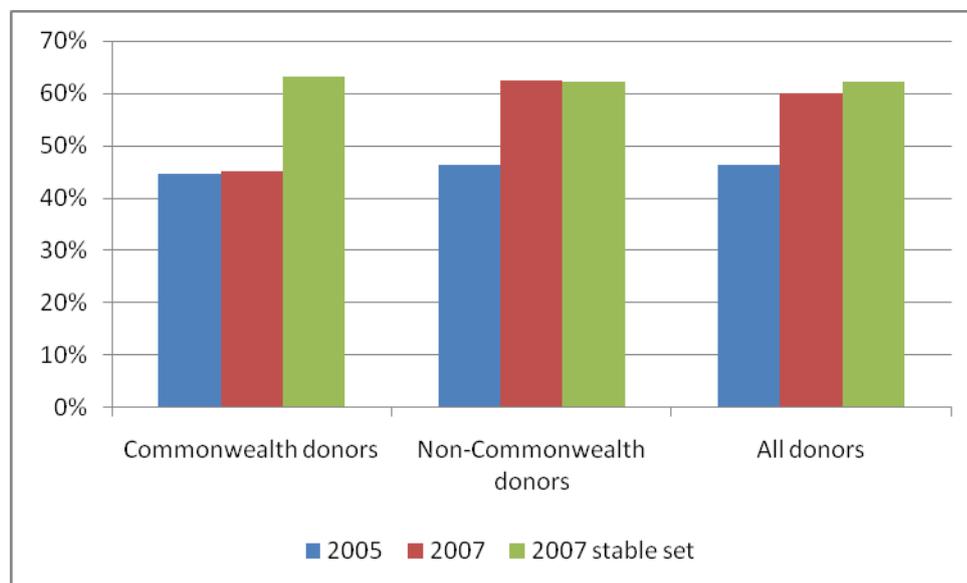
that future technical assistance will be driven by the Government of Papua New Guinea and integrated into broader interventions (OECD 2008b).

Differences across countries are likely to capture the relative use of Programme-Based Approaches (PBA), rather than necessarily relate to the adoption of a new approach on capacity development. This is the case for Ghana, where strong performance is largely occurring within the framework of PBA and Sector-wide approaches for Health and as PBA are adopted in different sectors an increase in coordinated technical cooperation can be expected (OECD 2008b).

Between 2005 and 2007 the share of technical cooperation that was coordinated for all donors increased by 15 percentage points, with large progress scores achieved by both Commonwealth and non-Commonwealth donors. In Figure 4 Commonwealth donors' apparent constant performance in 2007 reflects the fact that low coordinated technical cooperation rates were achieved in a number of countries that participated in the 2008 survey for the first time, such as in Haiti, Kosovo, Nepal and Indonesia. Between 2005 and 2007 both Commonwealth and non-Commonwealth donors performance improved more favourably in non-Commonwealth recipient countries with non-Commonwealth countries such as Peru, Mali and Burkina Faso obtaining the largest improvement according to this indicator.

Indicator 4 only measures the quantity rather than the quality of procured coordinated technical cooperation. Given that all Commonwealth donors have either achieved or nearly reached the 2010 target, a subsequent challenge is to ensure that coordinated technical cooperation of good value is provided, which will facilitate a process of sustained capacity development and the development of more effective developmental states.

Figure 4 Percentage of coordinated technical cooperation¹⁵



¹⁵ Weighted indicator values.

Coordinated Technical Cooperation: highlights

The Paris Declaration target is being exceeded by a significant margin in recipient countries where Commonwealth donors are active.

All Commonwealth donors are performing well against the target and improving over time although there is considerable variation.

Commonwealth donors tend to give a relatively high proportion of their aid to recipients with relatively low levels of coordination.

Non-Commonwealth donors appear to outperform Commonwealth donors.

Performance tends to be better in recipients countries where use of Programme-Based Approaches is prevalent.

2.4 Indicator 5a and 5b: Use of Recipient Country Public Financial Management and Procurement Systems

Indicator 5 measures the extent to which donors use recipient country public financial management (PFM) and procurement systems. The Paris Declaration commits donors to use recipient country systems and procedures “to the maximum extent where possible,” and where it is not feasible “to establish additional safeguards and measures to strengthen recipient country systems and procedures” (OECD 2005b). The existence of reliable country PFM and procurement systems is a necessary, albeit not sufficient, condition for efficient and effective service delivery. Donors are encouraged to use such systems to improve the effectiveness of aid, on the basis that the systems themselves will improve with increased use and that recipient ownership will be enhanced (OECD 2005b, OECD 2008d).

Indicator 5 is divided into two separate measures:

- Indicator 5a reports the percentage of aid flows that use recipient country PFM systems, and
- Indicator 5b reports on the percentage of aid flows that use recipient country procurement systems.

2.4.1 Indicator 5a: Recipient country public financial management systems

Indicator 5a is calculated using total aid disbursed by donors for the government sector using national budget execution procedures; national financial reporting procedures (USD); national auditing procedures, and total aid disbursed by donors for the government sector (USD). This generates a percentage of aid disbursed to the government sector that uses recipient country PFM systems by donor, by recipient country.

The Paris Declaration targets for this indicator vary according to the quality of PFM systems (as indicated by Indicator 2a¹⁶). Countries with better PFM systems are allocated more ambitious targets¹⁷. In terms of actual performance, in 2007 all donors across all recipient countries that

¹⁶ The target is based on the 2005 baseline score for Indicator 2a.

¹⁷ For Indicator 5a and 5b there are essentially two targets, one related to the percentage of donors that use country systems and one related to the percentage of aid flows that use country systems. The percentage of aid flows will be discussed in this report.

Commonwealth donors are active, disbursed 50% of their aid through recipient country PFM systems, compared to 39% in 2005.¹⁸

Performance and progress of individual Commonwealth donors

In 2007, Canada was the strongest performer channelling an average of 40% of its aid through recipient country PFM systems and was closely followed by the UK (38%). Australia and New Zealand were further behind achieving 22% and 18% respectively (Figure 5). When weighted indicator values are calculated, donors generally performed considerably better, with the UK achieving 73%, followed by Canada at 68% and Australia at 40% (New Zealand's performance remained roughly the same). This implies that on the whole Commonwealth donors channel more funds through recipient country PFM systems than their average performance per country suggests.

Between 2005 and 2007, New Zealand and Canada both achieved significant advances, with progress on average equal to 36 and 19 percentage points respectively. This improvement is greater if results are based on weighted indicator values. New Zealand's progress, like that of Australia's, was driven by advances in Vietnam and therefore does not necessarily reflect changes worldwide. The UK is the only donor to face a negative progress score over the time period, with an average of minus 8 percentage points across all recipient countries, although the weighted progress score is zero.

An important finding from both the 2006 and 2008 monitoring surveys is that there is limited association between the quality of the recipient country PFM system (Indicator 2a) and its use by donors. This suggests that other factors determine PFM system use, such as donor preferences, level of interest in systems alignment or organisational incentives for changing practices (Booth, 2007). Canada's performance is reflective of this, as its high score relates to its commitment to this area and is illustrated by its activities. For example CIDA is developing a "centre of excellence" focusing on all PFM inquires across the agency in an attempt to promote dialogue relating to PFM and aid effectiveness, and is participating in the development of common financial management and procurement tools, as well as similar joint tools in support of aid effectiveness with the Nordic Plus countries (OECD 2008c). Similarly the UK's strong performance reflects not only its individual commitment to this area but its effort to put this at the forefront of the aid effectiveness agenda, a role recognised by a recent National Audit Office report¹⁹. One reason for the UK's achievement is its strong commitment to budget support which by its nature supports the use of country system use, and the fact that it also complements its budget support programmes with activities aimed at improving PFM (Thornton et al, 2008). This in part explains why Programme Based Approaches (indicator 9) and the use of PFM systems tend to be positively correlated and is illustrated by the relatively consistent performance of donors across the two indicators (Indicator 5a and 9). For example out of Commonwealth donors, Canada and the UK achieved the highest scores for both indicators. Finally, one reason to explain the UK's negative progress score for Indicator 5a between 2005 and 2007 may be more recent domestic concerns about the fiduciary risks related to aid modalities which encourage the use of PFM systems, raised recently by the National Audit Office.

Australia and New Zealand's performances are partially driven by the sample size and their choice of government aid instruments. In the sample, New Zealand participates in fragile states (where one would expect low results) and countries where most Commonwealth donors have performed weakly. Furthermore, New Zealand's considerable progress score is in part due to its weak baseline performance equalling only 1% in 2005. Australia's performance is affected by similar

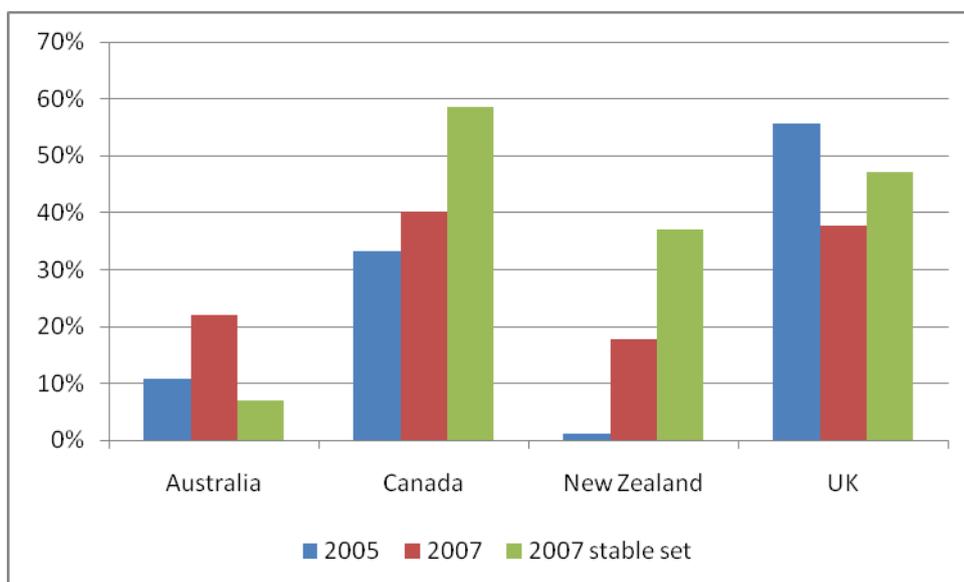
¹⁸ The 2008 monitoring survey reports a marginally lower aggregate percentage of 45% for 2007 and a marginally higher aggregate percentage of 40% for 2005.

¹⁹ The report found that DFID had done a "good job in moving public financial management up the development agenda" (National Audit Office, UK, in Thornton et al 2008).

sample considerations, but in addition, Australia still favours the project approach - an instrument which lends itself less easily to the use of country PFM systems - where government capacity is weak and fiduciary risks are high (OECD 2009a). Furthermore unlike DFID who has a policy initiative to use general budget support wherever possible and appropriate, the Australian Agency for International Development (AusAID) has no such targets for the use of different aid instruments (Thornton et al, 2008; OECD, 2009a).

In 2007, there was no evident trend relating to Commonwealth donors' performance in Commonwealth countries vis-à-vis non-Commonwealth recipient countries. Canada and the UK on average performed better in Commonwealth countries, while Australia and New Zealand performed better in non-Commonwealth countries.

Figure 5 Average percentage of aid flows that use recipient country public financial management systems for Individual Commonwealth donors across all recipient countries²⁰



Performance and progress of Commonwealth donors as a whole

In 2007, Commonwealth donors outperformed their non-Commonwealth counterparts, with the percentage of aid flows using recipient country PFM systems reaching 65% and 48% respectively (Figure 6). Both Commonwealth and non-Commonwealth donors performed better in non-Commonwealth recipient countries than in Commonwealth recipient countries; however, this difference was strongest for non-Commonwealth donors. On the whole donors have improved their performance between 2005 and 2007 for this Indicator (at 7 percentage points) and Commonwealth donors are leading this improvement having improved their performance in recipient countries by 11 percentage points, compared to an increase of 6 percentage points for non-Commonwealth donors. Progress for both donor groups was roughly equal in both Commonwealth and non-Commonwealth recipient countries. Interestingly Figure 6 illustrates that Commonwealth donors in 2007 generally performed better in the countries that participated in the survey in both years²¹, whereas non-Commonwealth donors generally performed better in the newly participating countries²².

Countries recording significant progress include Bangladesh, Zambia, Dominican Republic and Vietnam. Zambia was one of the few countries that experienced an increase in both indicator 5a

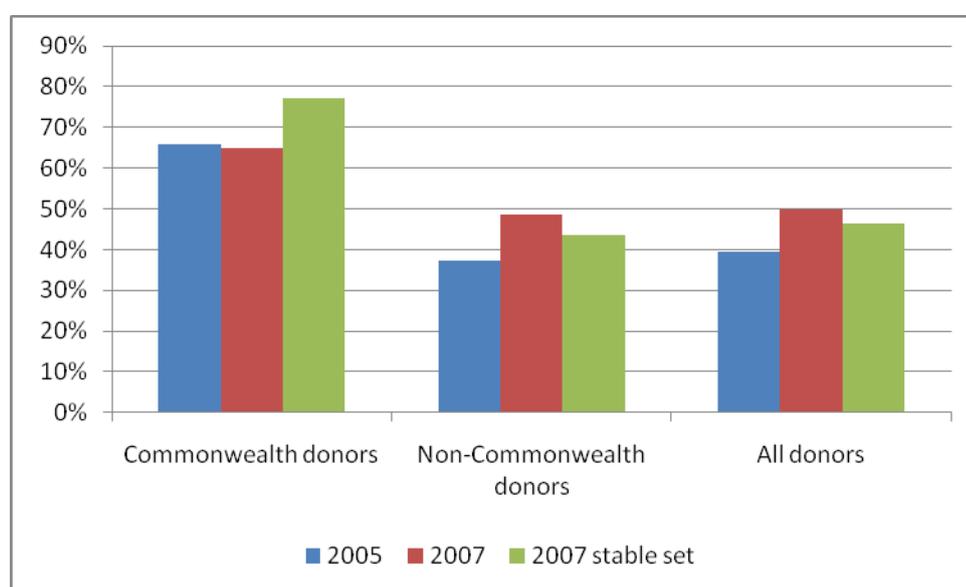
²⁰ Unweighted indicator values.

²¹ This is the stable set and includes recipient countries with donor data for both years.

²² Countries that participated in the 2008 monitoring survey for the first time.

and 2a (which assesses the reliability of country PFM systems). In Zambia the use of its PFM systems increased from 34% to 59% largely due to three new donors joining the budget support group in 2007²³ (OECD, 2008b). However, there are some important caveats to bear in mind when examining the high progress rates. For example, although Bangladesh saw a significant increase in the use of its PFM system between 2005 and 2007 (by 23 percentage points) the majority of donors actually reported lower use of it, reflecting their fears about on-going weakness of government systems. There is not only significant variation between donors within recipient countries, but there is also variation between the components of PFM systems donors use and subsequently strengthen. For example in 2007 in Honduras, USD 283 million was executed through the budget execution system but of that only USD 88 million used the country's auditing systems (OECD, 2008a). Although this is the most robust indicator (Booth, 2007) performance slippages between the two years may be the result of more accurate reporting rather than declines in performance (OECD, 2008a).

Figure 6 Percentage of aid flows that use recipient country public financial management systems²⁴



2.4.1 Indicator 5b: Recipient country procurement systems

Indicator 5b is calculated using total aid disbursed by donors for the government sector using national procurement systems (USD), and total aid disbursed by donors for the government sector (USD), to derive a percentage of aid disbursed to the government sector that uses recipient country procurement systems by donor, by recipient country. As with the target for Indicator 5a, the Paris Declaration establishes targets for this indicator which vary according to the quality of procurement systems.²⁵ In 2007, all donors across all recipient countries that Commonwealth donors are active in, disbursed 46% of aid through recipient country procurement systems rising from 40% in 2005.²⁶

Performance and progress of individual Commonwealth donors

The results for Indicator 5b closely reflect that of Indicator 5a. Firstly, amongst Commonwealth donors Canada was the strongest performer in this area in 2007, with an average of 49% of its aid channelled through recipient country procurement systems, followed by the UK (36%), New

²³ The individual donors are not named in the Zambian country chapter.

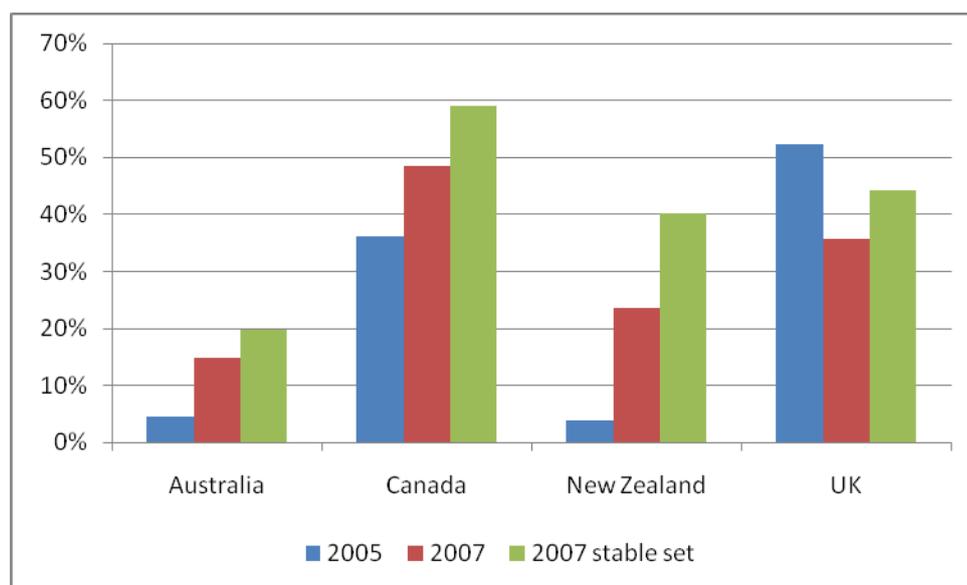
²⁴ Weighted indicator values.

