Aid Effectiveness

2006 Survey on Monitoring the Paris Declaration

Country Chapters

OECD

2006 SURVEY ON MONITORING THE PARIS DECLARATION

COUNTRY CHAPTERS

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INTRODUCTION

THE 2006 SURVEY ON MONITORING THE PARIS DECLARATION was undertaken in 34 countries that receive aid. The results of the survey are presented in two volumes. **Volume 1** provides an overview of key findings across 34 countries. **Volume 2** presents the baseline and key findings in each of the 34 countries that have taken part in the survey. These chapters are based primarily on the data and findings communicated by government and donors to the OECD through the Paris Declaration monitoring process. A more detailed description of this process, how this chapter was drafted and what sources were used is included in Volume 1, Chapter 2.

Both Volume 1 (Overview) and Volume 2 (Country Chapters) of the *2006 Survey on Monitoring the Paris Declaration* can be downloaded at the OECD website:

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A second round of monitoring will be organised in the first quarter of 2008 and will be an important contribution to the Accra High-Level Forum on Aid Effectiveness in September 2008.

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1 AFGHANISTAN

DESPITE IMPRESSIVE GROWTH SINCE 2002, most Afghans live in poverty. Data on Afghanistan's economic development is hard to come by, but with a population of around 26 million and a gross domestic product (GDP) of only USD 7 billion, Afghanistan has a GDP per capita of only about USD 299. Net official development assistance (ODA) to Afghanistan totalled USD 2.3 billion in 2005; this amounted to 38% of gross national income (GNI).

Responses to the 2006 survey in Afghanistan reflect the participation of 21 big donors out of 31 donors to Afghanistan that accounted for 89% of total ODA. While this provides useful data on aid effectiveness in Afghanistan, other information required to set baselines and targets for the Paris indicators (*e.g.* World Bank Country Policy and Institutional Assessment, and Comprehensive Development Framework ratings) is not available for Afghanistan.

As a country emerging from conflict and facing considerable security challenges, but also in receipt of very high volumes of ODA, Afghanistan's experience is of particular interest. Given the challenging circumstances facing both government and donors in Afghanistan, we might expect progress on aid effectiveness to be limited. In fact, some significant achievements have been made. Challenges and priority actions are summarised in the table below.

OVERVIEW Box 1. 1 Challenges and priority actions

DIMENSIONS	BASELINE	CHALLENGES	PRIORITY ACTIONS
Ownership	Not available	Very low levels of domestic revenue, security problems, high levels of dual passport holders.	Improving revenue and budget systems.
Alignment	Low	Unpredictable aid levels, tied aid, and low level of aid through budget.	Increasing budget execution capacity in line ministries and local government.
Harmonisation	Moderate	Limited used of programme-based approaches.	Expanding existing pooled funding arrangements.
Managing for results	Not available	Lack of development data.	Collecting baseline development information.
Mutual accountability	Moderate	Quality of aid in light of security challenges and limited government capacity.	Building on the Joint Coordination and Monitoring Board to change donor and government behaviour.

OWNERSHIP

INDICATOR 1

OWNERSHIP IS CRITICAL to achieving development results and is central to the Paris Declaration. It has been defined as a country's ability to exercise effective leadership over its development policies and strategies. Achieving this – especially in countries that rely heavily on aid to fund their development – is not a simple undertaking. Nor, of course, can it be measured by a single indicator. Instead, it requires a combination of cross-cutting factors that engage both donor and government. For donors, it means supporting countries' leadership and policies. It also means basing their overall

support on countries' national development strategies, institutions and systems. This is commonly referred to as "alignment" (see below). Donors are in a better position to do this when governments set out clear priorities and operational strategies (the main focus of Indicator 1 of the Paris Declaration). While no score is available from the World Bank to draw the baseline for Indicator 1, the assessment below is provided on the basis of the World Bank's 2006 Aid Effectiveness Review.

The government of Afghanistan's long-term vision is to meet the Millennium Development Goals by 2020. The government's development strategy up to 2010 is set out in the Interim Afghanistan National Development Strategy that was drawn up in 2006. This strategy will be used as the basis to develop the full Afghanistan National Development Strategy, which is due to be completed in March 2008. The process builds on the work done by the interim authorities in 2002-04 in preparing the National Development Framework and Securing Afghanistan's Future – these were clearly country-led and laid the foundation for Afghanistan's relationship with development partners after the fall of the Taliban regime in 2001.

The government's strategy provides a coherent policy framework for development in Afghanistan, but does not always effectively set priorities among its many targets and goals. For example, more work is needed to mainstream targets and plans in cross-cutting areas such as gender and the environment. Although the government has adopted a Medium-Term Fiscal Framework, it is not fully linked to the overall strategy. Budget systems have been considerably strengthened (e.g. by the adoption of a consolidated budget) and domestic revenues in 2005/06 exceeded targets. However, the government still faces significant fiscal challenges in implementing its strategy, not least because less than 10% of total budgetary expenditures were covered by domestic revenues. The government's capacity to implement a fully operational development strategy is also limited by the ongoing fragility of the security situation. This is compounded by a weak balance of power between the centre and some provinces, which makes prioritising across sectors and ministries very difficult. Currently, little ownership of development exists at the local level, especially in insecure areas.

The government has nevertheless demonstrated considerable leadership in establishing its own development strategies in a difficult post-conflict situation, and in managing its relationships with development partners. It has established a Consultative Group structure that organises external partners in a particular sector under the leadership of a ministry. The government also co-chairs the Joint Coordination and Monitoring Board and the annual Afghanistan Development Forum conferences to discuss the national development strategy.

ALIGNMENT

THE POST-CONFLICT SITUATION in Afghanistan poses major challenges for the alignment of aid with government policies and systems. In many cases, national systems are being rebuilt from a fairly low base, which makes it hard for donors to make use of them. That said, the importance of aid in Afghan public expenditures, and the vulnerability of its institutions, underscore the importance of alignment as a means to support and build up government policies and systems. In fact, a surprising amount of progress has been achieved on the alignment agenda in Afghanistan – the government and its donors will need to ensure that ongoing security problems do not impede further progress. The government of Afghanistan recognises that this will take time; yet as the capacity in government institutions is built, they can take on more leadership.

BUILDING RELIABLE COUNTRY SYSTEMS

INDICATOR 2a

Afghanistan is not included in the World Bank's Country Policy and Institutional Assessment process, which is the measure used to assess progress on Indicator 2. The assessment below draws on the World Bank's 2006 Aid Effectiveness Review, and on the response to the 2006 survey.

Afghanistan is inching forward in establishing reliable public financial management (PFM) systems. The Ministry of Finance now maintains a centralised computer system (Afghanistan Financial Management Information System) that permits real-time reporting of expenditures, allowing weekly reporting on budget expenditures from the Ministry of Finance to the Cabinet. The government is working to address weaknesses in its audit systems, and the Ministry of Finance has set up a plan with the Control and Audit Office to submit budget financial statements to Parliament by the end of September 2006. However, some corrupt practices continue to hamper the establishment of reliable national systems. A coherent politically backed approach is crucial for the country to develop an accountable and transparent public administration.

INDICATOR 2b

The Transparency International Corruption Perception Index (2005) rates Afghanistan 117th out of 158, with a score of 2.5 on a scale from 0 (highly corrupt) to 10 (highly transparent). In light of this, the government has established an Independent Administrative Reform and Civil Service Commission mandated to develop and oversee a programme to create transparent and accountable public administration.

The government has established a central facility for procurement. Implementation of the new public procurement law will bring procurement to international standards; however, progress towards capacity building of line ministries has been slow. The Ministry of Finance has now created a Procurement Policy Unit to oversee procurement and build capacity. Procurement units have also been set up within line ministries to provide additional capacity and link implementation and procurement more effectively.

ALIGNING AID FLOWS ON NATIONAL PRIORITIES

The Afghanistan Compact commits Afghanistan's development partners to support the government's priorities, as set out in the government strategy. The budget is a key mechanism for achieving this, and the government has made great efforts to ensure that all ODA is captured in the budget. Indicator 3 is a proxy for measuring alignment: it actually measures the proportion of aid reported in Afghanistan's budget. If Afghanistan is to meet the target of 85% for this indicator, the government will need to set realistic budgets that take into account

INDICATOR 3
Table 1. 1

Are government budget estimates comprehensive and realistic?

	Government's budget estimates of aid flows for FY05 (USD m) a	Aid disbursed by donors for government sector in FY05 (USD m) b	Baseline ratio* (%) c=a/b c=b/a
Asian Dev. Bank	121	35	29%
Australia	16	5	30%
Canada	104	88	84%
Denmark	18	20	93%
EC	220	137	62%
Finland	4	2	59%
France	0	4	0%
GAVI Alliance	0	2	0%
Germany	67	83	81%
Global Fund	--	2	
India	95	198	48%
Japan	166	58	35%
Netherlands	67	52	77%
Norway	30	27	91%
Sweden	28	13	46%
Switzerland	6	13	45%
Turkey	0	16	0%
United Kingdom	217	80	37%
United Nations	26	118	22%
United States	771	92	12%
World Bank	354	218	62%
Total	**2 312**	**1 262**	**55%**

* Baseline ratio is c = a / b except where government's budget estimates are greater than disbursements (c = b /a).

the amount of aid it expects to receive. Donors should provide the government with timely information about planned disbursements to allow accurate budgets to be set, and report a greater proportion of their aid to the government for inclusion in the budget.

The table provides government's budget estimates of aid flows for fiscal year 2005 (numerator) as a percentage of aid disbursed by donors for the government sector for the same period (denominator). This ratio tells us the degree to which there is a discrepancy between budget estimates and actual disbursements. The discrepancy can be in two directions: indeed budget estimates can be either higher or lower than disbursements. In order to have a single measure of discrepancy that is always less than 100%, the ratio is flipped when budget estimates are higher than disbursements. The baseline value for Indicator 3 in Afghanistan is 55%.

In other words, it means significantly less aid was disbursed in 2005 than was expected by the government when it set its 2005 budget. This reflects a number of factors. Government based its budget estimates on total commitments (core budget and external budget) and overestimated rates of disbursement. (In an effort to establish more realistic budgets, many budget authorities apply a discount factor on commitments that reflect historic patterns of disbursement for each donor or according to aid modalities.) Donors and government have different fiscal years, which means that donors are not always able to provide information when it is needed for the Afghan budget process. Some expected aid is double-counted in the budget by donors and government agencies, and some is never disbursed due to lack of compliance with conditionality. Lack of capacity for project implementation in Afghan government ministries and agencies is a major problem. In fact, about half of the projects are not implemented due to absorption constraints within line ministries. Procurement delays (both in the centralised Afghan procurement system and in donors' own contracting and sub-contracting systems) also mean that many projects are not implemented within the fiscal year for which they were planned.

This makes it hard to draw conclusions from this indicator about the proportion of aid reported in Afghanistan's budget. More than 90% of aid flows in Afghanistan are recorded (based on actual disbursements rather than forecasts) on the Donors' Assistance Database, which suggests a high level of transparency and reporting. However, donor alignment with partner strategies remains incomplete. Only 52% of total (and not only aid for government) ODA was disbursed "in agreement with the government" in 2005, through general budget support, pooled funds, direct project/programme support or non-governmental organisation projects contracted by/agreed with the government. Donors often channel funds directly to implementing partners or contractors, and do not always keep the relevant Afghan ministries informed about financial flows.

The Ministry of Finance is already taking measures to improve the budget process. These measures will promote the accuracy of aid reporting, and should help Afghanistan reduce the gap between the aid recorded in the budget and aid disbursed by donors in order to meet the 2010 target for this indicator. The Donors' Assistance Database is being revamped to better track resources, and the Ministry of Finance plans to introduce programme-based approaches that will strengthen links between the government's priorities and the budget process. The budget process itself will also be overhauled, through such steps as monthly monitoring to help clear implementation bottlenecks. For their part, donors must ensure that they provide assistance in a transparent manner, and in particular improve their communications with sectoral ministries and the Ministry of Finance.

CO-ORDINATING SUPPORT TO STRENGTHEN CAPACITY

Technical co-operation accounts for almost a quarter of ODA to Afghanistan, and capacity building is a major priority for the government, as it faces the task of rebuilding institutions and capacity significantly damaged during years of conflict.

Only 37% of technical co-operation channelled to Afghanistan in 2005 was provided through co-ordinated programmes consistent with the government's strategy. Good examples of such programmes are the Technical Assistance and Feasibility Study Unit and Afghanistan Reconstruction Trust Fund capacity development programmes, such as the Afghan Expatriate Program and Lateral Entry Program.

Many government institutions in Afghanistan remain reliant on international advisers/consultants, and progress in transferring skills and knowledge to local staff has been slow. The large differential between the salaries offered by international agencies and those offered by government agencies means that the government struggles to recruit suitably qualified Afghans. Technical assistance also continues to be poorly co-ordinated among donors themselves, which further hinders its reach.

If Afghanistan is to meet the target of 50% of technical assistance provided in a co-ordinated way by 2010, both donors and government must take action. One option would be for the government to establish a central institution or in line ministries to co-ordinate capacity building and technical assistance – taking leadership in managing this aspect of its aid as it has done with other forms of assistance. Donors could then co-ordinate their technical assistance through this facility. In the meantime, however, there are a number of measures donors could adopt to co-ordinate more smoothly among themselves, including pooled capacity-building funds and better communication. Donors could also increase the transfer of skills and knowledge to Afghan institutions by ensuring that consultants are suitably qualified (minimising turnover) and have a local component attached. Also technical assistance should be pooled and demand driven.

INDICATOR 4
Table 1. 2

How much technical assistance is co-ordinated with country programmes?

	Co-ordinated technical co-operation (USD m) a	Total technical co-operation (USD m) b	Baseline ratio (%) c=a/b
Asian Dev. Bank	0	12	0%
Australia	2	2	100%
Canada	0	0	--
Denmark	0	0	100%
European Commission	0	7	0%
Finland	1	1	100%
France	0	2	0%
GAVI Alliance	0	0	--
Germany	0	39	0%
Global Fund	0	0	--
India	1	1	100%
Japan	0	27	0%
Netherlands	0	0	--
Norway	3	4	85%
Sweden	2	2	100%
Switzerland	1	3	25%
Turkey	0	0	85%
United Kingdom	1	11	4%
United Nations	37	47	78%
United States	6	31	20%
World Bank	26	26	100%
Total	**79**	**214**	**37%**

USING COUNTRY SYSTEMS

The Paris Declaration encourages donors to make increasing use of country systems that commit to providing aid for agreed purposes. For that aid which is directed to the government, the use of country systems in Afghanistan compares well to other aid-receiving countries. The main challenge now is to increase the proportion of aid for government sectors.

The use of country systems in the case of projects/programmes means that all projects/programmes funded through the core development budget (channelled through the government's Treasury), should be authorised in the annual core development budget and receive allotments from the budget department of the Ministry of Finance. The cheques should be issued by the Treasury Department of the Ministry of Finance. The Treasury Department is responsible for maintaining special accounts for each of the bilateral contributions to ensure funds provided are

INDICATOR 5
Table 1. 3

How much aid for the government sectors uses country systems?

	Aid disbursed by donors for government sector (USD m) a	Public financial management: Budget execution (USD m) b	Public financial management: Financial reporting (USD m) c	Public financial management: Auditing (USD m) d	Public financial management: Baseline ratio (%) avg (b,c,d) / a	Procurement: Procurement systems (USD m) e	Procurement: Baseline ratio (%) e /a
Asian Dev. Bank	35	24	24	24	67%	0	0%
Australia	5	--	--	--	--	--	--
Canada	88	44	44	44	50%	44	50%
Denmark	20	10	10	10	50%	10	50%
European Commission	137	0	0	0	0%	0	0%
Finland	2	0	0	0	0%	0	0%
France	4	4	0	0	33%	0	0%
GAVI Alliance	2	0	0	2	33%	0	0%
Germany	83	22	0	0	9%	22	27%
Global Fund	2	2	2	0	67%	0	0%
India	198	0	0	0	0%	0	0%
Japan	58	9	9	9	15%	9	15%
Netherlands	52	31	31	31	60%	31	60%
Norway	27	22	22	22	83%	22	83%
Sweden	13	13	13	13	100%	13	100%
Switzerland	13	0	0	0	0%	1	4%
Turkey	16	0	0	0	0%	16	100%
United Kingdom	80	80	80	80	100%	80	100%
United Nations	118	0	0	0	0%	0	0%
United States	92	92	92	92	100%	92	100%
World Bank	218	218	218	218	100%	218	100%
Total	**1 262**	**571**	**545**	**545**	**44%**	**558**	**44%**

used for the right purpose. It is also responsible for collecting financial data and compiling financial statements of all projects/programmes funded through the core budget for the state. The Control and Audit Office is the supreme audit institution in Afghanistan, responsible for auditing financial statements and accounting transactions of those entities that receive funding from the Afghanistan budget.