²⁵ The targets are based on the 2007 baseline score for indicator 2b.

²⁶ The 2008 monitoring survey reports marginally lower aggregate percentage of 43% for 2007, whilst the 2005 figure remains the same at 39%.

Zealand (24%) and Australia (15%) (Figure 7). Secondly, when indicator values are calculated on a weighted basis the UK is elevated to the strongest position, followed by Canada, New Zealand and Australia. Thirdly, New Zealand achieved the highest rate of progress in this area with an average increase of 36 percentage points (again this was driven by its improvement in Vietnam), whilst the UK faced a negative progress rate. In addition to this, it is clear that donors' performance rates did not vary considerably between the two Indicators. Therefore as expected, there is a clear relation between donors' use of recipient country PFM systems and procurement systems.

Figure 7 Average percentage of aid flows that use recipient country procurement systems for Individual Commonwealth donors across all recipient countries²⁷



Performance and progress of Commonwealth donors as a whole

As with Indicator 5a, in 2007 Commonwealth donors as a group outperformed their non-Commonwealth counterparts, with the percentage of aid flows that used recipient country procurement systems equalling 49% and 46% respectively (Figure 8). On the whole both Commonwealth and non-Commonwealth donors performed better in Commonwealth recipient countries; in 2007 donors channelled over 50% of their aid through procurement systems in half of the Commonwealth recipient countries in the sample. Cameroon is a beneficiary of this, and in 2007 International Fund for Agricultural Development (IFAD) and the Global Fund channelled all their support through the national procurement system. However, as with Indicator 5a, donor variation exists within countries, and in Cameroon over the same period the UK only used the national procurement system for half of its aid, whilst the EC bypassed it completely.

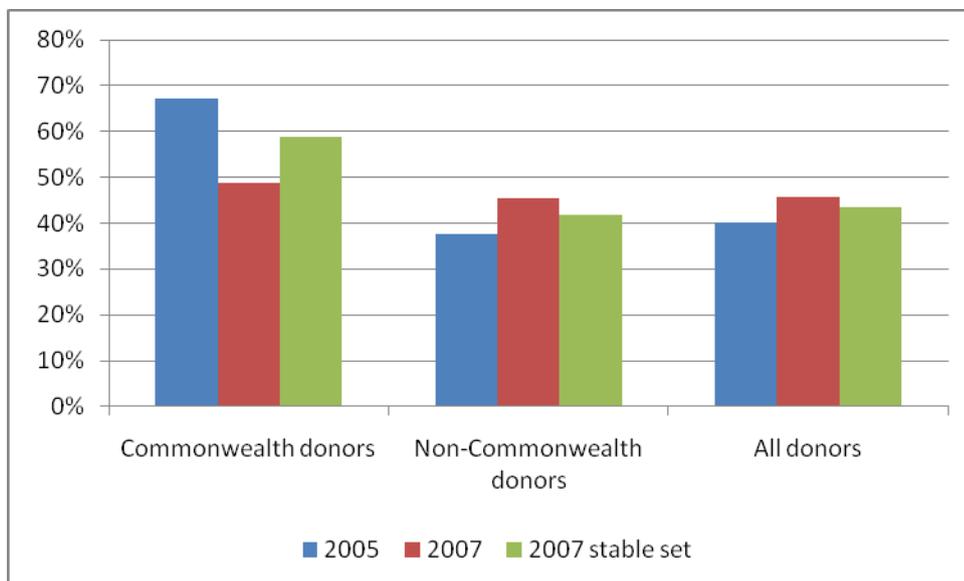
Progress between the two years was smaller for Indicator 5b than for 5a. For all donors as a whole, the percentage of aid using recipient country procurement systems increased by 3 percentage points. This was largely driven by non-Commonwealth donors, because as a group Commonwealth donors' performance fell (driven by the UK and Canada)²⁸. Despite this, both Commonwealth and non-Commonwealth donors' performance changed favourably in Commonwealth recipient countries. For example, Commonwealth donors' performance actually increased in Commonwealth countries by 11 percentage points but fell significantly in non-Commonwealth countries by 28 percentage points, with countries like Kenya and Mozambique

²⁷ Unweighted indicator values.

²⁸ If progress is recalculated taking into account all countries participating in the monitoring survey (rather than only those participating and reporting on data in both years), the progress differential widens, and equals -19 percentage points for Commonwealth donors and 8 percentage points for non-Commonwealth donors.

recording high improvements, while Afghanistan, Ethiopia and Mali recorded significant falls. For all donors as a whole Zambia and Bangladesh obtained high performance and progress scores for both Indicators 5a and 5b (OECD, 2008b).

Figure 8 Percentage of aid flows that use recipient country procurement systems²⁹



Use of Recipient Country Systems: highlights

As a group Commonwealth donors perform significantly better than non-Commonwealth donors in using country PFM and procurement systems, though both groups have made progress over time.

There is wide variation in the performance of Commonwealth donors, and their rate of progress, reflecting differences in the profile of their aid recipients and differences in their aid policies.

There is evidence that donor preferences are a more important determinant of use of Commonwealth country PFM systems than the quality of the systems themselves.

Commonwealth donors channel a relatively large proportion of their aid through PFM systems. In consequence their performance is better than standard (unweighted) indicator values suggest.

Non-Commonwealth donors' progress in their use of country procurement systems was greater than Commonwealth donors. The performance of the latter group fell between 2005 and 2007, driven by the UK and Canada.

2.5 Indicator 6: Parallel Project Management

Indicator 6 is a count of the number of parallel project implementation units (PIU) being used in recipient countries. The Paris Declaration commits donors to avoid creating parallel structures to manage and implement aid projects and programmes, so that in its place recipient countries' own

²⁹ Unweighted indicator values.

structures and institutions can be used in an attempt to strengthen their institutional capacity (OECD, 2005b).

The results for Indicator 6 are based on the number of parallel PIUs administered by donor, by recipient country. This is not particularly a robust indicator because definitions have been interpreted differently by donors, despite efforts to standardise. Furthermore, “in some cases, donors seem to have been more concerned to minimize the number of PIUs attributed to them rather than engage in a frank assessment and discussion of the prevalence of parallel PIUs and the desirability (or otherwise) of reducing the number” (in Hudson et al, 2009; Booth 2007).

The Paris Declaration target for this Indicator is for a two-thirds reduction in the total number of parallel PIU by 2010³⁰. Actual performance has significantly undershot the target. The total number of parallel PIUs for all donors across all recipient countries that Commonwealth donors are active equaled 2267 in 2007 and 1723 in 2005, a reduction of approximately a third (Figure 10)³¹.

Performance and progress of individual Commonwealth donors

Assuming figures are accurate, in 2007, Canada had by far the highest number of parallel PIUs with 152, compared to 52 for Australia, 45 for the UK and only 5 for New Zealand. One would expect the number of parallel PIUs to be shaped by the scale of donor operations, therefore in order to compare these results more meaningfully between donors and across countries, the average number of PIUs per recipient country per donor has been calculated.

On this basis, in 2007 Australia had the largest average number of parallel PIUs per recipient country (5.8), followed by Canada (4.6), the UK (1.4), and New Zealand (0.7) as shown in Figure 9. However, despite Australia’s relatively weak performance in 2007, it successfully reduced this number from 8.3 in 2005, the largest proportional improvement of Commonwealth donors across all recipient countries. Although the absolute number of PIUs per donor grew over 2005 and 2007 (given the larger sample in the 2007 survey), progress measures indicate that the average number of parallel PIUs per recipient country decreased for all donors except New Zealand (which remained static at zero). Therefore it is clear that donors are on average, per recipient country, closing parallel PIUs at a faster rate than they are being created.

The UK’s strong performance in comparison to its Commonwealth counterparts reflects its commitment to not establishing any new Project Management Units (PMU)³². Despite this, the recent Paris Declaration Evaluation noted that DFID was not placing “sufficient emphasis on phasing out existing PMUs,” explaining this with reference to pressure in recipient countries from counterpart agencies to retain existing PMUs (in Thornton et al, 2008). In Malawi, DFID is making its own plan to phase out its parallel PIUs despite the Malawian government having made no explicit plan to phase out parallel PIUs (OECD, 2008b).

Australia’s performance varied considerably per recipient country, with no PIUs in just under half the countries it participated in and 5 to 15 in just under the other half. Over a third of Canada’s parallel PIU in 2007 were in Sudan, where an astonishing number of 67 were recorded. Canada’s large number of PIUs is recognised by the OECD Peer Review that suggests CIDA could start integrating some of its PIUs, to not only encourage ownership but also reduce transaction costs (OECD, 2007).

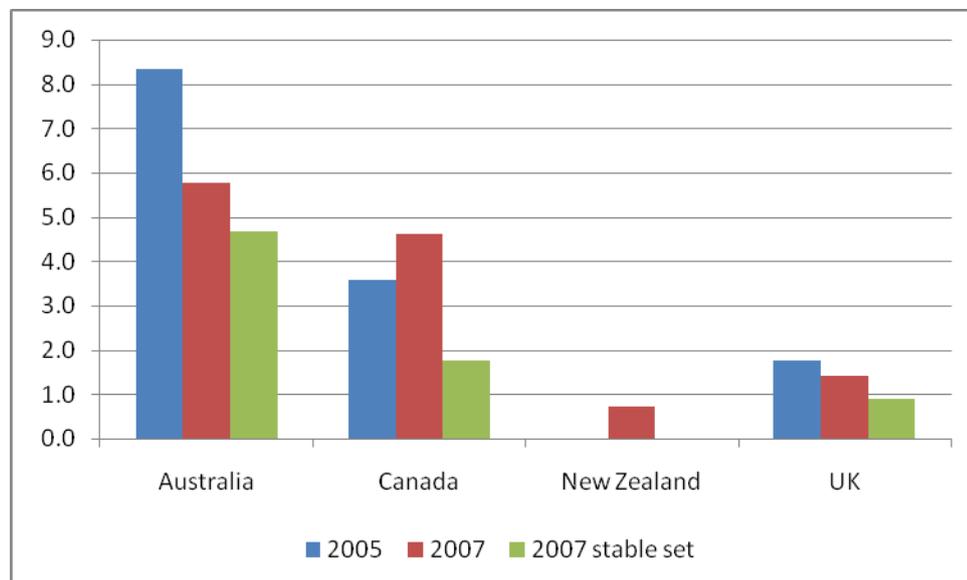
³⁰ The 2008 monitoring survey, states that the two-thirds reduction translates to 611 PIU, however this absolute amount is not applicable to this report, because the results presented are based on a smaller sample than in monitoring survey.

³¹ The 2008 monitoring survey reports higher numbers of PIUs 2473 for 2007 and 1817 for 2005.

³² DFID’s equivalent to PIUs.

In 2007, no clear trend emerged in relation to Commonwealth donors' performance in Commonwealth recipient countries vis-à-vis non-Commonwealth recipient countries. Canada and the UK had a lower average number of parallel PIUs per Commonwealth recipient country, whilst the reverse was true for Australia and New Zealand.

Figure 9 Average number of parallel project implementation units per recipient country



Performance and progress of Commonwealth donors as a whole

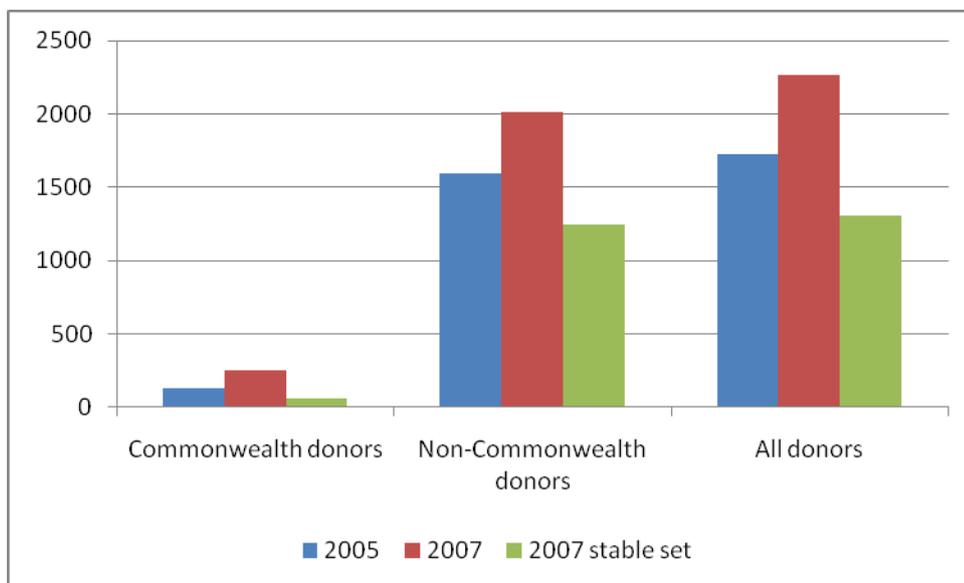
In 2007, Commonwealth donors had 254 parallel PIUs in all recipient countries in the sample, compared to 2013 for non-Commonwealth donors (Figure 10). An alternative way to examine this Indicator from a recipient country perspective is to calculate the unweighted average number of parallel PIUs per recipient country, per donor group. Therefore in 2007, the average recipient country faced 5.8 parallel PIUs from Commonwealth donors and 42.8 PIUs from non-Commonwealth donors. This is a substantial number of parallel PIUs that each recipient government is expected to engage with for development assistance, with considerable implications for associated transaction costs. These aggregate statistics mask dramatic variation between recipient countries, with Burkina Faso, Cambodia, the Democratic Republic of Congo, Kosovo, Nepal and Sudan recording over 100 parallel PIUs each in 2007, compared to Ghana, Bolivia, the Central African Republic, Jordan and Sierra Leone that recorded less than 20 parallel PIUs each.

Generally, Commonwealth recipient countries face lower numbers of parallel PIUs, than their non-Commonwealth counterparts. Furthermore, 6 out of the 8 Commonwealth countries that participated in both surveys saw a reduction in the overall number of parallel PIUs between 2005 and 2007. Again, these figures reflect different experiences across countries. For example Bangladesh, achieved the reduction through better integration of units into government structures and hiring of international government staff, while improvement in Kenya has been associated with the move towards Sector-Wide Approaches (SWAs) that have fostered a consolidation of project management arrangements and their integration into government institutions, particularly evident in the education sector. However, similar reductions in the number of parallel PIUs in Ghana (which saw the largest absolute reduction for a Commonwealth recipient country) over the timeframe occurred alongside little or no progress in mainstreaming existing parallel PIUs into government systems, implying that the apparent significant decrease may primarily reflect the tightening of donors' classification of parallel PIUs. Conversely, the tightening of the classification in Mozambique may have resulted in the underestimation of progress, because a number of

institutions were included as parallel PIUs in 2007 that were not counted as such in 2005 (OECD, 2008b).

If this analysis is taken one step further, one can see that in 2007 the average number of PIUs per recipient country per donor was higher for Commonwealth donors (at 1.4 PIUs) than non-Commonwealth donors (at 0.8 PIU).

Figure 10 Total number of parallel project implementation units across all recipient countries



Parallel Project Implementation Units: highlights

Performance in recipient countries in which Commonwealth donors are active is significantly below target despite improvements since 2005.

Commonwealth donors are on average closing parallel PIUs at a faster rate than they are being created.

Commonwealth recipient countries on average face a lower number of parallel PIUs than their non-Commonwealth counterparts.

There is a very wide variation in performance among donors and countries reflecting differing aid policies and recipient country circumstances.

2.6 Indicator 7: Predictability of Aid

Indicator 7 compares the volume of aid which is scheduled by donors to the volume of aid that is disbursed according to government accounts. The Paris Declaration commits donors to “provide reliable indicative commitments of aid over a multi-year framework and disburse aid in a timely and predictable fashion according to agreed schedules” (in OECD, 2005b). This indicator captures the latter part of the commitment; in-year aid predictability. The predictability of aid is crucial for recipient countries to plan and implement their activities effectively. Many lower income countries rely on aid to fund a significant proportion of country services, and as such unplanned cuts or unexpected increases in aid undermine a government’s ability to implement its national development strategy.

Indicator 7 is calculated by dividing total aid disbursements recorded by governments (USD), by total aid scheduled by donors for the government sector (USD), to derive the percentage of

scheduled aid that is disbursed according to government accounting systems. Similarly to indicator 3, there are methodological issues that should be taken into account when examining the results. Firstly, government reported data is compared with donor reported data and as such fails to discriminate between the effects of disbursement performance and poor information capture³³. Secondly, discrepancies in calculating aid predictability can go in both directions e.g. disbursements can fall below scheduled amounts as well as exceed them. Therefore in adjusting for 'under/over-reporting', one might be inappropriately changing figures that reflect the reality.

In the survey returns, frequently sighted reasons for delayed disbursements include administrative difficulties or political considerations on behalf of donors, as well as implementation problems related to project execution procedures or fulfilling conditionalities on the side of recipient country governments. Therefore as with indicator 3, joint efforts are necessary for progress on indicator 7 (Booth, 2007; OECD, 2008a).

Bearing this in mind the Paris Declaration target for this indicator is to halve the percentage of aid flows not disbursed within the fiscal year for which it was scheduled. For all donors across all recipient countries that Commonwealth donors are active in, it is clear that performance has fallen, from a level where 36% of aid flows that were scheduled were not disbursed in 2005 to 42% in 2007³⁴.