Afghanistan has not yet been included in the World Bank's Country Policy and Institutional Assessment process, which will be used to set targets for Indicators 5(a) and 5(b), but government and donors will need to make a concerted effort if there is to be progress in these areas.

In 2005, an average of 44% of aid to the government sector used the government's budget execution, financial reporting or audit systems, and 44% was disbursed using its procurement systems.

In 2005, over 75% of external assistance was channelled outside the government's financial management systems. The reasons for this include lack of absorptive capacity for line ministries in budget execution, lack of confidence by donors in the public financial management system and the complicated procurement process in government. Survey respondents point to resources for the quick delivery of essential services and life-saving humanitarian aid. A large number of UN resources are channelled outside the government sector with agreement from the government, due to the nature of the assistance. For instance, in support of the National Strategy Against the Avian Flu, the Ministry of Public Health requested that USAID channel resources directly to the World Health Organisation (instead of through the Treasury). The same can be said for humanitarian assistance provided to women,

men and children affected by the drought, flood, adverse winter conditions and conflict in the South and Southeast.

Government efforts to improve its core budget process (see above) should eventually allow donors to provide a greater proportion of assistance using Afghan systems. For this to happen, though, work to implement existing policies in line ministries and provinces must be sustained. Equally, donors need to have realistic expectations about financial reporting and auditing in the current circumstances. As noted above, the government is also reworking its procurement processes. Some government ministries are exploring hybrid methods of procurement in order to satisfy donor countries' laws and regulations concerning fiduciary oversight and procurement. For example, the Ministry of Education used their own procurement, approval and distribution systems for the printing of USD 6 million worth of textbooks. An international non-governmental organisation held the money and released payment after the ministry approved the textbooks. This allowed for capacity development within the government of Afghanistan and ownership over resources, while fulfilling the international fiduciary oversight required by foreign capitals. In the meantime, donors should ensure that that their own procurement processes are as efficient as possible – there are particular concerns in Afghanistan about the impact of long sub-contracting chains and tied aid (see below). It should be pointed out, though, that sub-contracting allows for more Afghan employment. The government encourages all donors to the extent possible to use Afghan labour and goods and services on projects. First-level contracts are normally awarded to international firms, given the low capacity in the Afghan private sector for international competitive bidding.

AVOIDING PARALLEL IMPLEMENTATION STRUCTURES

The Paris Declaration invites donors to "avoid to the maximum extent possible, creating dedicated structures for day-to-day management and implementation of aid-financed projects and programmes". Parallel implementation structures can undermine government institutions and capacity, and limit alignment with government priorities and processes.

INDICATOR 6
Table 1. 4

How many PIUs are parallel to country structures?

	Parallel PIUs (units)
Asian Dev. Bank	0
Australia	--
Canada	0
Denmark	0
European Commission	0
Finland	0
France	0
GAVI Alliance	0
Germany	0
Global Fund	0
India	0
Japan	0
Netherlands	0
Norway	0
Sweden	0
Switzerland	1
Turkey	0
United Kingdom	2
United Nations	23
United States	2
World Bank	0
Total	**28**

There are 28 documented parallel project implementation units (PIUs) in Afghanistan. However, this certainly understates the real number. Donors have legitimate concerns about the capacity of sectoral ministries to implement projects and programmes, but there are in turn significant worries about the impact of PIUs on this capacity. The disparity of pay and conditions between PIU staff and line ministry staff can create conflict, and may even draw well-qualified Afghans away from government jobs. It is interesting to note, though, that line ministries with well-established PIUs have tended to execute a larger proportion of their budget than those without PIUs.

Although according to the World Bank's Aid Effectiveness Review, to date there has been no attempt to phase out or consolidate parallel PIUs, some UN agencies are exploring the possibility.

INDICATOR 7
Table 1. 5

Are disbursements on schedule and recorded by government?

	Disbursements recorded by government in FY05 (USD m) a	Aid scheduled by donors for disbursement in FY05 (USD m) b	Aid actually disbursed by donors in FY05 (USD m) FOR REFERENCE ONLY	Baseline ratio* (%) c=a/b	c=b/a
Asian Dev. Bank	58	39	35		67%
Australia	11	5	5		44%
Canada	112	88	88		78%
Denmark	20	10	20		50%
European Commission	150	146	137		97%
Finland	0	2	2	9%	
France	0	4	4	0%	
GAVI Alliance	0	3	2	0%	
Germany	33	0	83		0%
Global Fund	--	2	2		
India	38	0	198		0%
Japan	91	58	58		64%
Netherlands	56	52	52		92%
Norway	31	59	27	51%	
Sweden	19	13	13		69%
Switzerland	19	12	13		64%
Turkey	0	16	16	0%	
United Kingdom	180	100	80		56%
United Nations	7	141	118	5%	
United States	406	92	92		23%
World Bank	38	218	218	17%	
Total	**1 267**	**1 061**	**1 262**	**84%**	

* Baseline ratio is c = a / b except where disbursements recorded by government are greater than aid scheduled for disbursement (c = b /a).

If the target of a two-thirds reduction in the stock of parallel PIUs is to be met in Afghanistan, donors and the government must do more to achieve a balance between short-term efficiency and long-term capacity. Given the real capacity constraints in Afghan agencies, donors will need to ensure that existing PIUs are effective in transferring skills and knowledge, and guard against actions that might damage existing capacity (*e.g.* poaching staff from Afghan agencies).

PROVIDING MORE PREDICTABLE AID

According to survey responses, 84% of ODA to Afghanistan is disbursed within the financial year for which it is scheduled. In Afghanistan, the predictability of aid is slightly lower for general budget support (which accounted for 29% of ODA scheduled), with only 71% being disbursed within the scheduled fiscal year. Many of the challenges identified above related to "aligning aid to national priorities" are also pertinent for progress towards the target of 92% of aid to Afghanistan being disbursed within the scheduled financial year. Donors sometimes carry over un-disbursed funds, or disburse funds due to emergencies. Scheduled amounts are not always reported. The government is now developing a unified donor reporting format. It is not yet clear whether donors will agree to this format, but it could provide the basis for more predictable aid.

The table looks at predictability from two different angles. The first angle is donors' and government's combined ability to disburse aid on schedule. In Afghanistan, donors scheduled USD 1 060 million for disbursement in 2005 and actually disbursed – according to their own records – significantly more than expected (USD 1 262 million). The second angle is donors'

and government's ability to record comprehensively disbursements made by donors for the government sector. In Afghanistan, government systems recorded USD 1 267 million out of the USD 1 262 million notified as disbursed by donors (100%) suggesting that the government captures comprehensively donors' disbursements.

Indicator 7 on predictability has been designed to encourage progress against both of these angles so as to gradually close the predictability gap by half by 2010. In other words it seeks to improve not only the predictability of actual disbursements but also the accuracy of how they are recorded in government systems – an important feature of ownership, accountability and transparency. In Afghanistan, this combined predictability gap amounts to USD 206 million. Closing this predictability gap will require donors and government to work increasingly together on various fronts at the same time. In Afghanistan efforts need to concentrate mainly on the realism of predictions on volume and timing of expected disbursements.

UNTYING AID

INDICATOR 8

In OECD data, 44% of ODA to Afghanistan is reported as untied. The Afghanistan Reconstruction Trust Fund, administered by the World Bank with a range of other multilateral partners, is an important source of untied aid. It also fulfils recurrent cost requirements and it reimburses against eligible expenditures (which ever ones are submitted by the Government) rather than specific activities.

However, 56% of aid to Afghanistan is unreported in terms of its tied/untied status. It is highly likely that much of this is tied. The improvements to procurement systems discussed above should foster the untying of aid to Afghanistan.

HARMONISATION

IT IS CRITICAL that donors step up co-ordination in Afghanistan, given the limited capacity of the government to implement aid-funded projects and programmes in the short term.