Performance and progress of individual Commonwealth donors

In 2007 the UK was the strongest performer with an average of 44% of its planned aid being disbursed, closely followed by Canada (35%), Australia (18%) and New Zealand (9%)³⁵ (Figure 11). In terms of individual progress of Commonwealth donors between 2005 and 2007 Canada performed the best; its performance improved on average by 14 percentage points, followed by the UK (9 percentage points), and Australia (4 percentage points), while New Zealand's performance actually slipped by an average of 1 percentage point. When the weighted indicator values are calculated for 2007, Canada and the UK perform very well, with Australia and New Zealand lagging much further behind - however these figures are not adjusted for 'under/over reporting'.

According to the data, each Commonwealth donor on average disbursed less than 50% of their scheduled aid in 2007. This reflects poor performance by all donors against this indicator. Yet, some donors fare worse than others, for example New Zealand's low performance was because in 4 countries where it is active, it disbursed none of its scheduled aid. This may be because decisions regarding granting general budget support tend to be heavily centralised and this affects the timing of aid disbursements (Nzaid, 2007). This centralised behaviour also applies to decisions surrounding Australia's budget support programmes (Pilbrow, 2008), and may go some way to explain their relatively weak performance in 2007. In contrast the UK's more successful performance may be the result of the range of planned activities established to address in-year predictability as set out in its Medium Term Action Plan (DFID, 2006).

³³ Therefore a more appropriate measurement would be to compare total aid scheduled by donors for disbursement and total aid disbursed *recorded by donors* (see Booth, 2007 and Hudson et al, 2009).

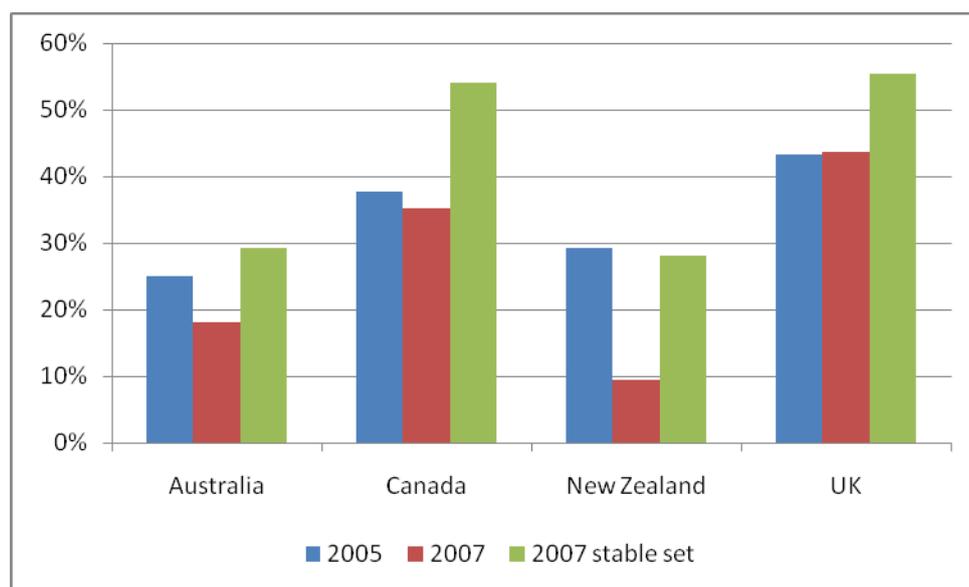
³⁴ The 2008 monitoring survey presents i) unweighted values for all donors, and ii) indicator values that account for under/over-reporting. This considerably affects the results and explains the primary difference between the results, which in the 2008 monitoring survey equal 46% for 2007 and 41% for 2005 (where the progress trend is reversed). The weighted figures presented here do not take into account over/under-reporting, hence high scores may be driven either by good performance or actually large discrepancies in either direction.

³⁵ As with indicator 3, for indicator values for individual Commonwealth donors (unweighted averages only) to account for 'over/under-reporting' of aid, if the amount of disbursed aid recorded by government is greater than that scheduled by donors, the figures in the equation are reversed.

Beyond in-year predictability, it appears greater progress has been made in improving the predictability of aid across years. For instance, most Commonwealth donors have improved this by introducing multi-year appropriations of ODA and departmental budgets (such as the UK and New Zealand) as well implementing longer-term country partnership agreements (such as the UK and Australia).

In 2007, there was no clear trend related to Commonwealth donors' performance in Commonwealth recipient countries vis-a-vis non-Commonwealth recipient countries. Canada and the UK performed better on average in Commonwealth recipient countries, while Australia and New Zealand performed better on average in non-Commonwealth recipient countries.

Figure 11 Average percentage of scheduled aid that is disbursed for Individual Commonwealth donors across all recipient countries³⁶



Performance and progress of Commonwealth donors as a whole

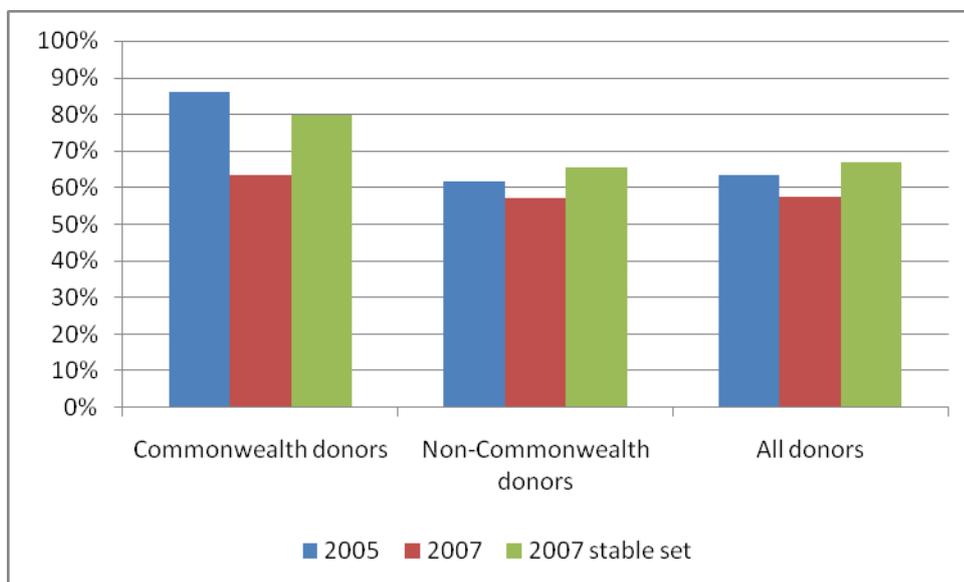
In 2007 Commonwealth donors as a group outperformed their non-Commonwealth counterparts, with the percentage of scheduled aid disbursed reaching 64% and 58% respectively (Figure 12). In 2007 Commonwealth donors performed slightly better in non-Commonwealth recipient countries, while the reverse was true for non-Commonwealth donors. Of course, this difference could reflect better performance in Commonwealth recipient countries or in fact weaker data reporting. For all donors, in 2007, there was considerable variation between Commonwealth recipient countries; some countries obtained very good levels of aid predictability, such as Bangladesh, Ghana and Zambia, while others obtained very low scores, such as Nigeria, Papua New Guinea and Sierra Leone.

Progress between 2005 and 2007 was modest for all donors as a whole, the percentage of scheduled aid that was disbursed increased by only 3 percentage points over the time period. Although Commonwealth donors as a group performed better than their non-Commonwealth counterparts in 2007, their performance actually slipped by 6 percentage points between the two survey years, whereas non-Commonwealth donors' performance actually grew by 4 percentage

³⁶ Unweighted indicator values.

points over the same time period³⁷. Generally, Commonwealth and non-Commonwealth donors' performance changed more favourably in Commonwealth countries.

Figure 12 Percentage of schedule aid that is disbursed³⁸



Predictability of Aid: highlights

As with Indicator 3, methodology considerations make it difficult to determine the causality of behaviour.

Progress in recipient countries in which Commonwealth donors are active has been modest for this indicator.

Commonwealth donors are outperforming their non-Commonwealth counterparts, but progress has been greater for non-Commonwealth donors.

There is considerable variation across Commonwealth recipient countries.

Beyond in-year predictability, there has been progress in improving multi-year aid predictability.

2.7 Indicator 8: Untied aid

Indicator 8 measures the degree to which donors' aid is tied. Tied aid refers to aid that is allocated to a recipient country on the condition that it is used to purchase only donor country goods and services. The Paris Declaration commits donors to continue to making progress on untying aid, reaffirming commitment to the 2001 DAC Recommendation on Untying ODA to Least Developed Countries. Untying aid will improve aid effectiveness by encouraging country ownership and alignment as well as a country's capacity to provide goods and services in a sustainable way. Furthermore untying aid reduces the transaction costs for recipient countries, and through

³⁷ If progress is recalculated taking into account all countries participating in the monitoring survey (rather than only those participating and reporting on data in both years), progress for both groups reduces and the Commonwealth donors' becomes -22 percentage points, reflecting much poorer performance in newly participating countries, while non-Commonwealth donors' progress changes to - 5 percentage points.

³⁸ Weighted indicator values.

improved competition in the provision of services improves the value added proportion of aid (OECD, 2005b; OECD, 2008a).

Data on untied aid is regularly reported to the OECD's Development Assistance Committee, and is the source of data for indicator 8. At the time of writing the report, underlying data was only available for 2007, while the indicator values were already calculated for 2005³⁹. As a result, unweighted indicator values are presented for both individual donors and the groups of donors (by donor, by recipient country)⁴⁰. The Paris Declaration target for 2010 for "continued progress over time" (in OECD, 2005b) has been achieved to-date; in 2007, the unweighted average of untied donor aid was 79%⁴¹ rising from 76% in 2005⁴². This indicates good progress for this indicator compared to other alignment indicators, which may reflect the fact that DAC has been championing untying aid, especially in Least Developed Countries for much longer than the last two years.

Performance and progress of individual Commonwealth donors

The UK, Australia and New Zealand are all performing admirably according to this indicator. In 2007 the UK and Australia had untied 100% of their aid, followed by New Zealand who on average had untied 97% of its aid. Canada is lagging behind the other Commonwealth donors, and in 2007 achieved an average of only 54% (although the weighted indicator value is higher at 77%) (Figure 13). In terms of progress, Australia has made the most significant improvement, and has seen untying advance by an average of 49 percentage points between 2005 and 2007, and New Zealand is not far behind with an average of 32 percentage points. In 2001 the UK untied all of its aid and therefore achieved a score of 100% in all recipient countries in both years. Canada is the only country whose performance has slipped between the two years, by an average of 5 percentage points.

The UK has provided strong political leadership in this area and its policy of untying aid became a legal requirement following the enactment of the 2002 International Development Act (OECD, 2006; Thornton et al, 2008). Similarly, strong commitment has been shown by Australia whose overseas aid program was untied in 2006 – which explains the significant progress it has achieved (OECD, 2008c). Although New Zealand has also made good progress in this area, a number of scholarship schemes and training activities are still linked to New Zealand's institutions and organisations which can make up significant proportions of aid for some countries (OECD, 2005a; Nzaid, 2007)⁴³. Canada has improved the degree of its untied aid since 2001, however, the OECD Peer Review suggest that Canada could further improve in this respect by completing untying its food aid and advancing the implementation of the DAC 2001 Recommendation to Least Developed Countries (OECD, 2007).

Beyond the UK and Australia, in 2007 New Zealand and Canada performed on average slightly better in Commonwealth countries.

³⁹ The stable set sample size for this indicator is slightly different from the other donor-related indicators. For Indicator 8, countries that participated in the monitoring survey for the first time, 2007 may also be included in the sample set of donors reported data for the recipient country in both years of the survey.

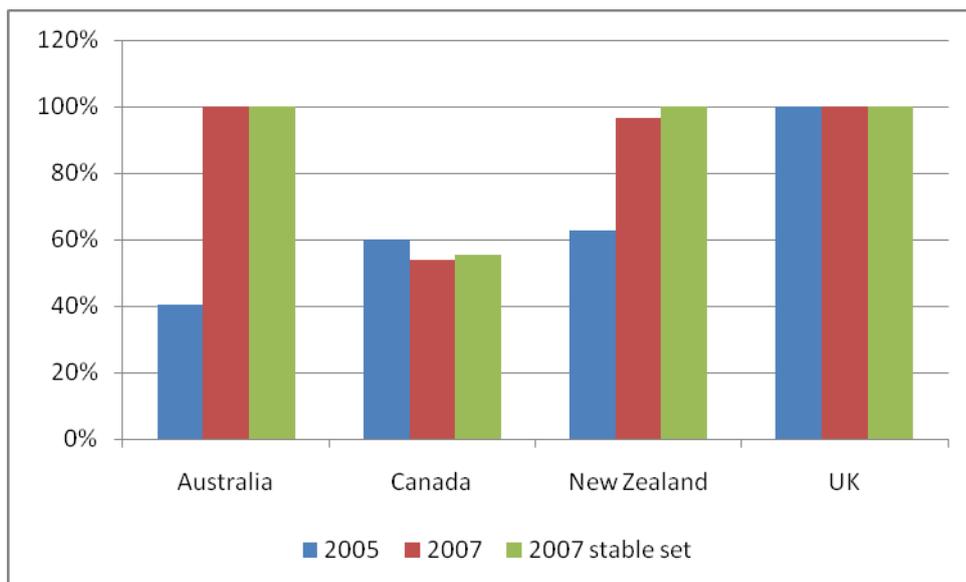
⁴⁰ All Commonwealth donors; all non-Commonwealth donors; all donors.

⁴¹ The weighted indicator value for 2007, was higher than the underweighted indicator value, and equalled 90%.

⁴² The 2008 monitoring survey does not present information for 2007. In 2005, 75% of aid was untied, in 55 surveyed countries.

⁴³ In Samoa, although a non-monitoring survey country, in 2006/07 30% of Nzaid programme expenditure was in the form of tied scholarships (Nzaid, 2007).

Figure 13 Average percentage of aid that is untied for Individual Commonwealth donors across all recipient countries⁴⁴



Performance and progress of Commonwealth donors as a whole

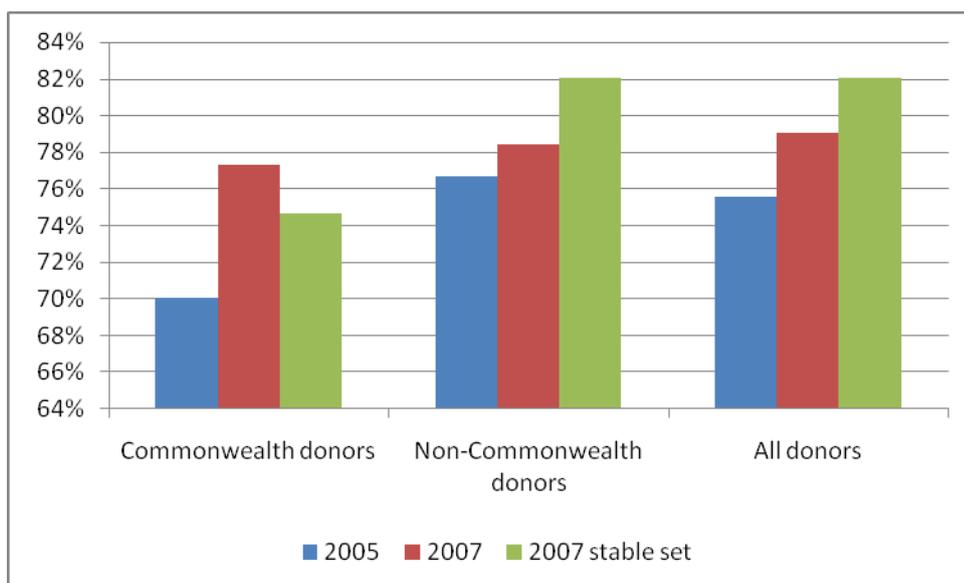
In 2007, Commonwealth donors performed roughly equal to their non-Commonwealth counterparts, attaining an unweighted average of 77% and 78% respectively (Figure 14). Furthermore, both Commonwealth and non-Commonwealth donors performed marginally better in the average Commonwealth recipient country. This performance trend reflects a bias towards low income countries in line with the 2001 DAC Recommendation on Untying ODA to Least Developed Countries. This is because low income countries make up a larger proportion of total Commonwealth recipient countries than non-Commonwealth recipient countries.

All Commonwealth countries perform well according to this indicator. In 2007, in Commonwealth recipient countries, donor performance on average sat between 75% to 87%. When untied aid to Commonwealth countries is calculated on a weighted basis, Commonwealth recipient countries fare even better, as in total 97% of aid untied. However, aid programmes from non-DAC donors, many of which are known for providing tied aid, have become increasingly significant for some countries particularly in Asia and Africa. Yet currently, DAC efforts in this area do not extend to them.

Progress between 2005 and 2007 has been good, increasing on average by 6 percentage points; Commonwealth donors (6 percentage points) and non-Commonwealth donors (5 percentage points). For all donors, progress was only marginally better in Commonwealth, rather than non-Commonwealth recipient countries.

⁴⁴ Unweighted indicator values.

Figure 14 Average percentage of aid that is untied⁴⁵



Untied aid: highlights

Australia and UK have untied all of their aid and New Zealand is not far behind.

Performance is good against this indicator and in comparison to other alignment indicators, untying has shown consistent improvement.

Commonwealth and non-Commonwealth donors are performing better in Commonwealth countries. This reflects a bias towards better performance in Least Developed Countries in line with the DAC Recommendation on Untying ODA to Least Developed Countries.

HARMONISATION

Aid harmonisation promotes improved coordination among donors to reduce duplication of effort resulting from separate, cross-cutting initiatives. Improving harmonisation in the context of the Paris Declaration centres on implementing common arrangements and simplifying procedures, encouraging complementarity among donors,⁴⁶ and establishing incentives for collaborative behaviour (OECD 2005b). The indicators relating to harmonisation sit within the first area (i.e. ‘common arrangements and simplified procedures’) and measure the percentage of aid that is disbursed through Programme-Based Approaches (PBA) (Indicator 9) and the level of donor coordinated joint missions and analytical work (Indicators 10a and 10b respectively).