USING COMMON ARRANGEMENTS

The government of Afghanistan developed national programmes in a range of sectors (including health, education and rural development) as part of the process of drawing up its development strategy. Funding these programmes jointly provides a means for donors to harmonise their procedures, but also promotes alignment with government priorities. Currently, there are few donor-funded programme-based approaches (PBAs). The government has, however, initiated Program Based Budgeting that it

INDICATOR 9
Table 1. 6

How much aid is programme based?

	Budget support (USD m) a	Other PBAs (USD m) b	Total (USD m) c=a+b	Total disbursed (USD m) d	Baseline ratio (%) e=c/d
Asian Dev. Bank	25	0	25	35	71%
Australia	4	12	16	16	100%
Canada	44	23	67	88	76%
Denmark	10	10	20	29	67%
European Commission	108	31	139	229	61%
Finland	0	0	0	11	0%
France	0	0	0	20	0%
GAVI Alliance	0	2	2	2	100%
Germany	0	0	0	85	0%
Global Fund	0	2	2	2	100%
India	0	0	0	198	0%
Japan	--	--	--	--	--
Netherlands	31	30	61	61	100%
Norway	14	11	25	59	42%
Sweden	13	0	13	44	30%
Switzerland	0	5	5	17	30%
Turkey	0	0	0	16	0%
United Kingdom	80	0	80	113	71%
United Nations	0	50	50	355	14%
United States	92	132	224	770	29%
World Bank	80	137	217	218	100%
Total	**559**	**485**	**1 043**	**2 437**	**43%**

INDICATOR 10a
Table 1. 7

How many donor missions are co-ordinated?

	Co-ordinated donor missions (missions) a	Total donor missions (missions) b	Baseline ratio (%) c=a/b
Asian Development Bank	0	50	0%
Australia	1	1	100%
Canada	0	9	0%
Denmark	1	3	33%
European Commission	0	9	0%
Finland	0	0	--
France	0	3	0%
GAVI Alliance	0	0	--
Germany	1	10	10%
Global Fund	0	2	0%
India	0	5	0%
Japan	0	0	--
Netherlands	2	2	100%
Norway	1	3	33%
Sweden	1	10	10%
Switzerland	0	3	0%
Turkey	71	71	100%
United Kingdom	2	14	14%
United Nations	53	92	58%
United States	12	20	60%
World Bank	0	56	0%
Total (discounted*)	**94**	**363**	**26%**

* The total of co-ordinated missions has been adjusted to avoid double counting. A discount factor of 35% has been applied.

has piloted in three ministries in the first year before implementing it across the line. This initiative is aimed at developing comprehensive and marketable programmes that sidestep inflated national budgets crowded by a massive number of small and medium-sized projects (some of which hardly get funded). There were some national priority programmes developed by the government, but with very mixed results. One of the main obstacles is overlapping and fluid ministerial responsibilities that make it difficult for PBAs to evolve. This exercise is building on the lessons learned from the past to formulate more clear PBAs.

As indicated in the table, 43% of aid disbursed to Afghanistan in 2005 took the form of programme-based approaches. Of this, 57% was direct budget support. Donors are increasingly using common arrangements in Afghanistan: the Afghanistan Reconstruction Trust Fund provides a focus for common arrangements, and donors (including United Kingdom, Germany, European Community and the World Bank) have developed joint financing arrangements. Though the Fund is supported by 24 donors, the proportion of their contribution is relatively small.

The Law and Order Trust Fund for Afghanistan and the Counter-Narcotics Trust Fund administered by the UNDP with a broad range of other partners (United States, European Commission, Germany, Finland, Belgium, Switzerland, Netherlands, Canada, Norway, Ireland, Japan, Australia, Cyprus, Estonia, New Zealand and

INDICATOR 10b
Table 1. 8

How much country analysis is co-ordinated?

	Co-ordinated donor analytical work (units) a	Total donor analytical work (units) b	Baseline ratio (%) c=a/b
Asian Development Bank	0	4	0%
Australia	--	--	--
Canada	2	3	67%
Denmark	1	3	33%
European Commission	0	3	0%
Finland	0	0	--
France	0	1	0%
GAVI Alliance	0	0	--
Germany	0	2	0%
Global Fund	0	0	--
India	2	2	100%
Japan	0	1	0%
Netherlands	0	0	--
Norway	1	3	33%
Sweden	8	25	32%
Switzerland	0	0	--
Turkey	5	5	100%
United Kingdom	0	8	0%
United Nations	42	73	58%
United States	0	6	0%
World Bank	5	8	63%
Total (discounted*)	**50**	**147**	**34%**

* The total of co-ordinated analysis has been adjusted to avoid double counting. A discount factor of 25% has been applied.

United Kingdom) are good examples of initiatives that embrace untied aid and programme-based approaches. Yet low capacity within the Afghan governmental structures bars the effective delivery of trust fund resources and the implementation of individual projects under the national programme. Here again, capacity building is critical.

CONDUCTING JOINT MISSIONS AND SHARING ANALYSIS

Survey responses suggest that 26% of missions conducted in Afghanistan were joint. However, the UN agencies accounted for the vast majority of missions (92 missions) and also reported that more than 58% of these were joint. Although this is a relatively low proportion, it compares well with other aid-receiving countries, and puts Afghanistan within reach of the 2010 target of 40% joint missions. That said, donors need to be aware of the costs of uncoordinated missions in terms of government capacity, particularly in a post-conflict environment such as Afghanistan.

Only 34% of donor country analytical work was conducted jointly in 2005. This falls well short of the target of 66% joint country analytical work by 2010. The Consultative Groups mechanism established as part of the process leading towards the new Afghanistan National Development Strategy provides an obvious starting point for launching more joint analysis among donors, and also for sharing this analysis with government and other stakeholders.

MANAGING FOR RESULTS

INDICATOR 11

MANAGING FOR RESULTS IS KEY to enhancing aid effectiveness. The Paris Declaration calls on donors to work alongside partner countries to manage resources on the basis of desired results, and to use information effectively to improve decision making. Indicator 11 focuses on one component of managing for results: the establishment by the partner country of a cost-effective, transparent and monitorable performance and assessment framework. Afghanistan was not included in the World Bank's 2005 Comprehensive Development Framework analysis, which will be used to set baselines and targets for Indicator 11. The following assessment is based on the World Bank's 2006 Aid Effectiveness Review.

Despite significant limitations of quality and coverage in development information in Afghanistan, there are noteworthy achievements. The 2003 and 2005 National Risk and Vulnerability surveys provided elements of a baseline for poverty reduction programmes and work is underway to develop a household survey programme. A major challenge for Afghanistan as it moves forward will be to connect different monitoring and tracking systems to inform policy making and budget formulation. The Statistical Master Plan recognises these problems, and intends to establish reliable baselines for quantitative indicators by the middle of 2007 and complete a census by 2008. The government has emphasised transparency of development information: up-to-date information on the development strategy is available on a government website in English and local languages, and comprehensive financial reports are published monthly by the Ministry of Finance on its website. However, tracking and monitoring systems for the government development strategy are still in the early stages.

MUTUAL ACCOUNTABILITY

INDICATOR 12

THE PARIS DECLARATION calls for donors and partner countries to be accountable to each other for the use of development resources, and in a way that strengthens public support for national policies and development assistance. This in turn requires governments to improve country accountability systems and donors to help by being transparent about their own contributions.

Indicator 12 measures one important aspect of mutual accountability: whether country-level mutual assessments of progress in implementing agreed commitments take place. The Afghanistan Compact between the government of Afghanistan and its donors includes a number of promises on both sides to improve the quality of development assistance in line with Paris Declaration commitments. A Joint Coordination and Monitoring Board, co-chaired by a senior Afghan official appointed by the President and the Special Representative of the UN Secretary-General for Afghanistan, has been established to produce regular public reports of the Compact's implementation and had its fourth meeting in early 2007 in Berlin. The established structure now needs to be made operational and both parties need to make clear commitments of how they will become more accountable and transparent in planning and implementing aid efforts.

BASELINES AND TARGETS

THE TABLE BELOW presents the 2005 baselines and targets for Afghanistan. The information is discussed in detail in the above chapter and draws from various sources of information. The main source is the baseline survey undertaken in Afghanistan under the aegis of the National Co-ordinator (Mustapha Aria).

Table 1. 9 Baselines and targets

INDICATORS		2005 BASELINE	2010 TARGET
1	Ownership – Operational PRS	Not available	Not applicable
2a	Quality of PFM systems	Not available	Not applicable
2b	Quality procurement systems	Not available	Not applicable
3	Aid reported on budget	55%	85%
4	Co-ordinated capacity development	37%	50%
5a	Use of country PFM systems (aid flows)	44%	Not applicable
5b	Use of country procurement systems (aid flows)	44%	Not applicable
6	Parallel PIUs	28	9
7	In-year predictability	84%	92%
8	Untied aid	44%	More than 44%
9	Use of programme-based approaches	43%	66%
10a	Co-ordinated missions	26%	40%
10b	Co-ordinated country analytical work	34%	66%
11	Sound performance assessment framework	Not available	Not applicable
12	Reviews of mutual accountability	Yes	Yes

ACRONYMS

GDP gross domestic product
GNI gross national income
ODA official development assistance
PBA programme-based approach
PFM public financial management
PIU project implementation unit

2 ALBANIA

WITH A POPULATION OF 3.2 MILLION, Albania has seen its average annual income rise from USD 1 390 in 2002 to USD 2 080 in 2004 (gross national income per capita). According to the latest survey, conducted in 2002, less than 2% of the population lived below the dollar-a-day international poverty line, with 12% falling below the two-dollars-a-day threshold. In 2004, net official development assistance (ODA) to Albania was USD 362 million, up from USD 309 million in 2002. As a percentage of gross national income (GNI), net ODA in 2004 amounted to 4.7%, down from 6.7% in 2002.

Albania has endorsed the Paris Declaration on Aid Effectiveness. Thirty donors have responded to the 2006 survey; together, they account for at least 93% of ODA. Such a high response rate reflects the efforts that have been made to ensure that all donors in Albania understand the importance of the Paris Declaration.

OVERVIEW Box 1. 1 Challenges and priority actions

DIMENSIONS	BASELINE	CHALLENGES	PRIORITY ACTIONS
Ownership	Moderate	Limited integration of various strategies and plans.	Complete and implement the National Strategy for Development and Integration.
Alignment	Low	Uncoordinated systems for recording aid.	Government to implement reforms to public financial management and procurement systems.
Harmonisation	Low	Limited use of programme-based approaches.	Donors to co-ordinate missions and share analysis.
Managing for results	Low	Data is of insufficient quality, and untimely.	Establish country-level monitoring and evaluation system for National Strategy for Development and Integration.
Mutual accountability	Low	Lack of mechanism for mutual assessment.	Finalise Harmonization Action Plan and ensure it includes a monitoring system.

OWNERSHIP

INDICATOR 1

OWNERSHIP IS CRUCIAL TO AID EFFECTIVENESS and good development results, and is central to the Paris Declaration. It has been defined in terms of a country's ability to exercise effective leadership over its development policies and strategies. Achieving this is not a simple undertaking, especially in countries that rely heavily on aid to finance their development. Nor of course, can it be measured by a single indicator. Indicator 1 provides an entry point to the issue of ownership, focusing in particular on whether a country has an operational development strategy, with which donors can align their development assistance.

Albania received – along with 58% of the sampled countries – a C rating for its development strategies in the World Bank's 2005 Comprehensive Development Framework assessment. This assessment is made on the basis of a range of criteria: whether the country has a long-term vision, with medium-term strategy derived from that vision; whether there are country-specific development targets with holistic, balanced and well-sequenced strategy; and whether there are the capacity and resources for implementation.

The World Bank's Aid Effectiveness Review for 2006 explains that the long-term vision for Albania is to be a member of the European Union (EU) and NATO. In June 2006, Albania signed a Stabilization and Association Agreement with the EU, completing the first step towards EU accession. The country's medium-term strategy is set out in the National Strategy for Socio-Economic Development (Albania's Poverty Reduction Strategy).

Albania is pursuing medium-term policies consistent with its vision of EU accession, but most of these policies are not integrated with the National Strategy for Socio-Economic Development. Efforts are being made to integrate Albania's economic, political, social and developmental goals through a process referred to as the Integrated Planning System. This will cumulate in a revised national strategy, the National Strategy for Development and Integration (NSDI), that will span the years 2007-13.

The National Strategy for Socio-Economic Development incorporates the Millennium Development Goals (MDGs), and aims to solidify the link between the strategy's targets and the MDGs. The country is now reinforcing the relationship between the National Strategy for Socio-Economic Development (and its successor) and the Stabilization and Association process.

An annually updated Medium-Term Budgetary Process connects plans and budgets. However, the co-existence of various plans and strategies has in recent years generated duplication and weakened the link between plans and resource allocation processes. Once the various plans and strategies are integrated, it will be easier for the government to prioritise and make decisions about resource allocation. Already, the 2006 budget reflects processes that are better integrated with the country's plans and strategies.

In its Aid Effectiveness Review for 2006, the World Bank reports that Albania's government has made a solid effort to take the lead in co-ordinating external assistance. To this end, it recently established the Department of Strategy and Donor Coordination (DSDC, located within the Council of Ministers).

The DSDC was designed to:

- Co-ordinate the implementation of the Integrated Planning System (IPS), that ensures that the government's priorities (including the requirements for EU and NATO integration) are fully reflected in the core government policy and financial planning processes.
- Co-ordinate the formulation and monitoring of the National Strategy for Development and Integration in which the government's priorities will be articulated. The National Strategy is based on a new strategic planning methodology that calls upon all ministries to develop their respective sector strategies and a limited number of cross-cutting strategies.
- Ensure that external assistance effectively supports implementation of the government's priorities.

Since its creation in January 2006, the DSDC has:

- Ensured that the work of two new committees of the Cabinet office, the Strategic Planning Committee (under the Prime Minister) and the Government Modernization Committee (under the Deputy Prime Minister), is fully supported.
- Prepared instructions and standards for the sector and cross-cutting strategies that underpin the National Strategy, provided extensive comments to the first drafts, put on track the consultation process with domestic stakeholders and the donor community, and prepared the first draft of the National Strategy.
- Designed the donor co-ordination functions in order to take over the responsibility from other government agencies and offer the first port of call for donor partners. In addition, it is responsible for organising the major co-ordination activities such as the donor-government roundtable and the IPS support group (policy-level advisory board). During 2007, the DSDC plans to develop an external assistance strategy tied to the National Strategy for Development and Integration.

To co-ordinate the technical assistance it receives and to streamline the support line ministries receive on the core government policy and financial planning processes, the DSDC has been a key player in the preparation of the Integrated Planning System Trust Fund, which will pool donor community contributions.

Civil society has been invited to the drafting table for sector and cross-cutting strategies that feed the NSDI. Parliamentary engagement in the formulation and implementation of development strategies has been patchy, although the government has sought to improve matters.

Overall, the picture of ownership in Albania is reasonably positive. The new National Strategy for Development and Integration provides grounds for cautious optimism that a B rating – the target for Indicator 1 of the Paris Declaration – is attainable by 2010.

ALIGNMENT

FOR AID TO BE EFFECTIVE, it must be aligned with national development strategies and plans. Indicators 2 to 8 of the Paris Declaration seek to assess the degree of alignment attained, looking at a number of dimensions of alignment. Alignment of aid in Albania remains relatively weak, as donors do not consider the country's public financial management (PFM) and particularly procurement systems to be of sufficient quality, and there is no co-ordination in recording and reporting on aid.

BUILDING RELIABLE COUNTRY SYSTEMS

Albania, currently an International Development Association (IDA) country, received a score of 4.0 (on a scale of 1 to 6) under the World Bank's Country Policy and Institutional Assessment for 2005 for the quality of its public financial management systems. This puts the country some way above the average of 3.2 for all IDA countries.

Albania became eligible for World Bank lending in 2006. At the same time, the country is still eligible for IDA borrowing. Albania is expected to fully graduate from IDA to World Bank only in 2008. Until then, the country will receive a blend of both IDA and World Bank resources.

The World Bank's Aid Effectiveness Review for 2006 notes that aligning country systems with EU standards – a goal that must be reached before the long-term vision of EU membership is attained – is a challenge. The government has an ambitious reform agenda, aiming to strengthen revenue administration, debt management, tax administration and audit functions, as well as tackle civil-service reform. Meeting the 2010 target of a CPIA score of 4.5 will require that such reforms are implemented with determination and urgency. Reforms are also being undertaken to increase transparency in public procurement, with, for instance, the amendment of the Law on Public Procurement in 2004. However, considerable problems with procurement remain.

Albania was placed 126th out of 158 countries in Transparency International's 2005 Corruption Perceptions index. The new government, formed in September 2005, is committed to tackling corruption.