Overall, there has been only modest progress in this area. Although improving on some of these indicators may appear straightforward and easy to implement (particularly indicator 10a and 10b), in practice the evaluations show that “moving even relatively few cases forward has proved slow and difficult” (in Wood et al 2008; OECD 2009b). Successful cases have required a high level of commitment and effort by both donors and recipient countries. As a result performance and progress varies significantly between both donor and partner countries.⁴⁷ Despite this, only a

⁴⁵ Please note that the data for 2005 and 2007 is unweighted, while the data for 2007 stable set is weighted.

⁴⁶ In doing so, one of the aims of harmonisation is to encourage the division of labour between donors in order to limit aid fragmentation, however this approach has gathered much criticism (Wood et al 2008).

⁴⁷ Beyond limited actual improvements there appears to have been a downward pressure on reporting as a result of clearer guidelines for these indicators in 2008 as well as steps taken to avoid the duplication of joint activities (OECD 2009b). Consistent with the monitoring survey 2008, the indicator values presented for all

relatively small number of members perceive harmonisation as a major challenge compared to those who argue that real progress has been made in this area (OECD 2008c).

2.8 Indicator 9: Programme-Based Approaches

Indicator 9 measures the extent to which donors disburse funds through Programme-Based Approaches (PBA), in an attempt to capture the degree to which common working among donors exists⁴⁸. The Paris Declaration commits donors to increase the use of PBA, as a way of encouraging greater coordinated donor assistance in terms of common arrangements for planning, funding, disbursement, monitoring, evaluation and reporting (OECD 2005b).

Indicator 9 is calculated by using total aid disbursed by donors (USD) in support of PBA (by either direct budget support or other assistance), and total aid disbursed by donors. For the 2006 survey uncertainty about the precise nature of PBA and flexibility allowed by the explanatory note, meant that recipient country programmes were interpreted differently by different donors (Booth 2007; OECD 2008a). Therefore, as with the results for Indicator 4 and 6, comparability across countries and donors is weakened. Consequently the results from Indicator 9 may not create an accurate picture of the scale of PBA because only a low proportion of PBA aid may in fact reflect “an exceptionally honest and rigorous application of the definition of PBA given in the Guidance Note”, rather than an “exceptionally limited effort to harmonise procedures” (in Booth 2007). For the 2008 survey however, stricter guidelines were produced, directly affecting observed progress between years. The 2005 figures are believed to be overestimated, and 2007 figures underestimated (OECD 2008a).

Bearing this in mind and interpreting the data with care, the surveys have generated information on the percentage of disbursed donor finances that support PBAs. The Paris Declaration target for Indicator 9 is 66% by 2010. In practice, in 2007 all donors across all recipient countries that Commonwealth donors are active in, achieved 46% representing a marginal improvement from 45% in 2005 and significantly below target.⁴⁹

Performance and progress of individual Commonwealth donors

Amongst Commonwealth donors the UK was the strongest performer by far in 2007, disbursing an average of 39% of its aid through PBA, and was closely followed by Canada (27%), Australia (24%) and New Zealand (21%) (

Figure 15). However, these results underplay the performance of most individual donors, as when weighted indicator values are examined, all Commonwealth donors, bar New Zealand, perform considerably better; with the UK achieving 67% surpassing the 2010 target, followed by Canada (44%), Australia (32%), while New Zealand's proportion falls to 19%. Therefore, overall, Commonwealth donors are generally channelling more aid through PBA than their average scores across all recipient countries imply. The difference is particularly acute for the UK and Canada.

In terms of progress, the largest improvement between 2005 and 2007 was recorded by New Zealand (53 percentage points) - this was driven by Cambodia for which no aid was channelled

donors, all Commonwealth donors and all non-Commonwealth donors are discounted by 35% for Indicator 10a and by 25% for Indicator 10b to account for the duplication of joint missions and joint analytical works. Indicator values for individual donors have not been discounted and this explains the discrepancy between the results for individual donors and all Commonwealth donors.

⁴⁸ “Programme-based approaches are a way of engaging in development cooperation based on the principles of coordinated support for a locally owned programme of development, such as a national development strategy, a sector programme, a thematic programme or a programme of a specific organisation” (OECD 2008a). They cover a range of different modalities. PBA are used in the monitoring surveys as a proxy to measure use of common arrangements.

⁴⁹ The 2008 monitoring survey reports a marginally larger differential with aggregate percentages of 47% for 2007 and 43% for 2005.

through PBA in 2005 - followed by Canada who improved on average by 7 percentage points, and the UK by an average of only 1 percentage point. Australia's performance fell over time (11 percentage points), although, this rating is based on three countries and Australia's performance actually grew in two of them (Bangladesh and Cambodia).⁵⁰ It is important to emphasise that by 2007, National Coordinators were in a stronger position to apply the PBA criteria more rigorously and alongside stricter guidelines this may explain the low progress rates (OECD 2008a).⁵¹ As with performance, the donor ranking of progress between 2005 and 2007 is noticeably different if it is calculated on a weighted basis - this expands both the UK and Australia's improvement. Generally, individual donors performed better on average in Commonwealth recipient countries, but these differences are smoothed when weighted indicator values are compared.

In terms of aid policies, DFID's strong commitment to PBA, which is increasingly at the "the heart of DFID's strategy for improving aid effectiveness," is indicative of its support of general and sector budget support initiatives (Thornton et al, 2008). As a result it performed well against this indicator as well as Indicators measuring the use of recipient country PFM and procurement systems (5a and 5b). Similarly, Canada having scored well on Indicator 5a, is proactively supporting the move to PBA as it concentrates its support in fewer countries and moves away from traditional project approaches (OECD 2007). CIDA has developed a number of tools and procedures to support the use of PBAs within the Agency's programmes, it has also been involved in policy work and dialogue with Canadian Civil Society Organisations (CSOs) on the role of non-state actors in PBA, and has approved a new policy on assessment of fiduciary risk for PBA.

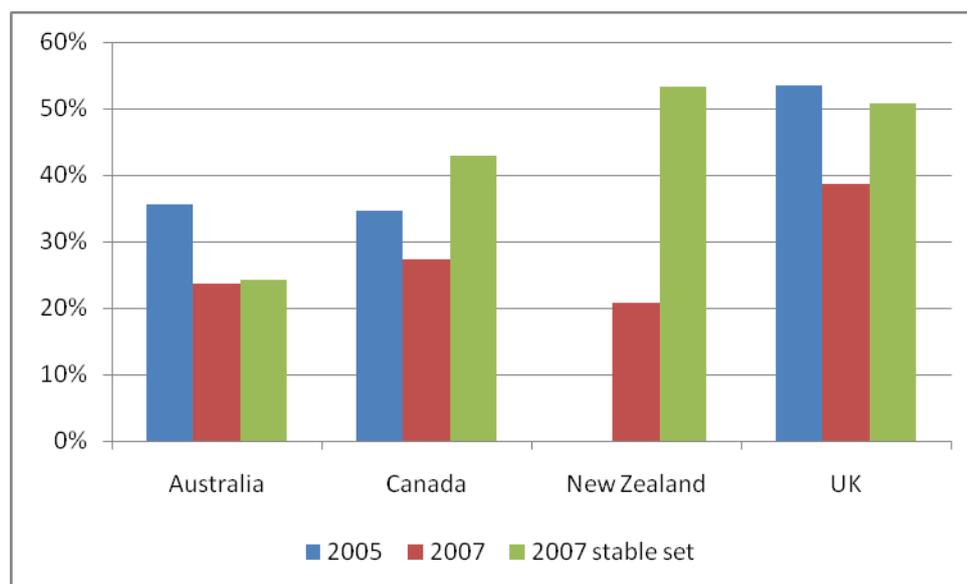
New Zealand's performance improved significantly over the two years in its two countries, and this trend supports evidence from non-monitoring survey countries. For example in Samoa, New Zealand and Australia have developed a fully harmonised recipient country programme, whilst in the Cook Islands they have created a delegated cooperation arrangement under a single joint programme. Furthermore, New Zealand has acknowledged additional benefits of PBA beyond harmonisation, such as processes which allow engagement on cross-cutting issues including gender, which were previously prevented in project based work (Nzaid, 2007; Wood et al, 2008). However New Zealand's average performance in 2007 is the weakest out of the group. One reason for this could be capacity constraints at the field level. Nzaid continues to face challenges in ensuring adequate field capacity, yet at the same time the rise of PBA has led to more regular and direct engagement between field staff, recipient governments and other donors, putting pressure on the already strained field provision (Nzaid, 2007).

Looking to the future, the time needed to invest in the aid effectiveness agenda, particularly required by harmonisation, was also raised as one of the challenges of the Paris Declaration by DFID in its OECD self-assessment, indicating that this time 'can' come at the expense of contact with broader stakeholders outside recipient governments and donors (OECD, 2008c). Yet, DFID are mindful that the effectiveness of PBA is dependent on the quality and intensity of engagement by DFID staff (Thornton et al, 2008). New guidance on PBA is being produced by AusAid and may satisfy the concerns raised by their staff about the lack of guidance on how to operationalise the Paris Declaration, as noted in the recent OECD self-assessment (OECD, 2008c). Addressing human resource management constraints is crucial for implementing the Paris Declaration; as recently noted by the recent OECD report on Managing Aid, motivating staff and incentivising them to adhere to the principles of the aid effectiveness agenda is central to its success (OECD, 2009c).

⁵⁰ A fall in performance was only recorded in Afghanistan.

⁵¹ When the average performance of all countries that participated in both surveys is taken into account, the UK and Canada's progress becomes negative, reflecting their considerably weaker performance in newly participating countries.

Figure 15 Average percentage of aid provided by programme-based approaches by Individual Commonwealth donors across all recipient countries⁵²



Performance and progress of Commonwealth donors as a whole

In 2007 Commonwealth donors as a group performed better than their non-Commonwealth counterparts with the percentage of aid disbursed through PBA reaching 53% and 45% respectively (Figure 16). Furthermore, both Commonwealth and non-Commonwealth donors performed better in Commonwealth recipient countries than in non-Commonwealth recipient countries, with Commonwealth donors performing the strongest in both groups.

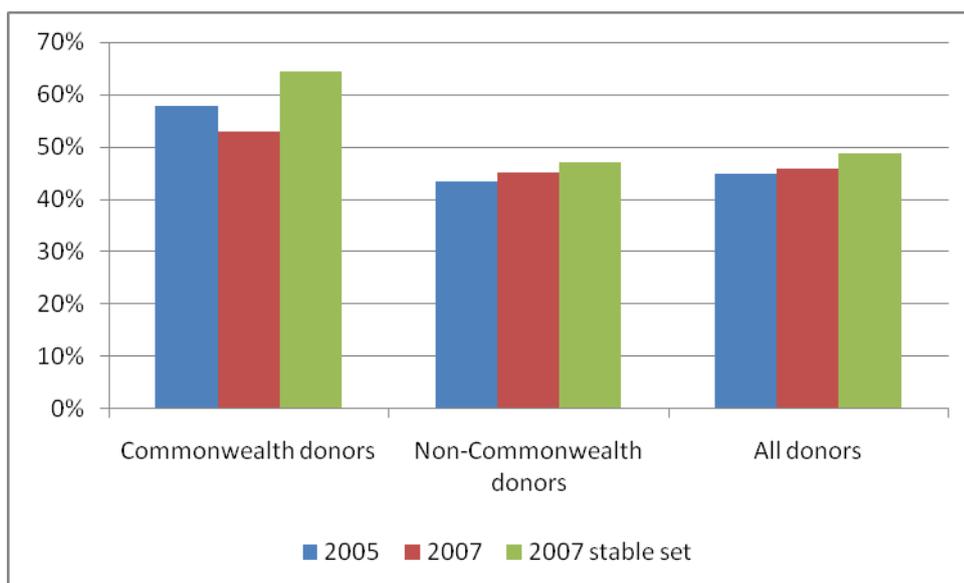
Despite concerns about the robustness of the data, the results are corroborated by experience on the ground in many cases. This is relevant for Bolivia, Burkina Faso, Cambodia, Malawi, Nicaragua, Tanzania, Uganda and Vietnam and Mozambique - whose score has remained relatively stable. The scale of PBA in the majority of recipient countries has probably been adjusted downwards in the latest survey because of more realistic reporting, possibly lowering performance scores for donors operating in Bangladesh, Benin, Burundi, Cape Verde, DR Congo, Egypt, Kenya, Kyrgyz Republic, Mauritania, Rwanda, Senegal and Yemen (OECD, 2008a).

Overall progress between 2005 and 2007 has been modest, but better for Commonwealth donors. For all donors as a whole, the percentage of aid disbursed through PBA increased by only 2 percentage points over the time period. Yet, Commonwealth donors improved their performance in recipient countries by 7 percentage points (this masks Australia's aggregate slippage), compared to an increase of only 2 percentage points for non-Commonwealth donors⁵³. In terms of recipient groups, both Commonwealth and non-Commonwealth donors' performance improved more in Commonwealth recipient countries, with greater variation for Commonwealth donors whose performance increased by 12 percentage points in Commonwealth recipient countries, compared to only 2 percentage points in non-Commonwealth recipient countries. This reflects good progress achieved in Ghana, Malawi and Bangladesh.

⁵² Unweighted indicator values.

⁵³ If progress is recalculated taking into account all countries participating in the monitoring survey (rather than only those participating and reporting on data in both years), the progress of Commonwealth donors becomes negative (- 7 percentage points) indicating that on the whole Commonwealth donors' performance is much weaker in newly participating countries particularly in non-Commonwealth recipient countries, whereas non-Commonwealth donors' performance remains largely the same (3 percentage points).

Figure 16 Percentage of aid provided by programme-based approaches⁵⁴



Programme-Based Approaches: highlights

Because of differences in definition and interpretation, the robustness of data for this indicator is comparatively weak, nevertheless a number of clear trends can be observed.

Performance in recipient countries that Commonwealth donors are active in is significantly below target and is improving slowly.

Commonwealth donors are performing better in terms of performance and progress than their non-Commonwealth counterparts.

There are significant differences among Commonwealth donors explained by differences in aid policies and field level capacity.

2.9 Indicator 10a and 10b: Donor Coordination

Indicator 10 measures the extent to which donors coordinate their activities in recipient countries. The Paris Declaration commits donors to work together so that the number of separate and duplicative missions to the field and diagnostic reviews are reduced. Limited donor coordination causes fragmentation of aid which creates significant transaction costs for both donors and recipient countries. For recipient countries the costs associated with accommodating the different demands of individual donors in planning, implementing, and monitoring and evaluating donor related activities can be considerable.

Indicator 10 is divided into two separate measures:

- Indicator 10a reports the percentage of joint donor missions in recipient countries, and
- Indicator 10b reports the percentage of joint analytical work.

⁵⁴ Weighted indicator values.

2.9.1 Indicator 10a: Joint donor missions to the field

Indicator 10a is calculated as the ratio of the number of coordinated joint missions to individual donor field missions. The Paris Declaration target is 40% by 2010. When calculating the average for all donors across all recipient countries that Commonwealth donors are active in, it is clear that the target is only half way to being achieved, with the percentage of joint missions reaching only 20% in 2007, rising from 17% in 2005.⁵⁵

Performance and progress of individual Commonwealth donors

Amongst Commonwealth donors, Australia was the strongest performer in 2007, with an average of 54%, closely followed by the United Kingdom (52%), New Zealand (46%) and Canada (17%) (Figure 17). The donor ranking of progress between 2005 and 2007 largely matches that of performance in 2007, with the exception of New Zealand who saw the largest improvement between 2005 and 2007. Its performance increased on average by 75 percentage points, and although commendable, reflects performance in only one country: Cambodia. Australia is the second highest achiever, with progress equalling on average 26 percentage points, followed by the United Kingdom (6 percentage points), and Canada whose performance fell (6 percentage points).

However, when the weighted indicator values are compared the UK performed the strongest in 2007, followed by New Zealand, Australia and then Canada. The reason for this difference is that, *overall* the UK has a greater percentage of joint donor missions than other Commonwealth donors, but that on *average* it undertakes joint missions at a lower proportion in countries where it is active than Australia. When progress is measured based on weighted indicators, progress rates achieved by Australia and the UK are enlarged, while Canada's rate of decline of joint missions is reduced.

Australia is the only Commonwealth donor who explores its achievements in this area in its donor evaluation report and mentions country examples such as Papua New Guinea, where joint delegations were sent to meet the Papua New Guinean government. The "intention"⁵⁶ behind the indicator is also to have fewer missions in total – in addition to having them joint - and this has been achieved by the UK, who has significantly decreased the number of donor missions by just under a third. This is likely to be the result of establishing joint donor offices (e.g. in Indonesia and Sudan) and sharing specialist staff (e.g. in Ghana and Rwanda) or delegated co-operation (OECD, 2006). Efforts should be made to carefully measure this "intention" because improvements in the percentage of joint missions have occurred alongside both reductions in the absolute number of missions (Afghanistan) as well as rises (Bangladesh) (OECD, 2008a). New Zealand and Australia's performance against Indicator 10a may in part be explained by the long history of New Zealand and Australia working closely together. This relationship has led to the creation of a number of harmonised and delegated cooperation arrangements between the two countries, including joint missions (OECD, 2009a; Nzaid, 2007). However, the results from the monitoring surveys do not fully capture this because many of the Pacific island countries where such cooperation is present (such as Vanuatu, Samoa and the Cook Islands) are not included in the survey. This is expected to have dampened their average scores.