INDICATOR 3
Table 2.1

Are government budget estimates comprehensive and realistic?

	Government's budget estimates of aid flows for FY05 (USD m) a	Aid disbursed by donors for government sector in FY05 (USD m) b	Baseline ratio* (%) c=a/b c=b/a
Austria	--	3	
Canada	--	1	
CEB	--	8	
Council of Europe	--	0	
Czech Republic	--	0	
Denmark	--	0	
EBRD	--	19	
European Commission	--	56	
EIB	--	10	
France	--	0	
Germany	--	13	
Greece	--	16	
Hungary	--	0	
IFAD	--	3	
IMF	--	0	
Islamic Dev. Bank	--	10	
Italy	--	21	
Japan	--	15	
Korea	--	0	
Kuwait	--	1	
Netherlands	--	2	
Norway	--	6	
OPEC Fund	--	1	
OSCE	--	3	
Spain	--	2	
Sweden	--	5	
Switzerland	--	5	
United Kingdom	--	3	
United Nations	--	5	
United States	--	0	
World Bank	--	63	
Total	**85**	**269**	**32%**

* Baseline ratio is c = a / b except where government's budget estimates are greater than disbursements (c = b /a).

ALIGNING AID FLOWS ON NATIONAL PRIORITIES

Indicator 3 seeks to assess the degree to which aid flows are aligned with national priorities, using the proportion of aid recorded in the budget as a proxy. The baseline survey for Albania shows 32% of aid being recorded in the national budget. This is a considerable way off the 2010 target of 85%.

The table provides government's budget estimates of aid flows for fiscal year 2005 (numerator) as a percentage of aid disbursed by donors for the government sector for the same period (denominator). This ratio tells us the degree to which there is a discrepancy between budget estimates and actual disbursements. The discrepancy can be in two directions: indeed budget estimates can be either higher or lower than disbursements. In order to have a single measure of discrepancy that is always less than 100%, the ratio is flipped when budget estimates are higher than disbursements.

The gap between aid and aid recorded on the budget results from the fact that the country has lacked a co-ordinated system for reporting aid. Donors have tended to deal with particular line ministries, and their contributions have not in the past been centrally recorded. The government is streamlining mechanisms for reporting aid to central ministries so that

it can be reflected in the national budget. The establishment of the Department for Strategy and Donor Coordination, the implementation of the Integrated Planning System, and the setting up of a new Department of Public Investment Management, along with related initiatives, are expected to shore up the process. It is equally important that donors appreciate the importance of reporting aid to the Ministry of Finance, rather than just to the particular ministry or government agency.

CO-ORDINATING SUPPORT TO STRENGTHEN CAPACITY

Under the Paris Declaration, donors pledge to provide a greater proportion of their technical assistance in a manner which is co-ordinated with country programmes. For Albania, the baseline survey reports that 28% of technical assistance is co-ordinated with country programmes.

If the 2010 target of 50% is to be reached, government and donors will have to make a concerted effort. The government will need to set out its capacity development needs more clearly, and donors will need to provide technical assistance in a manner which supports these needs. Some progress is being made under the Integrated Planning System, as donors provide more joint support and the government identifies more clearly the country's technical assistance needs. The implementation of a Multi-Donor Trust Fund to support the implementation of the IPS, managed by the World Bank, should also improve the nature of technical assistance.

INDICATOR 4
Table 2.2

How much technical assistance is co-ordinated with country programmes?

	Co-ordinated technical co-operation (USD m) a	Total technical co-operation (USD m) b	Baseline ratio (%) c=a/b
Austria	0	1	38%
Canada	0	1	1%
CEB	--	--	--
Council of Europe	0	0	36%
Czech Republic	0	0	0%
Denmark	0	0	--
EBRD	0	0	0%
European Commission	6	32	20%
EIB	--	--	--
France	--	0	--
Germany	0	6	2%
Greece	1	3	31%
Hungary	0	0	--
IFAD	--	--	--
IMF	0	0	--
Isl.Dev Bank	--	--	--
Italy	2	9	18%
Japan	--	--	--
Korea	--	--	--
Kuwait	--	--	--
Netherlands	1	1	70%
Norway	0	0	0%
OPEC Fund	--	--	--
OSCE	3	3	100%
Spain	0	2	0%
Sweden	5	9	64%
Switzerland	4	8	51%
United Kingdom	3	3	89%
United Nations	2	6	26%
United States	0	46	0%
World Bank	17	25	67%
Total	**44**	**156**	**28%**

INDICATOR 5
Table 2.3

How much aid for the government sectors uses country systems?

	Aid disbursed by donors for government sector (USD m) a	Public financial management: Budget execution (USD m) b	Public financial management: Financial reporting (USD m) c	Public financial management: Auditing (USD m) d	Public financial management: Baseline ratio (%) avg (b,c,d) / a	Procurement: Procurement systems (USD m) e	Procurement: Baseline ratio (%) e /a
Austria	3	0	0	0	0%	0	0%
Canada	1	0	0	0	0%	0	0%
CEB	8	--	--	--	--	--	--
Council of Europe	0	0	0	0	0%	0	0%
Czech Republic	0	0	0	0	0%	0	100%
Denmark	0	0	0	0	--	0	--
EBRD	19	0	0	0	0%	0	0%
European Commission	56	4	4	4	7%	4	7%
EIB	10	--	--	--	--	--	--
France	0	--	--	--	--	--	--
Germany	13	0	0	9	23%	1	10%
Greece	16	4	4	4	25%	4	25%
Hungary	0	0	0	0	--	0	--
IFAD	3	--	--	--	--	--	--
IMF	0	0	0	0	--	0	--
Islamic Dev. Bank	10	--	--	--	--	--	--
Italy	21	0	0	0	0%	0	0%
Japan	15	--	--	--	--	--	--
Korea	0	--	--	--	--	--	--
Kuwait	1	--	--	--	--	--	--
Netherlands	2	0	0	0	0%	0	0%
Norway	6	0	0	0	0%	0	0%
OPEC Fund	1	--	--	--	--	--	--
OSCE	3	0	0	0	0%	0	0%
Spain	2	0	0	0	0%	0	0%
Sweden	5	0	0	0	0%	0	0%
Switzerland	5	0	5	5	67%	5	100%
United Kingdom	3	0	0	0	0%	0	0%
United Nations	5	1	0	0	4%	1	19%
United States	0	0	0	0	--	0	--
World Bank	63	39	27	5	37%	0	0%
Total	**269**	**47**	**39**	**26**	**14%**	**15**	**6%**

USING COUNTRY SYSTEMS

The Paris Declaration encourages donors to make increasing use of country systems for public financial management and procurement where these are of sufficient quality to merit their use.

Despite the fact that Albania received a rating of 4.0 for its PFM systems, the baseline survey reports that, averaged across all three components, 14 % of aid makes use of the country's PFM systems. For procurement, only 6% of aid does so.

With a rating of 4.0 for its PFM systems, the 2010 target is that 43% of aid makes use of Albania's PFM systems, averaged across the three components. Given the current state of play, this target is ambitious.

Progress will require, first and foremost, the implementation of the government's planned reforms to its PFM systems. Only then can other donors make more extensive use of the country's systems. The same logic applies to use of procurement systems: this will not happen until the systems themselves are made more reliable.

AVOIDING PARALLEL IMPLEMENTATION STRUCTURES

The Paris Declaration calls for a substantial reduction in the number of project implementation units (PIUs) that are parallel in the sense that appointment decisions and accounting relationships involve the donor alone. In Albania, donors have established a total of 57 parallel PIUs. The 2010 target (a two-thirds reduction in the number of parallel PIUs) is to reduce the number to 18 or less.

Some donors, particularly the World Bank, have begun to phase out parallel PIUs. Others have expressed an interest in moving in this direction, but have not yet launched the process. An interim measure being considered is to establish one PIU for each implementing ministry or government agency. Such a move is to be strongly encouraged.

INDICATOR 6
Table 2.4

How many PIUs are parallel to country structures?

	Parallel PIUs (units)
Austria	1
Canada	0
CEB	--
Council of Europe	0
Czech Republic	0
Denmark	0
EBRD	0
European Commission	11
EIB	--
France	--
Germany	17
Greece	0
Hungary	0
IFAD	--
IMF	0
Islamic Dev. Bank	--
Italy	5
Japan	--
Korea	--
Kuwait	--
Netherlands	2
Norway	1
OPEC Fund	--
OSCE	3
Spain	0
Sweden	0
Switzerland	0
United Kingdom	1
United Nations	6
United States	0
World Bank	10
Total	**57**

INDICATOR 7
Table 2.5

Are disbursements on schedule and recorded by government?

	Disbursements recorded by government in FY05 (USD m) a	Aid scheduled by donors for disbursement in FY05 (USD m) b	Aid actually disbursed by donors in FY05 (USD m) FOR REFERENCE ONLY	Baseline ratio* (%) c=a/b	c=b/a
Austria	0	3	3	0%	
Canada	--	1	1		
CEB	6	8	8	73%	
Council of Europe	0	0	0	0%	
Czech Republic	0	0	0	0%	
Denmark	0	0	0		
EBRD	7	20	19	36%	
European Commission	24	66	56	37%	
EIB	10	10	10		100%
France	0	0	0	0%	
Germany	8	13	13	64%	
Greece	0	0	16		
Hungary	0	0	0		
IFAD	3	3	3	94%	
IMF	0	0	0		
Islamic Dev. Bank	8	10	10	79%	
Italy	3	0	21		0%
Japan	1	15	15	6%	
Korea	--	0	0		
Kuwait	1	1	1		96%
Netherlands	0	2	2	11%	
Norway	0	0	6		
OPEC Fund	0	1	1	20%	
OSCE	0	4	3	0%	
Spain	0	0	2		
Sweden	0	5	5	0%	
Switzerland	0	5	5	0%	
United Kingdom	0	3	3	0%	
United Nations	--	4	5		
United States	0	0	0		
World Bank	37	48	63	77%	
Total	**108**	**222**	**269**	**49%**	

* Baseline ratio is c = a / b except where disbursements recorded by government are greater than aid scheduled for disbursement (c = b /a).

PROVIDING MORE PREDICTABLE AID

Recipient countries are better able to plan and make effective use of aid when aid is provided in a predictable manner. Indicator 7 seeks to assess the in-year predictability of aid, measuring the proportion of planned disbursements (as reported by donors), that are recorded by government in the national accounting system as having been disbursed.

The table looks at predictability from two different angles. The first angle is donors' and government's combined ability to disburse aid on schedule. In Albania, donors scheduled USD 222 million for disbursement in 2005 and actually disbursed – according to their own records – slightly more than expected (USD 269 million). The discrepancy varies considerably among donors and is mainly due to late disbursements carried over to 2005 and to delays in implementing programmes. The second angle is donors' and government's ability to record comprehensively disbursements made by donors for the government sector. In Albania, government systems recorded USD 108 million out of the USD 269 million notified as disbursed by donors (40%), indicating that a significant proportion of disbursements were not captured, either because they were not appropriately notified by donors or because they were inaccurately recorded by government.

Indicator 7 on predictability has been designed to encourage progress against both of these angles so as to gradually close the predictability gap by half by 2010. In other words, it seeks to improve not only the predictability of actual disbursements but also the accuracy of how they are recorded in government systems – an important feature of ownership, accountability and transparency. In Albania, this combined predictability gap amounts to USD 99 million (49% of aid scheduled for disbursement). Closing this predictability gap will require donors and government to work increasingly together on various fronts at the same time. They might work at improving:

- the realism of predictions on volume and timing of expected disbursements;
- the way donors notify their disbursements to government;
- the comprehensiveness of government's records of disbursements made by donors.

UNTYING AID

INDICATOR 8

According to OECD data covering 44% of 2004 commitments, 59% of aid to Albania is untied. This leaves considerable room for the progress on aid untying to which donors are committed under the Paris Declaration.

HARMONISATION

DONOR FRAGMENTATION imposes transaction costs on recipient countries. Indicators 9 and 10 of the baseline survey measure various elements of harmonisation. In Albania, there is substantial room for progress. Donors need to make more use of programme-based approaches, and – with government leadership – do more to co-ordinate their missions and share their country analysis.

INDICATOR 9
Table 2.6

How much aid is programme based?

	Budget support (USD m) a	Other PBAs (USD m) b	Total (USD m) c=a+b	Total disbursed (USD m) d	Baseline ratio (%) e=c/d
Austria	0	0	0	3	0%
Canada	0	0	0	1	0%
CEB	--	--	--	8	--
Council of Europe	0	0	0	0	0%
Czech Republic	0	0	0	0	0%
Denmark	0	0	0	0	--
EBRD	0	0	0	54	0%
European Commission	4	0	4	56	7%
EIB	0	0	0	10	0%
France	0	0	0	0	0%
Germany	0	0	0	13	0%
Greece	0	0	0	3	0%
Hungary	0	0	0	0	--
IFAD	0	0	0	3	0%
IMF	0	0	0	0	--
Islamic Dev. Bank	0	0	0	10	0%
Italy	0	0	0	14	0%
Japan	0	0	0	15	0%
Korea	0	0	0	0	0%
Kuwait	0	0	0	1	0%
Netherlands	0	0	0	8	0%
Norway	0	0	0	--	--
OPEC Fund	--	--	--	1	--
OSCE	0	0	0	3	0%
Spain	0	0	0	4	0%
Sweden	0	1	1	9	10%
Switzerland	0	3	3	10	31%
United Kingdom	0	0	0	3	0%
United Nations	0	2	2	7	26%
United States	0	0	0	46	0%
World Bank	0	8	8	63	12%
Total	**4**	**13**	**17**	**343**	**5%**

USING COMMON ARRANGEMENTS

Delivering aid through programme-based approaches (PBAs) can reduce the transaction costs associated with aid. Yet in Albania, only 5% of aid is programme based.

PBAs are a relatively new concept for Albania, with only a few donors, led by the multilaterals, making use of them. Commendably, donors are beginning to take up PBAs (for example, supporting the sector-wide approach for education). If the 2010 target of 66% is to be reached, then the use of PBAs will need to branch out to other sectors such as transport, health, decentralisation and public administration reform.

CONDUCTING JOINT MISSIONS AND SHARING ANALYSIS

A total of 257 donor missions were hosted by Albania in the survey period, with only 23 of these missions being co-ordinated. The increasing use of sector-wide approaches (SWAps) should make joint missions more popular. The establishment of an External Assistance Calendar, tracking the main events for each donor, should also help to deliver progress towards the 2010 target of 40% co-ordinated missions.

Almost one-quarter of country analysis was shared, with the UN conducting a large number of its analyses jointly. Donors are cautiously conducting more joint analysis, with the Public Expenditure and Institutional Review (a joint effort between the government, the World Bank and DFID) providing a recent example. However, the 2010 target of 66% will be a stretch.

INDICATOR 10a
Table 2.7

How many donor missions are co-ordinated?

	Co-ordinated donor missions (missions) a	Total donor missions (missions) b	Baseline ratio (%) c=a/b
Austria	1	4	25%
Canada	0	3	0%
CEB	--	--	--
Council of Europe	0	0	--
Czech Republic	0	2	0%
Denmark	0	0	--
EBRD	10	40	25%
European Commission	0	3	0%
EIB	--	--	--
France	--	--	--
Germany	0	14	0%
Greece	0	7	0%
Hungary	0	0	--
IFAD	--	--	--
IMF	--	--	--
Islamic Dev. Bank	--	--	--
Italy	0	30	0%
Japan	--	--	--
Korea	--	--	--
Kuwait	--	--	--
Netherlands	0	2	0%
Norway	2	13	15%
OPEC Fund	--	--	--
OSCE	4	7	57%
Spain	0	0	--
Sweden	3	13	23%
Switzerland	0	0	--
United Kingdom	1	12	8%
United Nations	10	80	13%
United States	0	5	0%
World Bank	5	22	23%
Total (discounted*)	**23**	**257**	**9%**

* The total of co-ordinated missions has been adjusted to avoid double counting. A discount factor of 35% has been applied.

INDICATOR 10b
Table 2.8

How much country analysis is co-ordinated?