It is difficult to determine why Canada's performance is the weakest out of the group. Their performance against this indicator was very varied across all recipient countries and although they participate in a large number of countries, the number is not significantly greater than that of the UK, and they do not have a greater tendency to participate in countries where fewer donors are present. On average Canada's performance weakened in both Commonwealth and non-Commonwealth recipient countries, but unlike the other donors was marginally better in newly participating countries and this reflects findings from the OECD Peer Review of Canada (2007) that

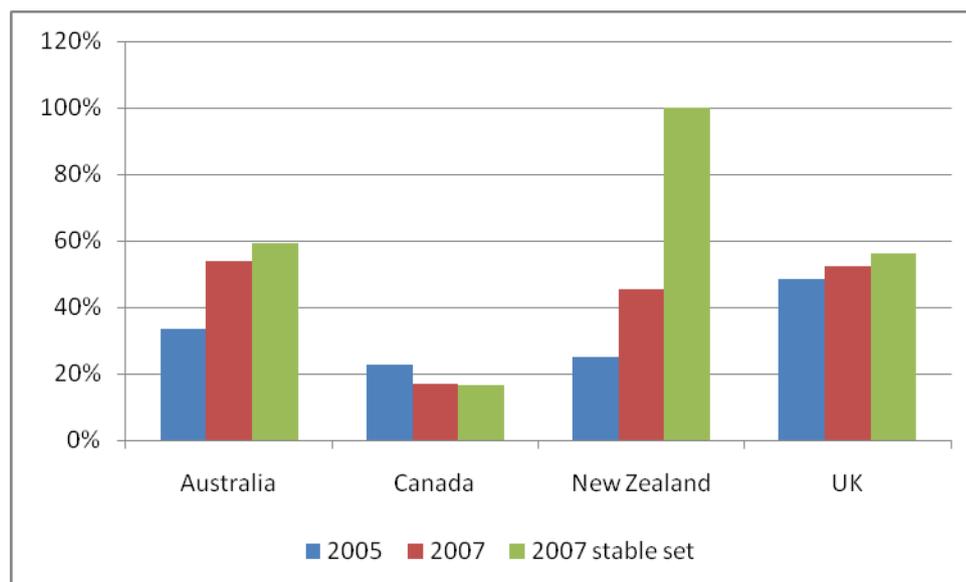
⁵⁵ The 2008 monitoring survey reports marginally higher aggregate percentages of 21% for 2007 and 18% for 2005.

⁵⁶ According to the 2008 Survey on Monitoring the Paris Declaration, Accra High-Level Forum on Aid Effectiveness, Definitions and Guidance for the Questionnaire.

the Canadian agency has begun working with other donors. Though, the Peer Review goes on to state that the agency should commit firmly to working with other donors by establishing more joint mission schedules, alongside other activities (OECD, 2007).

In 2007, there was no clear trend related to Commonwealth donors' performance in Commonwealth recipient countries vis-a-vis non-Commonwealth recipient countries. Canada and the UK performed better on average in Commonwealth recipient countries, while Australia and New Zealand performed better on average in non-Commonwealth recipient countries.

Figure 17 Average percentage of joint donor missions for Individual Commonwealth donors across all recipient countries⁵⁷



Performance and progress of Commonwealth donors as a whole

In 2007 Commonwealth donors' performance as a group was roughly equal to their non-Commonwealth counterparts, with the percentage of joint missions reaching 22% and 20% respectively (Figure 18). Furthermore, both Commonwealth and non-Commonwealth donors performed significantly better in Commonwealth recipient countries than in non-Commonwealth recipient countries. In Ghana, for example, coordination across country programmes and within sector groups improved with the development of a draft code of conduct for visiting missions. In Zambia, alongside an increase in ODA between 2005 and 2007, almost every donor increased their use of joint missions. While in Malawi progress in this area has been linked to established timings and proceedings for sector-wide missions, outlined in their Development Assistance Strategy. Furthermore, in Kenya, Zambia and Ghana mission-free-periods within the year have been established (OECD, 2009b; OECD, 2008b), although it is often difficult to verify compliance to such mission-free-periods.

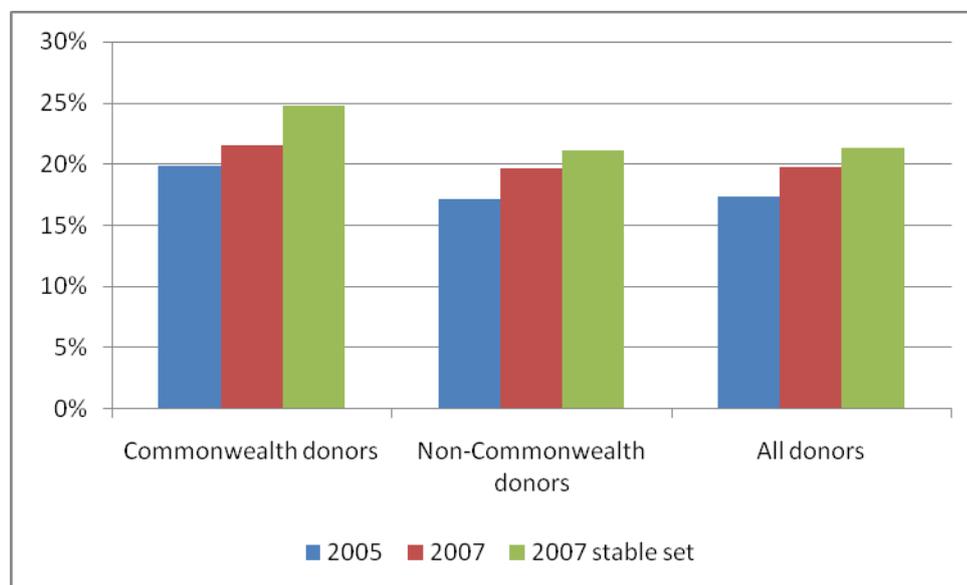
Progress between 2005 and 2007 has been modest. For all donors as a whole, the share of joint missions increased by 4 percentage points only over the time period. Commonwealth donors improved their performance in recipient countries by 5 percentage points, compared to an increase of 4 percentage points for non-Commonwealth donors. However, this masks Canada's aggregate slippage across all recipient countries during the time period.⁵⁸ Interestingly, Commonwealth and

⁵⁷ Unweighted indicator values.

⁵⁸ If progress is recalculated taking into account all countries participating in the monitoring survey (rather than only those participating and reporting on data in both years), the progress differential is smaller and

non-Commonwealth donors' performance changed more favourably in Commonwealth recipient countries. For example, Commonwealth donors' performance increased by 16 percentage points in Commonwealth recipient countries, and fell by 1 percentage point in non-Commonwealth recipient countries. This reflects considerable progress achieved in Kenya, Ghana and Zambia by Commonwealth donors.

Figure 18 Percentage of joint donor missions⁵⁹



2.9.2 Indicator 10b: Joint donor analytical work

Joint donor analytical work refers to exercises undertaken at the recipient country level either with the recipient country or amongst the donor community, or both. Indicator 10b is calculated on the basis of the number of pieces of analytical work done jointly, and by donors individually. The Paris Declaration target is to achieve 66% joint work by 2010. When calculating the average for all donors across all recipient countries that Commonwealth donors are active in, it is clear donors are far from achieving this target. Attainment was 42% in 2007, marginally rising from 40% in 2005.⁶⁰

Performance and progress of individual Commonwealth donors

The donor ranking of results for this Indicator in 2007 closely equate to those achieved for Indicator 10a, although Commonwealth donors generally perform better for this Indicator. As with Indicator 10a, in 2007 Australia was the strongest performer with an average of 63% of donor analytical work being jointly undertaken, closely followed by the UK (59%), Canada (46%) and New Zealand (0%) (Figure 19). The individual progress of Commonwealth donors' between 2005 and 2007 varied considerably, with Australia significantly outperforming the other donors; its performance improved on average by 51 percentage points, followed by Canada (8 percentage points), while the UK and New Zealand's performance slipped by an average of 8 percentage points and 100 percentage points respectively. When weighted indicator values are compared, Australia remains the strongest performer in 2007, New Zealand and the UK's performance remains roughly the same, but Canada's performance drops considerably (to 25%) indicating that it is doing much better on average across countries than overall.

changes direction, and equals a modest 2 percentage points for Commonwealth donors and 3 percentage points for non-Commonwealth donors.

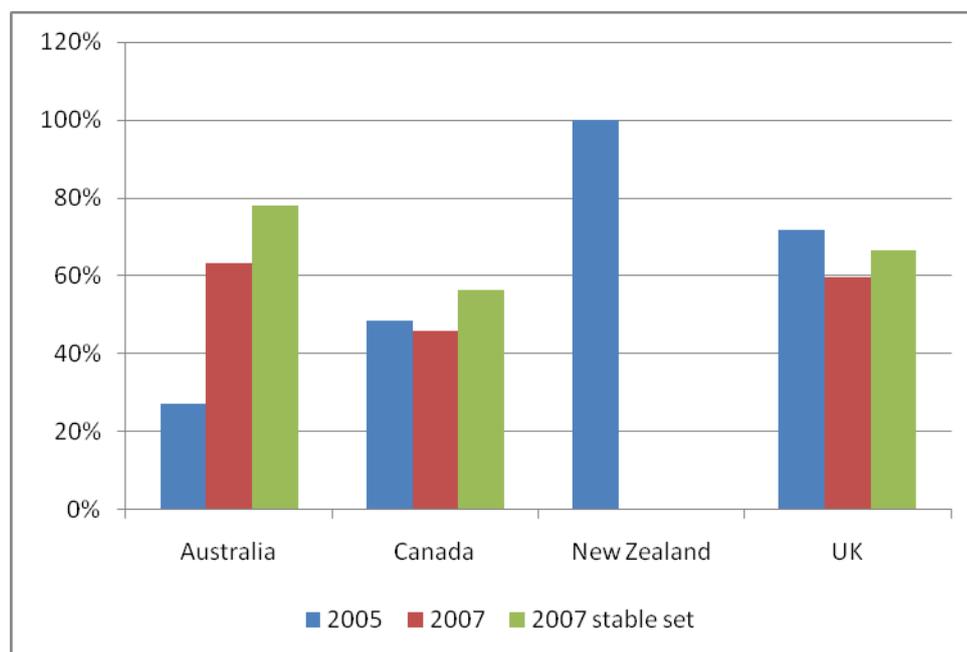
⁵⁹ Weighted indicator values.

⁶⁰ The 2008 monitoring survey reports marginally higher aggregate percentages of 44% for 2007 and 42% for 2005.

In 2007, Australia undertook all its analytical work jointly in half of the countries it participated in (Bangladesh, Nepal, Indonesia and Vietnam). Australia’s successful performance has been attributed to its acceptance of reports from other donors as sufficient analysis of a particular topic (experience from South Asia, Pilbrow, 2008). The UK performed well in countries where donor wide joint assistance strategies exist, such as Zambia and Nepal (OECD, 2006), and DFID continues to be instrumental in the development of other joint assistance strategies in a number of African countries, a process that should encourage the use of joint donor analytical work. New Zealand’s weak score was based on data reported for only two countries, and doesn’t account for the progress it has made in developing joint strategies and country programmes which aim to extend joint donor coordination and work in Samoa and the Cook Islands (Nzaid, 2007; OECD, 2009a). Both Indicators 10a and 10b should be interpreted with care because often quite low absolute numbers are behind the dramatic percentages. For example in 2005, 100% of New Zealand’s 4 pieces of analytical work were joint, compared to 0% of only 6 exercises in 2007.

Canada performs better in this area than for joint missions (Indicator 10a), however similar recommendations to conduct more joint recipient country and sector analysis were suggested by the OECD Peer Review (OECD, 2007). In 2007, 28% of self-evaluations by CIDA’s Evaluation Division were analysed and only a few were found to have been undertaken jointly with other donors or partner countries (OECD 2007). Despite this, progress is being made and CIDA has demonstrated support for common arrangements, as joint pieces of analysis have become more widespread (OECD, 2007; OECD, 2008c).

Figure 19 Percentage of joint analytical works for Individual Commonwealth donors across all recipient countries⁶¹



Performance and progress of Commonwealth donors as a whole

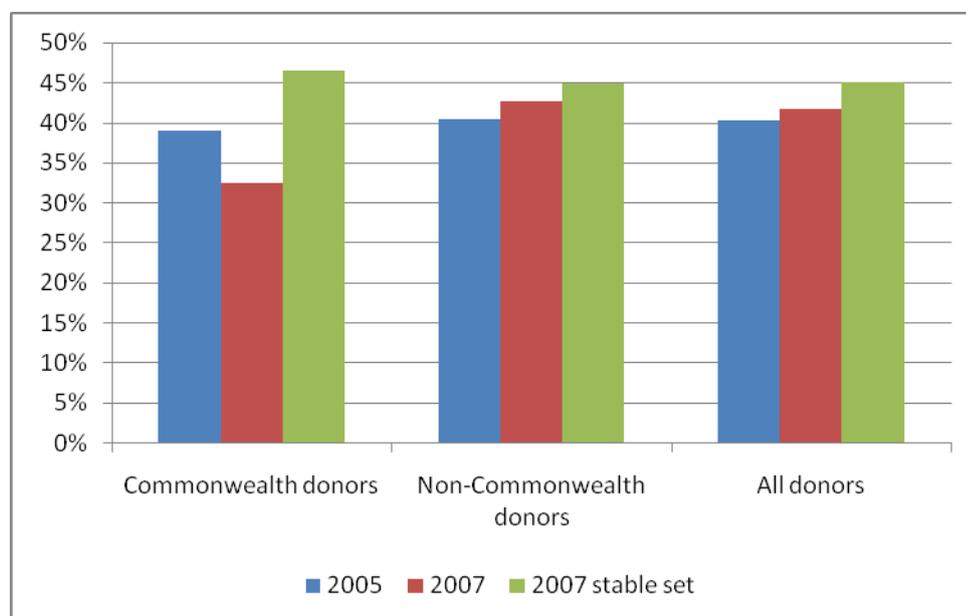
In 2007 non-Commonwealth donors as a group outperformed their Commonwealth counterparts, with the percentage of joint analytical work reaching 43% and 32% respectively (Figure 20). Although neither group has achieved the 2010 target, it is clear donors are more successful at coordinating their analytical work than their missions – this is expected given that the former is

⁶¹ Unweighted indicator values.

more straightforward. Like Indicator 10a, in 2007 both Commonwealth and non-Commonwealth donors performed significantly better in Commonwealth recipient countries than in non-Commonwealth recipient countries. Out of all Commonwealth recipient countries, Tanzania saw the largest improvement in this area as well as the best coordination in 2007. This was facilitated by the 'general budget support framework' and the 'Development Partner Group', both of which have contributed to more coordinated analytical work and the decreased need to undertake individual recipient country analyses. In Ghana, sector working groups have been instrumental in increasing cooperation in this area, by increasingly initiating the necessary analytical work and coordinating inputs. Mozambique was the only Commonwealth recipient country that faced a drop over the two years in its percentage of joint missions and pieces of analytical work by donors. Although the recipient country chapter of the Paris Declaration Evaluation does not give explicit reasons for this, it suggests that the limited expansion in the proportional funding of PBA to other programmes has meant that donors have had to make greater efforts to coordinate their work (OECD, 2008b).

Progress between 2005 and 2007 was modest for all donors as a whole, as the share of joint analytical work increased by only 5 percentage points over the time period. Despite the varied progress of Commonwealth donors, their performance as a group increased by 7 percentage points, compared to a smaller increase of 5 percentage points by non-Commonwealth donors. However, this masks New Zealand and UK's aggregate slippage across all recipient countries during the time period⁶². As with Indicator 10a, Commonwealth and non-Commonwealth donors' performance changed more favourably in Commonwealth countries; Commonwealth donors' performance increased by 10 percentage points in Commonwealth countries, compared to only 2 percentage points in non-Commonwealth countries, whilst 8 percentage points and 2 percentage points respectively were the equivalent progress rates for non-Commonwealth donors. This reflects the substantial progress achieved by all donors in Tanzania, Ghana, Uganda, and Zambia, while Ghana and Zambia obtained large improvements for both Indicators 10a and 10b.

Figure 20 Percentage of joint analytical works⁶³



⁶² If progress is recalculated taking into account all countries participating in the monitoring survey (rather than only those participating and reporting on data in both years), progress for both groups reduces and the Commonwealth donors' progress turns negative (at -7 percentage points), reflecting much poor average performance in newly participating countries, while non-Commonwealth donors' progress drops to (2 percentage points).

⁶³ Weighted indicator values.

Donor Coordination: highlights

In overall terms the 40% target for joint missions is not being met, however a number of individual Commonwealth donors are performing well.

The performance of individual Commonwealth countries on joint analytical work mirrors their performance on joint missions in the majority of cases.

Australia and New Zealand's represent particular cases since their performance on joint missions is helped by joint operations between their two agencies in their main region of activity.

Considered as a group there is little difference between the performance of Commonwealth and non-Commonwealth donors on joint missions. On joint analytical work however non-Commonwealth countries perform better.

The performance of all donors collectively on joint missions and analytical work is better in Commonwealth recipient countries than in non-Commonwealth recipients.

3. Recipient Country Performance

3.1 Introduction

This section of the report will examine the progress and performance of recipient countries against the relevant Paris Declaration Indicators. The indicators included in this section are Indicator 1: existence of development strategies; Indicator 2: reliable recipient country systems (2a: public financial management, and 2b: procurement), Indicator 11: results-orientated frameworks and Indicator 12: mutual assessment reviews. It is important to note that indicator 12 can be viewed as both a donor and recipient country indicator, given that the mutual assessment reviews measure both donor and recipient country behaviour.

OWNERSHIP

Ownership is the first and most fundamental principle of the Paris Declaration. It forms an addition to the previous aid effectiveness agenda and was intentionally placed at the beginning of the indicators to reflect the growing recognition that recipient country leadership is crucial for ensuring that the Paris Declaration objectives are achieved (Wood et al, 2008). It is now well recognised that aid is more effective when it supports recipient country policies and strategies, rather than parallel, often donor defined strategies. Achieving ownership, in its broad sense, is not a straightforward process and is the most challenging principle to achieve. It not only involves a shift in the power balance between donors and recipient governments, but a change in the form of governance which expands both the breadth and depth of recipient country leadership; across sectors and from central to local governance systems.

3.2 Indicator 1: Operational Development Strategies

In the context of the Paris Declaration, ownership is measured according to a recipient country's ability to exercise effective leadership over its development policies and strategies and to coordinate the efforts of development actors working in the recipient country. It is not easy to achieve and given its multiple dimensions does not lend itself to measurement easily. However, Indicator 1 provides a useful entry point to measuring ownership, by assessing the degree to which recipient countries have 'operational development strategies' to which donors can align their development assistance. The results for Indicator 1 are derived from the World Bank's review on *Results-Based National Development Strategies: Assessments and Challenges Ahead*. The scores for indicator 1 measure the operational value of the strategy and are determined by three individually assessed criteria: i) existence of a unified strategic framework, ii) prioritisation within that framework, and iii) strategic link to the budget (World Bank, 2007). On the basis of these qualitative assessments countries are allocated a score (from a 5 point scale) from between A (highest score) to E (lowest score) indicating the quality of their development strategies. The Paris Declaration target for 2010 states that at least 75% of recipient countries should have operational development strategies; where 'operational' development strategies equates to a score of A or B. For all recipient countries, the 2007 data reports good progress against Indicator 1, with 20% of countries achieving operational development strategies in 2007, rising from 13% in 2005.

The data clearly illustrates that between 2005 and 2007 the performance and progress of Commonwealth recipient countries far exceeds their non-Commonwealth counterparts. Although Commonwealth countries started from a more successful base in 2005, with 20% of Commonwealth countries having operational development strategies, compared to only 10% of non-Commonwealth countries. By 2007 the performance and progress made by Commonwealth countries had surpassed non-Commonwealth countries, with 36% of Commonwealth countries achieving operational development strategies compared to only 13% of non-Commonwealth countries (Figure 21). Out of ten Commonwealth countries that were surveyed in both years, four (40%) improved their score from either a C to B or D to C - Ghana, Kenya, Sierra Leone and

Zambia, while no countries experienced slippages⁶⁴. Whereas only five out of the twenty-nine (17%) non-Commonwealth countries that were surveyed in both years improved their score, and two countries faced slippages⁶⁵.

Furthermore, by 2007 all Commonwealth countries had achieved better scores (either C or B), than non-Commonwealth countries, who achieved scores between B to E.⁶⁶ In 2007, 36% of Commonwealth countries had achieved a score of B - Ghana, Tanzania, Uganda and Zambia, and 64% had achieved a score of C - Bangladesh, Cameroon, Kenya, Malawi, Mozambique, Nigeria and Sierra Leone (Figure 21). Whereas for non-Commonwealth countries, in 2007, 13% had achieved a score of B, 63% a score of C, 20% a score of D and 3% a score of E.⁶⁷ One of the main differentiating factors between countries that have improved their score for Indicator 1 and those that have not is the completion or initial implementation of a second generation Poverty Reduction Strategy (PRS). Countries that have introduced second generation PRSs score better across all three criteria. This is primarily because the practice of developing a PRS involves a process of strengthening the links between strategic planning, policy development and the budget process, by setting out a process for operationalising national strategies - which is a recognised challenge for many of the recipient countries (OECD, 2009a). All of the four Commonwealth countries that achieved a score B in 2007 have introduced second generation a PRS. Zambia improved its rating from C to B between 2005 and 2007 by using the Millennium Development Goals needs assessment to better focus its PRS and improve the costing strategy. Furthermore, Ghana and Zambia have focused on improving the ties between their PRS strategy framework and the national budget, to ensure that activities are not only appropriately costed but appropriately reflected in the government's budget (World Bank 2007). Interestingly, all bar two Commonwealth countries have introduced either first or second generation PRSs, which is a higher proportion than for non-Commonwealth countries, and could explain the significant performance differences between the two sets of countries.

Beyond the effect of PRSs on operational development strategies, there are clear supporting mechanisms between the activities measured by indicators 1 and 11⁶⁸. For example, countries that have been able to successfully strengthen individual components and connections within the strategic planning, policy and budget cycles have recorded higher scores not only for indicator 1 but also Indicator 11. This is largely unsurprising given the mutually reinforcing nature of the activities; as clearly developed and designed strategic planning and budget frameworks facilitate the development of clear outputs and targets represented in a results-orientated framework, while performance data and analysis from results-orientated frameworks can usefully guide the strategic planning process and resultant framework. Both Uganda and Tanzania are heralded as countries that have attained 'good practice' in both Indicators, achieving a rating of B for both indicators in 2005 and 2007. In 2007, for indicator 1, Uganda scored well for each of the three criteria. This is largely because Uganda has prioritised improving its development dataset, with particular attention given to poverty data. Based on a well established planning tradition, this data has fed into the Ugandan PRS - the PEAP (Poverty Eradication Action Plan) - which has improved its balance and focus. In turn this information has been used to better inform budget allocations. Tanzania, has also improved the ties between development strategies and results-orientated frameworks, by requiring sectors to justify their sector budget proposals according to outcome-orientated strategies. This has required greater use of performance data in the budget process which has elevated the importance of the collection and evaluation of performance data (World Bank, 2007).

⁶⁴ Nigeria entered with a score of C in 2007 and no data was recorded in 2005 and 2007 for Papua New Guinea.

⁶⁵ Afghanistan entered with a score of D in 2007.

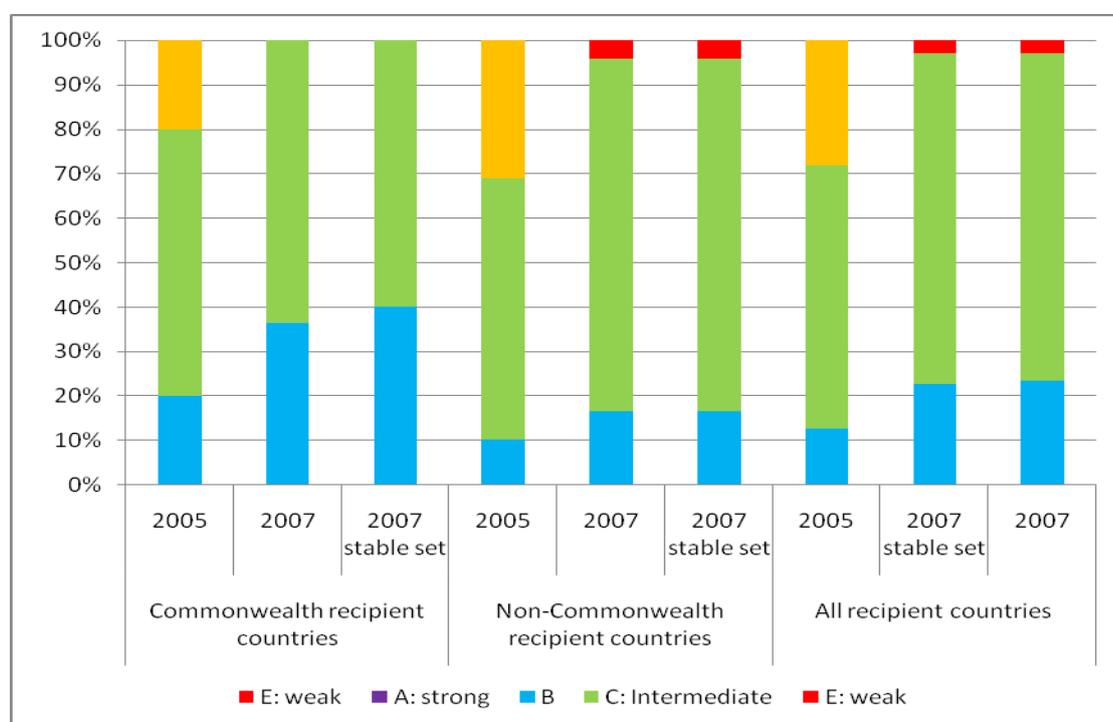
⁶⁶ It is important to note, that out of the 54 countries that participated in both the 2005 and 2007 surveys, no data was reported in 2005 or 2007 for 12 out of the 42 non-Commonwealth countries, therefore the analysis for non-Commonwealth countries does not reflect all the countries in the monitoring survey.

⁶⁷ The percentage point difference is due to rounding.

⁶⁸ Indicator 11 measures the number of countries with transparent and monitorable performance assessment frameworks.

However, despite the considerable progress that has been achieved by all recipient countries, they are far from the 2010 target and no recipient country has yet achieved the highest score (A). Not only is the proportion of countries attaining operational development strategies very low, but varied performance across the criteria risks undermining ownership as measured by the Paris Declaration. For instance, there have been greater improvements in introducing unified strategic frameworks and identifying priorities than linking these priorities to the government’s budget. Given that tying national priorities to budget allocations is a necessary, albeit not sufficient, linkage for achieving national priorities, the less significant improvement in this area risks undermining the implementation of national priorities. Finally, despite improved performance scores, it can be difficult to work out the reasons for any change in recipient country ratings and many of the recipient country profiles that support these assessments were mainly done in 2006⁶⁹, reflecting on even earlier activities and hence shedding little light on current performance and progress mechanisms.

Figure 21 Percentage of recipient countries that have operational development strategies



⁶⁹ For example the Uganda’s high rating is in part due to revision of the PEAP, a process that took place in 2004/05.

Operational Development Strategies: highlights

The performance and progress of Commonwealth recipient countries on ownership far exceeds their non-Commonwealth counterparts, though none attain the highest score set by the Paris Declaration.

Two countries (Uganda and Tanzania) have nevertheless become heralded as 'good practice'.

Variation among countries is explained mainly by difference in completion or initial implementation of second generation Poverty Reduction Strategies (PRS).

There is evidence of a clear link between operational development strategies and results-orientated frameworks captured in indicator 11.

ALIGNMENT

Alignment to recipient country strategies and systems relies on recipient countries producing observable development strategies and developing reliable recipient country systems. Neither action is easily achieved and requires considerable commitment and endeavour by recipient countries to attain. The first action is essentially captured by the first Paris Declaration principle of Ownership and the associated indicator 1, while the second relates to indicators 2a and 2b which measure the reliability of recipient country systems.

3.3 Indicator 2a and 2b: Reliable Recipient Country Systems

Indicator 2 measures the reliability of recipient country public financial management and procurement systems. The Paris Declaration recognises that successful development depends on how effectively the state raises, manages and spends public resources. Although this is not a sufficient condition it is a necessary one to ensure a recipient country's ability to manage its development process (OECD 2008a). How efficiently and effectively money is allocated and spent is not only a concern for recipient countries, but also for donors. Donors are often risk-adverse, driven by domestic accountability systems which determine procedures and processes to manage fiduciary risks, and therefore exercise a considerable amount of resistance to investing resources in systems and institutions they do not consider to be credible. Therefore these Indicators can be interpreted as *measuring the capacity in place in recipient countries for donor alignment*. Indicator 2 is divided into two separate measures:

- Indicator 2a reports on national public financial management systems, and
- Indicator 2b reports on national procurement systems.

3.3.1 Indicator 2a: Recipient country public financial management systems

The results for Indicator 2a are derived from the World Bank Recipient Country Policy and Institutional Assessment (CPIA)⁷⁰ which assesses performance according to three criteria: i) credibility and comprehensiveness of national budgets and their links to policy priorities, ii) controlled and predictable implementation of national budgets, and iii) timely and accurate accounting and fiscal reporting. On the basis of these assessments countries are allocated a score (from 12 point scale) from between 1 (lowest score) to 6 (highest score) which indicates the quality of the recipient country's public financial management system. The Paris Declaration target for this indicator is for half of recipient countries to move up at least one measure (i.e. 0.5 points) on the PFM/CPIA scale of performance by 2010. For all recipient countries, the 2007 data reports good

⁷⁰ Based on the results of Indicator 13 in the CPIA.

progress against Indicator 2a, with 33%⁷¹ of countries that were surveyed in both years improving their Public Financial Management systems between 2005 and 2007⁷², with the greatest proportional gain between ratings 3.5 and 4. This good progress is illustrated by the large net-gain for indicator 2a,⁷³ which indicates that there was a larger net improvement for indicator 2a than for the other recipient-related monitoring indicators.

Most of the improvement in PFM systems has been recorded in non-Commonwealth countries. Between 2005 and 2007, eleven out of the twenty-seven non-Commonwealth countries (41%) that were surveyed in both years increased their rating by half a point⁷⁴, whereas only two out of the twelve Commonwealth countries (17%) increased their rating by half a point - Ghana and Zambia. The countries that faced lower ratings in 2007 is spread more equally over the two groups, with one Commonwealth recipient country receiving a drop in its rating from 4.5 to 4 – Tanzania (the only recipient country that received a 4.5), and four non-Commonwealth countries receiving a drop of half a point (Figure 22).

Despite significant improvements in non-Commonwealth countries' PFM systems, Commonwealth countries are still achieving ratings that are equally good if not better than their non-Commonwealth counterparts. Firstly, in 2007, 25% of Commonwealth countries were rated as having achieved at least 'moderately strong' (score of 4) public financial management systems and hence have achieved the Paris Declaration target - Ghana, Tanzania, and Uganda, while 75% of Commonwealth countries achieved a score of 3.5 or over, and 100% achieved a score of at least 3. Despite a slightly higher proportion of non-Commonwealth countries receiving a rating of 'moderately strong' (29%), many non-Commonwealth countries received ratings at the bottom end of the scale, with only 54% achieving a score of 3.5 or over, and a 100% achieving scores between 4 and 2. Therefore, although the progress between 2005 and 2007 was better for non-Commonwealth countries, according to the distribution of scores, Commonwealth countries are performing better on average than their non-Commonwealth counterparts.

The equally strong performance of Commonwealth recipient countries vis-à-vis their non-Commonwealth counterparts is commendable, particularly given that the group are primarily lower-income countries (Cameroon is the only exception) whereas less than two-thirds of non-Commonwealth countries sit in this category. The strong performance of some Commonwealth countries may be driven by their Heavily Indebted Poor Countries (HIPC) status (for 8 of the 12 countries), which would have provided the impetus for PFM reform. However, the non-HIPC countries in the Commonwealth group do not appear to be doing significantly worse than their HIPC counterparts, even though they were allocated two of three lowest scores.

There have generally been gradual and selective improvements in recipient countries' PFM systems. This may in part explain the variability in the use of recipient country systems that have obtained the same score, as well as variability in the use of different components of PFM systems by donors, as noted for Indicator 5a (OECD 2009b). Generally recipient countries have improved more on the 'up-stream' PFM reform tasks relevant to budget preparation procedures, rather than strengthening implementation (OECD 2009b). However, the two Commonwealth countries that achieved higher scores in 2007 - Ghana and Zambia have shown evidence of strengthening the more difficult processes surrounding budget execution. For example in Ghana the government has rolled out the Integrated Financial Management Information System and a computer-based Budget and Public Expenditure Management System in order to provide accurate and timely financial information on budget expenditures, commitments and actual expenditures from a common

⁷¹ The monitoring survey reports a marginally higher amount of 36%.

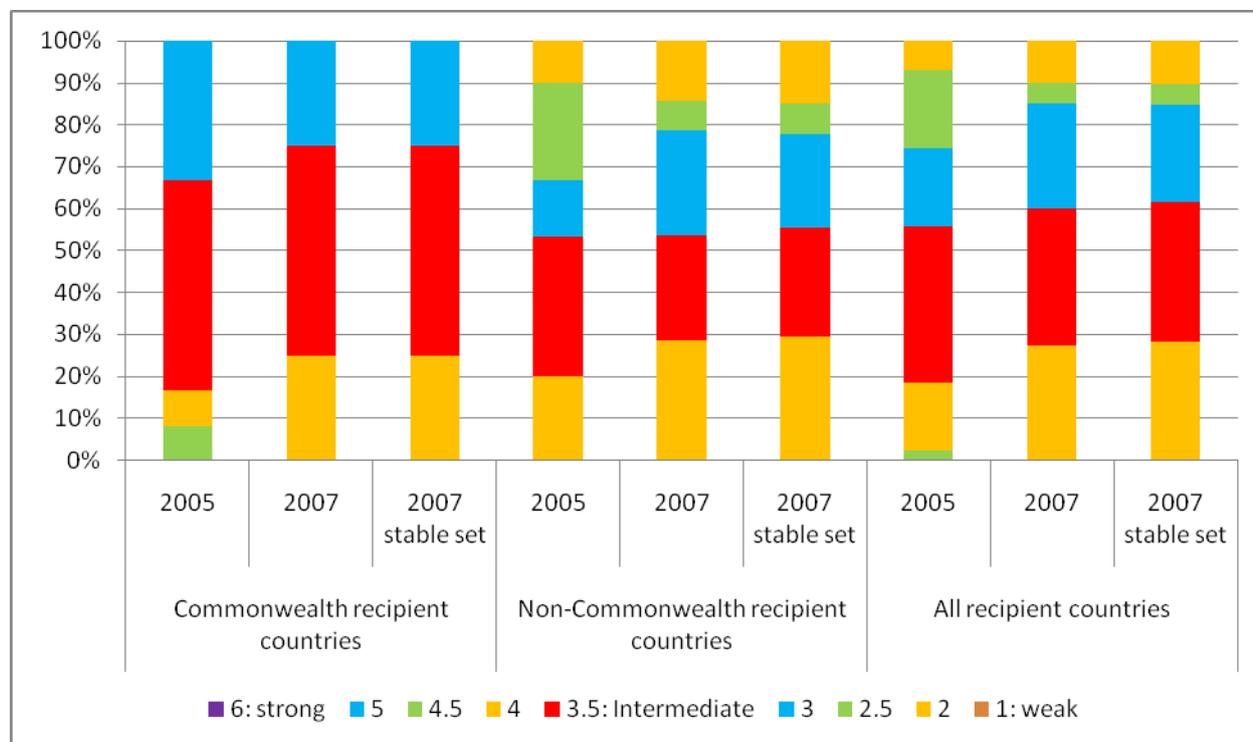
⁷² One recipient country entered with a score of 3 – Afghanistan, and three countries were not reported on in 2007.

⁷³ The number of countries that achieved an improved score minus the number of countries that faced slippages.

⁷⁴ One recipient country entered with a score of 3 – Afghanistan, and three were not reported on in 2007.

database. In Zambia, the Public Expenditure Management and Financial Accountability programme which covers planning, execution and control, and transparency and accountability, started introducing significant reforms in 2005 which have been associated with improvements in budget execution activities (OECD 2008b).

Figure 22 Percentage of recipient countries with reliable public financial management systems



3.3.2 Indicator 2b: Recipient country procurement systems

The Joint Venture on Procurement Methodology for Assessment of National Procurement Systems is used to assess the quality of a recipient country’s procurement system. It is a self-assessment process carried out by recipient governments with the input from national stakeholders. Systems are assessed against i) internationally accepted standards of good practice, and ii) compliance with national legislation and standards. On the basis of these assessments, countries are allocated a score (from a 4 points scale) from between A (highest score) to D (lowest score) which indicates the quality of the recipient country’s procurement system. The Paris Declaration target for 2010 is for one third of recipient countries to move up at least one measure (i.e. from D to C, C to B, or B to A).

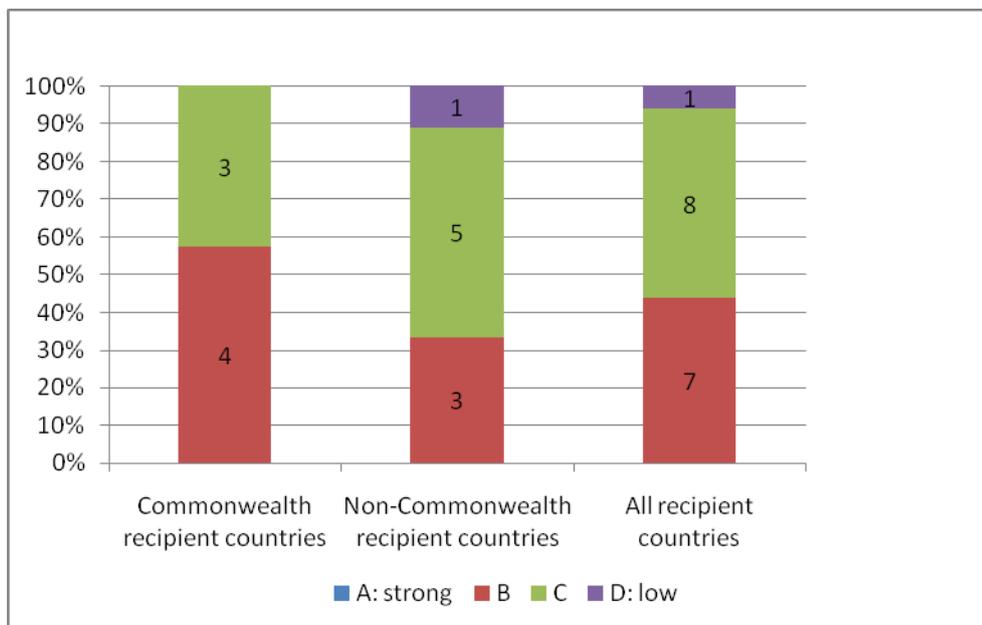
This indicator was measured for the first time in 2007 and only sixteen⁷⁵ countries participated in the self-assessments. Analysis for this indicator is therefore limited. That said, the data indicates that the majority of countries are grouped around a B and a C score. Commonwealth countries, for whom there is proportionally more data (but only scores for 7 countries), marginally outperform their non-Commonwealth counterparts with four out of seven countries (57%) receiving a B score - Cameroon, Sierra Leone, Tanzania, Uganda, and three countries (43%) receiving a C – Ghana, Malawi and Zambia. Whereas, for non-Commonwealth countries three out of nine countries (33%) received a rating of B, five countries (56%) received a C and one recipient country (11%) received an E (Figure 23).

At the time of the Baseline Survey, unlike the data for Indicator 2a, there was no mechanism in place to systematically assess the quality of national procurement systems in recipient countries.

⁷⁵ Seventeen countries completed the self-assessments if Mongolia is included.

Thus it is not possible to assess improvements made by recipient countries over the time period. However, there is some encouraging evidence that improvements are taking place. For example both Vietnam and Bangladesh have strengthened their own procurement systems, both establishing new laws regarding procurement, whilst at the same time both faced large increases in the use of their national procurement systems, as measured by Indicator 5b. Moreover donors are willing to invest in strengthening country systems, albeit not at this stage in a very systematic or comprehensive way (OECD 2009b).

Figure 23 Percentage and number of recipient countries with reliable procurement systems



Reliability of Recipient Country Systems: highlights

All aid recipients covered in the Paris Declaration survey are showing progress with their PFM systems, with non-Commonwealth countries showing the greatest improvement.

In absolute terms the performance of Commonwealth countries on PFM is comparable and in some cases significantly better than non Commonwealth countries, despite being comprised of a high proportion of low income countries.

Two Commonwealth countries (Ghana and Zambia) are showing evidence of moving beyond upstream improvements to strengthening more difficult processes surrounding budget execution.

In terms of the quality of procurement systems Commonwealth countries marginally outperform their non-Commonwealth counterparts.

MANAGING FOR RESULTS

According to the Paris Declaration Evaluation, managing for results has been a largely ‘overlooked’ and ‘underestimated’ principle of the Paris Declaration (Wood et al 2008). This principle commits donors and recipient countries to “managing and implementing aid in a way that focuses on the desired results and uses information to improve decision-making” (OECD 2005b). However, adopting a culture of evidence-based management is not a straightforward task; it takes time to develop and requires considerable political will (OECD 2008b). Given this, and the fact that this principle is a more recent addition to aid effectiveness discussions, it is perhaps unsurprising that

progress surrounding results-orientated frameworks lags significantly behind the implementation of the other recipient related indicators.

3.4 Indicator 11: Results-Orientated Frameworks

Indicator 11 measures the number of countries with transparent and monitorable performance assessment frameworks. As with Indicator 1, the data is taken from the World Bank's review on *Results-Based National Development Strategies: Assessments and Challenges Ahead*. The quality of recipient country results-oriented monitoring frameworks are assessed according to three criteria: i) the quality of development information, ii) stakeholder access to information, and iii) coordinated recipient country-level monitoring and evaluation (World Bank 2007). Countries are allocated a score (from a 5 points scale) from between A (highest score) to E (lowest score), with B (or higher) representing a largely developed results-orientated framework. The Paris Declaration target for this indicator is to reduce the proportion of countries without transparent and monitorable performance assessments by one-third by 2010. For all recipient countries, the 2007 data indicates minimal progress against Indicator 11, with only 7% of recipient countries (three countries) having achieved a largely developed results-orientated framework, an increase of 2 percentage points from the 5% (two countries) recorded in 2005.⁷⁶

The results for indicator 11, as with those for Indicator 1, clearly indicate that Commonwealth countries have significantly outperformed their non-Commonwealth counterparts. Firstly the only three countries that achieved largely developed results-orientated frameworks in 2007 were Commonwealth countries - Mozambique, Tanzania and Uganda. This equates to 27% of Commonwealth countries, an increase from 20% in 2005. In comparison, no non-Commonwealth countries achieved a score of B or higher in either the 2005 or 2007 survey (Figure 24). Secondly, between the two survey years, three out of ten Commonwealth countries (30%) that were surveyed in both years improved their score from either a C to B or D to C - Bangladesh, Mozambique, and Zambia, while no countries experienced slippages⁷⁷. Whereas only three out of the twenty-nine (10%) non-Commonwealth countries that were surveyed in both years improved their score, while one recipient country faced a decline in its rating⁷⁸. Thirdly, by 2007 all Commonwealth countries had achieved a B to D score, whereas non-Commonwealth countries generally achieved lower scores within the range of C to E. By 2007, 27% of Commonwealth countries had achieved a score of B - Mozambique, Tanzania, Uganda; 55% had achieved a score of C - Bangladesh, Ghana, Kenya, Malawi, Nigeria, Zambia; and 18% had achieved a score of D - Cameroon, Sierra Leone. Whereas for non-Commonwealth countries in 2007, 60% had achieved a score of C, 37% a score of D and 3% a score of E.

Given the links between operational development strategies and results-orientated frameworks, it is unsurprising that 2 out of the 3 Commonwealth countries that achieved a score B for Indicator 11, also achieved a score of B for Indicator 1 – Uganda and Tanzania⁷⁹. Uganda is a good example of where a culture of evidence and output-based decision-making has developed. In 2004 the Ugandan government added a policy matrix with associated outcome targets to its Poverty Eradication Action Plan, to provide a sound framework for monitoring results and for stakeholders to have adequate access to information. Since then the government has made considerable strides in strengthening the ties between national development strategies and national budget processes - to the extent that Parliament has rejected projects outside the Medium-Term Expenditure

⁷⁶ The 2008 monitoring survey reports 7.5% in 2007 and 5% in 2005.

⁷⁷ Nigeria entered with a score of a C in 2007, and no data was recorded in 2005 and 2007 for Papua New Guinea.

⁷⁸ Afghanistan entered with a score of a D in 2007.

⁷⁹ The reverse is also true, as Commonwealth countries who performed less well according to Indicator 11 achieved similar rates for Indicator 1; in 2007 the two countries that achieved ratings of a D also achieved ratings of a C for indicator 1 - Bangladesh, Sierra Leone. While Ivory Coast faced slippages on both indicators (1 and 11) between 2005 and 2007.

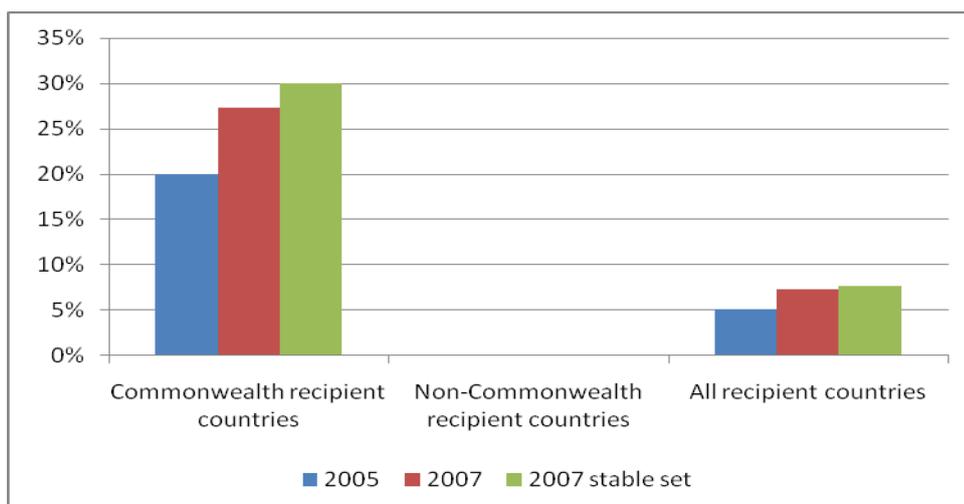
Framework (MTEF), and for the first time this financial year it has required every local government to report on quarterly outputs against their annual work plans (Wood et al, 2008). Like Uganda, Tanzania was able to maintain its high score for this Indicator in 2007. In 2006, Tanzania approved the implementation of the national Mkukuta Monitoring System (MMS) to provide a more transparent performance assessment framework for the National Strategy for Growth and Reduction of Poverty (NSGRP). So far it has produced various household surveys, the bi-annual Poverty and Human Development Report, and annual progress reports and the NSGRP Annual Implementation Reports (OECD, 2008b).

Zambia was the only Commonwealth recipient country to improve its score for both indicator 1 and Indicator 11. This was primarily driven by the introduction of the Fifth National Development Plan (FNDP) in 2007, which sets out a medium-term development strategy for 2006-10, and incorporating a system to monitor outcomes and impact including key performance indicators for each sector. Mozambique was one of the few countries able to improve its score for this Indicator in 2007. This was because of recognised progress in both monitoring and evaluation, and information dissemination, where the main monitoring tool for government activities was strengthened and the government started publishing information regarding new legislation and policies including the MTEF (OECD, 2008b).

Although this indicator measures the behaviour of recipient country governments, according to the Paris Declaration donors are also responsible for encouraging performance and progress in this area. However it is clear from the Paris Declaration Evaluation that donors are performing equally weakly. For example, despite almost all donors being involved in some sort of capacity development in this area, their efforts are often piecemeal and project driven. Most donors have yet to fully harmonise their result-based frameworks with government systems. This contributes to a greater work load for recipient countries and undermines the opportunity for strengthening country systems by bypassing them completely if there are concerns about the robustness of country systems (Wood et al, 2008).

Despite the good performance of some Commonwealth countries, significant improvement across all countries is necessary to reach the Paris Declaration target. Improving results-oriented frameworks have often been considered a secondary concern to development strategies, and given the substantial institutional capacity and resources required to develop these areas successfully – such as a manageable set of indicators and data sources - the task has often proved difficult. This is because a change of decision-making culture is required to advance this process, and may explain why improving the quality of recipient country-level monitoring and evaluation systems has lagged behind enhanced stakeholder access to data. However, renewed focus on implementing useful results-oriented frameworks is necessary if the Paris Declaration target is to be achieved by 2010.

Figure 24 Percentage of recipient countries that have largely developed results-orientated frameworks



Results-Orientated Frameworks: highlights

Progress on results-orientated framework is limited and is heavily concentrated in a few Commonwealth countries.

Only Mozambique, Tanzania Uganda are considered to have well developed frameworks among those surveyed.

Limited support has been provided by donors in this area.

MUTUAL ACCOUNTABILITY

3.5 Indicator 12: Mutual Accountability

Mutual accountability is one of the five principles of the Paris Declaration that is becoming increasingly prominent in debates around the effectiveness of aid. It relates to joint donor-recipient country mechanisms to measure their performance against partnership commitments arising from the Rome or Paris Declarations or local harmonisation and alignment plans (OECD 2008a). The aim is to “enhance mutual accountability and transparency in the use of development resources. This also helps strengthen public support for national policies and development assistance” (OECD 2005b). The following criteria are used to assess whether the ‘mutual assessments’ have been implemented by both donors and partners: whether there i) is broad-based dialogue, ii) recipient country mechanism for monitoring progress, recipient country targets and high-level support. If the assessments meet all criteria the recipient country is allocated a score that says it has a mutual assessment. Given the nature of the Indicator, it is evident that it monitors both recipient country and donor performance. However, countries and individual donors are not allocated unique scores. Instead, a recipient country is allocated one score for all donors. For the purpose of this report this indicator has been included as a recipient indicator. The Paris Declaration target for this Indicator is for all recipient countries to have mutual assessment reviews in place by 2010. For all recipient countries, the 2007 data reports a drop in performance for Indicator 12, with only 26% of countries having mutual assessment in 2007, compared to 28% in 2005.⁸⁰

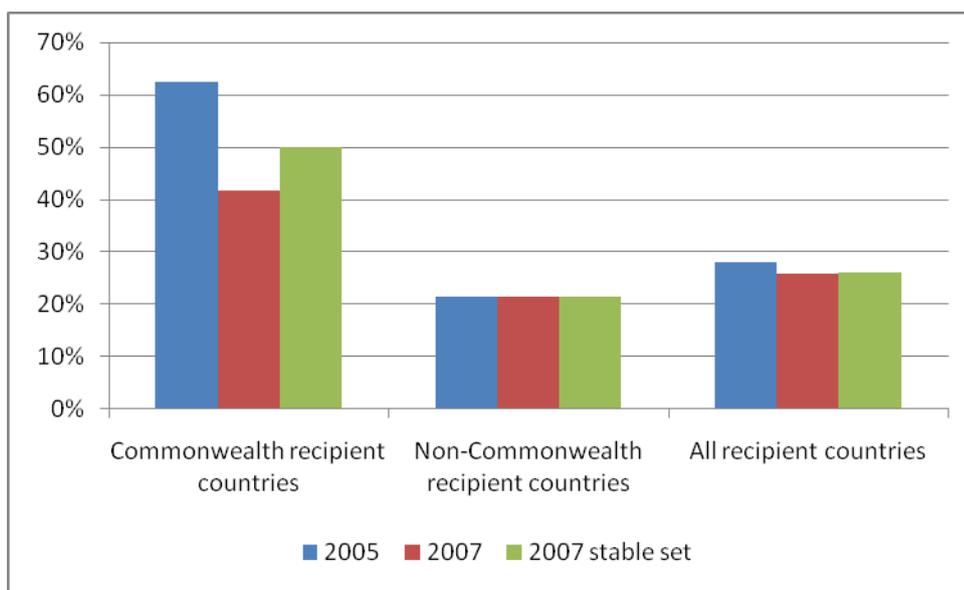
From the data it is evident that Commonwealth countries outperformed their non-Commonwealth counterparts in 2007 with 42% and 21% of countries having such mechanisms respectively (Figure 25). In 2007, the Commonwealth countries reported as having such mechanisms were Ghana,

⁸⁰ The 2008 monitoring survey reports 14 countries as having mechanism for mutual assessment in 2007, increasing from 12 in 2005.

Malawi, Mozambique, Papua New Guinea and Tanzania. Between 2005 and 2007 there were no improvements recorded by Commonwealth countries. Similarly, the results did not change for all 42 non-Commonwealth countries included in both years of the survey.

According to the monitoring survey data Zambia was the only country whose performance slipped between the two years. However this slippage should be interpreted with care, because the Zambia country chapter for the Paris Evaluation, records Zambia as having no such country mechanism in either 2005 or 2007⁸¹.

Figure 25 Percentage of recipient countries that have mutual assessment reviews in place



Mutual Accountability: highlights

Commonwealth countries outperform non-Commonwealth countries on mutual accountability by a significant margin, although for all countries progress fell between 2005 and 2007.

Some countries that perform well on mutual accountability also appear to do well on ownership and results-framework indicators.

⁸¹ There are four such anomalies between the data reported in the survey chapter and that reported in the individual recipient country chapters, the countries affected are Zambia, Bolivia, Burundi and Lao. Interpretation of data based on the recipient country chapters would therefore lead to marginally different results.

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⁸³ The Evaluations are treated as separate from the synthesis report here.

5. Annex

5.1 Countries and organisations that participated in the monitoring surveys

Table 1 Commonwealth recipient countries

A tick (√) indicates the presence of a Commonwealth donor in the specific recipient country

| | Australia | Canada | New Zealand | UK |
|--|-----------|--------|-------------|----|
| 2006 & 2008 monitoring survey | | | | |
| Bangladesh | √ | √ | | √ |
| Ghana | | √ | | √ |
| Kenya | | √ | | √ |
| Malawi | | √ | | √ |
| Mozambique | | √ | | √ |
| Tanzania | | √ | | √ |
| Uganda | | | | √ |
| Zambia | | √ | | √ |
| | | | | |
| 2008 monitoring survey only | | | | |
| Cameroon | | √ | | √ |
| Nigeria | | √ | | √ |
| Papua New Guinea | √ | | √ | |
| Sierra Leone | | | | √ |

Table 2 Non-Commonwealth recipient countries

| | Australia | Canada | New Zealand | UK |
|--|--------------------------------|--------|-------------|----|
| 2006 & 2008 monitoring survey | | | | |
| Afghanistan | √ | √ | √ | √ |
| Albania | | √ | | √ |
| Benin | | √ | | |
| Bolivia | | √ | | √ |
| Burkina Faso | | √ | | |
| Burundi | | | | √ |
| Cambodia | √ | √ | √ | √ |
| Cape Verde | No Commonwealth donor presence | | | |
| Democratic Republic of Congo | | √ | | √ |
| Egypt | | √ | | |
| Ethiopia | | √ | | √ |
| Honduras | | √ | | |
| Kyrgyz Republic | | | | √ |
| Mali | √ | | | |
| Mauritania | No Commonwealth donor presence | | | |
| Moldova | | | | √ |
| Nicaragua | | √ | | √ |
| Niger | | √ | | |
| Peru | | √ | | |
| Rwanda | | √ | | √ |
| Senegal | | √ | | |
| Vietnam | √ | √ | √ | √ |
| Yemen | | | | √ |
| Dominican Republic | | √ | | |
| | | | | |

| 2008 monitoring survey only | | | | |
|------------------------------------|--------------------------------|---|---|---|
| Central African Republic | | √ | | √ |
| Chad | No Commonwealth donor presence | | | |
| Colombia | | √ | | √ |
| Gabon | No Commonwealth donor presence | | | |
| Haiti | | √ | | |
| Indonesia | √ | √ | √ | √ |
| Ivory Coast | No Commonwealth donor presence | | | |
| Jordan | | √ | | |
| PISG Kosovo | | | | √ |
| Lao PDR | √ | | √ | |
| Liberia | | | | √ |
| Madagascar | No Commonwealth donor presence | | | |
| Morocco | | √ | | |
| Nepal | √ | √ | | √ |
| Philippines | √ | √ | √ | √ |
| Sudan | | √ | | √ |
| Togo | No Commonwealth donor presence | | | |
| Ukraine | | √ | | √ |

Table 3 Donors countries and organisations

| 2006 & 2008 monitoring survey | |
|--|----------------------------|
| Commonwealth bilateral donors | |
| Australia | |
| Canada | |
| New Zealand | |
| United Kingdom | |
| | |
| Non-Commonwealth donors | |
| Bilateral donors | Multilateral donors |
| Austria | African Development Bank |
| Belgium | Asian Development Bank |
| Denmark | European Commission |
| Finland | GAVI Alliance |
| France | Global Fund |
| Germany | IDB |
| Ireland | IFAD ⁸⁴ |
| Italy | United Nations |
| Japan | World Bank |
| Korea | |
| Luxembourg | |
| Netherlands | |
| Norway | |
| Portugal | |
| Spain | |
| Sweden | |
| Switzerland | |
| United States | |

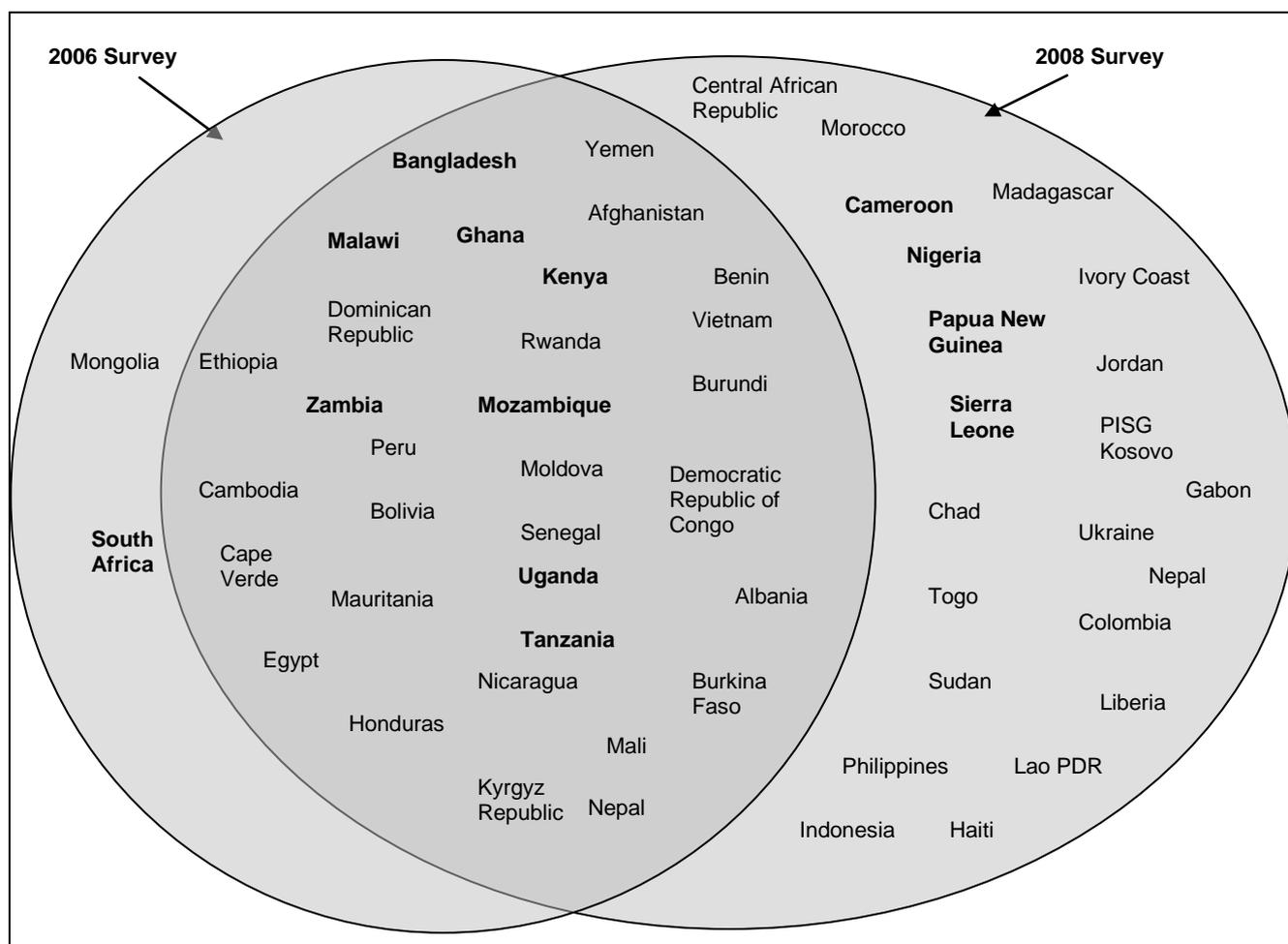
⁸⁴ The IFAD did not participate in the 2006 survey.

5.2 Methodology

Sample size

Different approaches are taken on sample size depending on whether the indicators are being used to assess performance of recipient countries or of donors. For indicators relating to the performance of recipient countries, all 54 recipient countries covered in the 2008 monitoring survey are included in the analysis⁸⁵. For the indicators relating to the performance of donors, the sample includes *recipient countries where at least one Commonwealth donor is present in the 2008 Monitoring Survey country chapters* – a sample size reduction of 7 non-Commonwealth recipient countries⁸⁶. This is because the main focus of the report is to measure Commonwealth performance, either from a recipient or donor perspective. Furthermore, for some indicators data is not reported for certain recipient countries; this is clear from the annex tables. Figure 26 presents recipient countries' participation in the 2006 and 2008 surveys; the countries in **bold** are Commonwealth countries.

Figure 26 Countries reporting on Commonwealth donors' aid in the monitoring surveys of 2006 and 2008



⁸⁵ The results indicated here differ slightly from those produced for the 2008 monitoring survey report. This is because the monitoring survey report 2008 includes Tonga and Mongolia for indicators 1, 2a and 11. However, for this analysis we have excluded Tonga because it did not participate in either of the monitoring surveys, and Mongolia because it only participated in the 2005 survey.

⁸⁶ This includes Cape Verde, Mauritania, Chad, Gabon, Ivory Coast, Madagascar and Togo. It was decided that focusing solely on Commonwealth recipient countries would significantly limit the scope of the analysis, because only eight Commonwealth recipient countries participated in both the 2006 and 2008 surveys and out of these countries Australia is only present in one of them, while New Zealand is not present in any. Therefore analysis of Australia and New Zealand's performance would have been very limited.

The rest of this section explains the methodology used to calculate the *performance* and *progress* of recipient countries, and donors, according to the indicators. The intention is to provide as complete a picture as possible both of the current position within the Commonwealth and trends in performance. The methodology differs for recipient and donor related indicators.

Performance and Progress

Recipient related Indicators

For recipient related indicators all recipient countries are treated equally. Aggregate *performance* is presented by calculating the *unweighted* average of the indicator for all recipient countries. Similarly, *progress* over time is based on changes in unweighted performance in all recipient countries. The motivation for this approach is that the principles contained in the Paris Declaration are equally important to each recipient country and consequently the progress in every country should be given equal weight in the overall assessment of performance.

Donor related Indicators

For donor related indicators, performance is measured both in terms of *unweighted* and *weighted* averages. These provide different insights into performance and progress. The aggregate *performance* of each **individual Commonwealth donor** (Australia, Canada, New Zealand and UK) is first presented according to the *unweighted* average of that donor's performance in all recipient countries in the sample, following the same logic as for recipient countries: The Paris targets are equally applicable to all donors in all countries and so it is appropriate to weight this performance equally. It allows the average performance of donors across recipient countries to be compared regardless of the size of their country programmes.

The unweighted average is supplemented, however, by a weighted average which takes account of the scale of donor activity – in limited situations where this comparison reveals interesting trends and suggests areas for further examination. We use the *unweighted* averages as the main measure of performance in our analysis however for individual Commonwealth donors.

Care is taken to measure progress consistently across all indicators. The primary measure of progress is based on a stable set of recipient countries. That is, the set of countries that participated in - and have full observations for - both years in the survey (e.g. because Canada participated in Malawi's 2008 country chapter but not the 2006 country chapter, information on Canada's performance in Malawi is not included when referring to the stable set). For weighted calculations the stable set includes all observations for which there is a full set of raw data available. For unweighted calculations the stable set is restricted to observations for which there is both a full set of raw data and for which progress can be calculated. See textbox 2 for details.

Progress is also calculated by measuring the difference between the average performance of donors in recipient countries in 2005 and 2007; though it should be noted that the groups are not strictly comparable since they include all participating countries in each survey, not just the stable set (e.g. in this case Canada's performance in Malawi in 2007 is included).

In comparing the aggregate *performance* of **all Commonwealth donors/all non-Commonwealth donors/all donors** we have only used the *weighted* average of performance in order to take

Textbox 1: Illustrative example of unweighted and weighted indicator values:

The following example illustrates how the unweighted and weighted indicator values are calculated, and the resulting difference in results:

Country A = $2/3 = 66\%$
 Country B = $9/10 = 90\%$
 Country C = $16/87 = 18\%$

Unweighted average =
 $1/3 \times (66\% + 90\% + 18\%) = 58\%$

Weighted average =
 $(2 + 9 + 16) / (3 + 10 + 87) = 27\%$

account of the size of their country programmes. The rationale here is that larger programmes will normally (other things being equal) exert a greater effect on recipient country processes. We use the same basis to draw comparison between the groups of donors, and their progress over time. In the latter case, progress (2005-2007) based on the stable set of countries is presented. For comparison, the progress based on the difference between the average performance of all donors in all recipient countries is also considered.

Notes on interpreting findings

All survey findings require careful interpretation and the results presented in this report are no different. There are four important implications.

Firstly, this report compares the aggregate performance of a donor in its programme countries with that of another donor in another set of its programme countries. The sets of countries often do not overlap and differ in systematic ways, (e.g. fragile states and middle income countries are represented in differing degrees). These differences should be considered in the interpretation of the results (Booth, 2007).

Secondly, related to this, the percentages used to present performance and progress – used in order to compare behaviour across donors and recipient countries – should be interpreted with care. The percentages mask wide variation in the number of data points used to calculate them. For example, New Zealand participated in only 7 of the 47 countries included in this sample, compared to the UK which participated in 33. Therefore the results for New Zealand are driven by a small number of countries and their performance in which is given considerable weight. The percentages also mask wide variation in the size of donor programmes (e.g. a donor with 1 out of 1 missions conducted jointly and a donor with 100 out of 100 missions conducted jointly both receive a score of 100% for indicator 10a).

Thirdly, care should be taken to interpret results based on weighted and unweighted measures of performance (see ‘textbox 1’ for the implications for results).

Fourthly, as with all statistical surveys, it is important to approach the results cautiously. There are several important caveats that should be noted about the raw data from the monitoring survey. Although the Joint Venture on Monitoring the Paris Declaration provided precise guidance on measuring the indicators, both recipient countries and donors were invited to interpret this guidance according to the recipient country circumstances. This inevitably weakens comparability both between recipient countries and donors. Similarly, comparability across surveys is also difficult since Joint Venture guidance advised participants to adhere more strictly to the definitions for the 2008 survey than previously in 2006 (Hudson et al, 2009; Booth, 2007). Moreover, there are minor data discrepancies between the results produced in the monitoring survey reports, the results produced in the country chapters and the data provided by the OECD for the purpose of this study.⁸⁷ This is a particular issue for Indicator 12,

Textbox 2: Example of the stable set

The following example illustrates how the unweighted and weighted stable sets are defined:

Country A = .../1 = N/A
 Country B = 0/0 = N/A
 Country C = 0/3 = 0%
 Country D = 1/5 = 20%

Stable set unweighted average =
 $1/2 \times (0\% + 20\%) = 10\%$

Stable set weighted average =
 $(0 + 0 + 1) / (0 + 3 + 5) = 27\%$

⁸⁷ Amongst the donor indicators, the authors particularly note discrepancies in data for indicator 3. In a few cases, such as Mozambique, data on government budget estimates of aid flows for 2007 are reported as missing in the raw OECD database and as zeros in the Monitoring Survey country chapters. In order to maintain a consistent methodology, the authors have interpreted these cases as donors receiving a score of

where data discrepancies are present and results have been retrospectively recalculated. Finally the monitoring survey does not give clear guidelines about how to interpret blanks; following consultation with the OECD, for the purpose of this report they have been interpreted as no data reported, rather than zeros. There are two exceptions to this: in line with the Monitoring Survey, for indicators 3 and 7 missing values for government responses have been replaced with zeros. Although these data caveats do not make the results meaningless, they should however be interpreted with care.

For each indicator, a visual presentation of the results has been used to aid interpretation. For each figure the following measures of performance are presented:

- 2005⁸⁸ figure for countries/donors;
- 2007⁸⁹ figure for all countries /donors; and
- 2007 figure for the stable set countries only.

To reiterate, indicators relating to individual Commonwealth donors are primarily calculated on an unweighted basis, while indicators for groups of donors are calculated on a weighted basis.

Textbox 3: Indicators 6 and 8

The methodology used to analyse indicators 6 and 8 differ slightly from the remaining indicators.

For indicator 6, in addition to the standard methodology, the comparison of aggregate performance of all Commonwealth donors/all non-Commonwealth donors/all donors includes two additional dimensions: average per recipient country and average per recipient country per donor. The former is calculated by dividing the total number of PIUs by the number of recipient countries. The later is calculated by dividing the total number of PIUs both by the number of recipient countries and by the number of donors.

For indicator 8, the data provided by the OECD does not include underlying data for 2005. As such, the primary measure of performance and progress in all Commonwealth donors/all non-Commonwealth donors/all donors is based on an unweighted average, where each recipient country is given equal weight. See the example below for an illustration. It is important to note that for this indicator, before undertaking calculations raw data was rounded to one decimal place and percentages to nearest whole number.

| | | Share of untied aid |
|--|---------|---------------------|
| Country #1 | Donor A | 100% |
| | Donor B | 80% |
| <i>Average donor performance in country #1</i> | | <i>90%</i> |
| Country #2 | Donor A | 40% |
| | Donor B | 60% |
| <i>Average donor performance in country #2</i> | | <i>50%</i> |
| Average donor performance | | 70% |

0%. However, the Monitoring Survey reports a positive value for these donors (83% in the case of Mozambique).

⁸⁸ Refers to data presented in the 2006 survey. The monitoring surveys were implemented in 2005 and 2007, and reported on in 2006 and 2008. Therefore, 2005 and 2007 will be used throughout the report to describe the raw data analysed.

⁸⁹ Refers to data presented in the 2008 survey.