	Co-ordinated donor analytical work * (units) a	Total donor analytical work (units) b	Baseline ratio (%) c=a/b
Austria	0	0	--
Canada	1	1	100%
CEB	--	--	--
Council of Europe	0	0	--
Czech Republic	0	1	0%
Denmark	0	0	--
EBRD	0	1	0%
European Commission	0	0	--
EIB	--	--	--
France	0	0	--
Germany	0	4	0%
Greece	1	3	33%
Hungary	0	0	--
IFAD	--	--	--
IMF	--	--	--
Islamic Dev. Bank	--	--	--
Italy	2	3	67%
Japan	--	--	--
Korea	--	--	--
Kuwait	--	--	--
Netherlands	0	1	0%
Norway	0	0	--
OPEC Fund	--	--	--
OSCE	2	2	100%
Spain	0	0	--
Sweden	0	2	0%
Switzerland	0	0	--
United Kingdom	0	0	--
United Nations	15	39	38%
United States	0	8	0%
World Bank	1	9	11%
Total (discounted*)	**17**	**74**	**22%**

* The total of co-ordinated analysis has been adjusted to avoid double counting. A discount factor of 25% has been applied.

MANAGING FOR RESULTS

THE PARIS DECLARATION calls for partner countries and donors to work together to manage resources on the basis of desired results and use information to improve decision making. This means both strengthening the capacity to undertake such management and helping to increase the demand for a focus on results. Indicator 11 focuses on one component of this effort: the establishment of a cost-effective results-oriented reporting and assessment system by the country.

Along with 54% of the countries assessed as part of the World Bank's 2005 review of the Comprehensive Development Framework, Albania received a rating of D for its reporting and assessment system. The rating is based on three criteria: the quality of development information; the degree to which stakeholders have access to it; and the extent to which there is a co-ordinated monitoring and evaluation of the country's development efforts.

The World Bank's Aid Effectiveness Review for 2006 for Albania sees institutional co-ordination, data collection and quality as "important challenges". The Institute of Statistics is building its capacity and improving the quality of its data, but efforts to co-ordinate with line ministries are in their infancy. Public awareness of the government's strategies is reported to be low, as the government has made limited efforts to disseminate development information. In terms of country-level monitoring and evaluation, steps are

being taken to address identified weaknesses. For example, all line ministries now include monitoring and evaluation units, and the government is designing a system to monitor and evaluate the implementation of the National Strategy for Development and Integration. External assistance reporting (EAMIS) is assumed to be one of the sub-components of this larger system.

For Albania, reaching the 2010 target of a B for "managing for results" seems ambitious. The government and donors will have to make considerable strides in the quality of information, stakeholder access to information, and monitoring and evaluation, if the target is to be reached

MUTUAL ACCOUNTABILITY

THE PARIS DECLARATION calls for donors and partner countries to be accountable to each other for the use of development resources, and in a way that tends to strengthen public support for national policies and development assistance. This in turn requires governments to take steps to improve country accountability systems and donors to help by being transparent about their own contributions. This indicator looks at whether there is a country-level mechanism permitting joint assessment of progress in implementing agreed commitments on aid effectiveness, including those in the Declaration itself.

No such mechanism currently exists in Albania. Encouragingly, though, Albania is working with donors to finalise a Harmonization Action Plan that covers both government and donor commitments and actions. This should provide a starting point for mutual assessment and mutual accountability.

BASELINES AND TARGETS

THE TABLE BELOW presents the 2005 baselines and the targets for Albania. The baseline values are taken from the discussion above, which draws on various sources of information. The main source is the baseline survey undertaken in Albania under the aegis of the National Co-ordinators (Albana Vokshi and Mezir Haldeda).

Table 2.9 Baselines and targets

INDICATORS		2005 BASELINE	2010 TARGET
1	Ownership – Operational PRS	C	B or A
2a	Quality of PFM systems	4.0	4.5
2b	Quality procurement systems	Not available	Not applicable
3	Aid reported on budget	32%	85%
4	Co-ordinated capacity development	28%	50%
5a	Use of country PFM systems (aid flows)	14%	43%
5b	Use of country procurement systems (aid flows)	6%	Not applicable
6	Parallel PIUs	57	19
7	In-year predictability	49%	74%
8	Untied aid	59%	More than 59%
9	Use of programme-based approaches	5%	66%
10a	Co-ordinated missions	9%	40%
10b	Co-ordinated country analytical work	22%	66%
11	Sound performance assessment framework	D	B or A
12	Reviews of mutual accountability	No	Yes

ACRONYMS

DSDC	Department of Strategy and Donor Coordination
EU	European Union
GNI	gross national income
IDA	International Development Association
IPS	Integrated Planning System
MDG	Millennium Development Goal
NSDI	National Strategy for Development and Integration
ODA	official development assistance
PBA	programme-based approach
PFM	public financial management
PIU	project implementation unit
SWAp	sector-wide approach

3 BANGLADESH

IN 2004, BANGLADESH HAD A POPULATION OF ABOUT 137.5 MILLION, and a per capita gross national income (GNI) of USD 440. By 2006, the population had reached 139.8 million and per capita income had reached USD 482. In 2000, 36% of the population was in extreme poverty, falling under the international dollar-a-day poverty line. A further 47% fell under the two-dollars-a-day poverty line. Total net official development assistance (ODA) to Bangladesh in 2004 was USD 1.4 billion, although this accounted for just 2.35% of GNI.

Responses to the 2006 survey in Bangladesh accounted for 88% of ODA. The survey responses, taken together with the World Bank desk reviews which form the basis for the baselines/targets for some of the indicators, demonstrate that some progress has been made towards meeting the standards of aid effectiveness set out in the Paris Declaration, but that significant challenges remain. The main challenges and priorities for the future are summarised below.

OVERVIEW Box 3.1 Challenges and priority actions

DIMENSIONS	BASELINE	CHALLENGES	PRIORITY ACTIONS
Ownership	Moderate	Improving clear long-term vision.	Continue reforms to budget process.
Alignment	Moderate	Improving country systems.	Draw up national capacity-building strategy.
Harmonisation	Moderate	Continued predominance of uncoordinated project approaches.	Explore scope for expansion of sector-wide approaches.
Managing for results	Moderate	Weak dissemination of development information.	Establish monitoring and evaluation systems at sector and local levels.
Mutual accountability	Moderate	Lack of specific indicators of government/donor performance.	Implement Harmonisation Action Plan.

OWNERSHIP

INDICATOR 1

OWNERSHIP IS CRITICAL TO ACHIEVING DEVELOPMENT RESULTS and is central to the Paris Declaration. It has been defined as a country's ability to exercise effective leadership over its development policies and strategies. Achieving this is not a simple undertaking. Nor, of course, can it be measured by a single indicator. It requires a combination of cross-cutting factors that engage both donor and government. For donors it means supporting countries' leadership and policies. It also means gearing their overall support to countries' national development strategies, institutions and systems. This is commonly referred to as "alignment". Donors are in a better position to do that when governments set out clear priorities and operational strategies. This is the main focus of Indicator 1 of the Paris Declaration, which is assessed below with reference to the World Bank's 2006 Aid Effectiveness Review of Bangladesh.

The government of Bangladesh identified poverty reduction as the main focus of its development strategy in 2000. Although a long-term strategy has not been comprehensively laid out, aspects are included in Bangladesh's Poverty Reduction Strategy Paper (PRSP) for 2005-07, *Unlocking the Potential: National Strategy for Accelerated Poverty Reduction.* Some sector policies (*e.g.* education) are in place. The PRSP sets out preliminary development targets linked to the Millennium Development Goals (MDGs), and some even go beyond MDG targets. The PRSP prioritises targets through a policy framework highlighting pro-poor growth, human development and governance. It provides a good basis for further developing Bangladesh's strategy.

The government is in the early stages of linking the budget process with national priorities through a Medium-Term Budget Framework developed as part of the PRSP. The framework brings together the recurrent and capital budgets and should increase funding to priority programmes. 2006 is the first year of PRSP implementation, and there are signs that revenues and expenditures will be broadly in line with the new budget framework.

Bangladesh received a C rating in the World Bank's 2005 Comprehensive Development Framework assessment, which provides the baseline for Indicator 1. This puts it within reach of the 2010 target to achieve a B or an A rating. The government will need to further refine its long-term vision and medium-term strategy, particularly at the sector level, and continue to reform the budget process if this target is to be met.

ALIGNMENT

BANGLADESH IS AT AN EARLY STAGE of alignment between government priorities and systems, and donor policies and procedures. However, the government is playing an increasingly active role in managing its aid, and the agreement of the PRSP has facilitated a more government-led dialogue with donors.

BUILDING RELIABLE COUNTRY SYSTEMS

INDICATOR 2a

Indicator 2a provides an indication of the quality of Bangladesh's public financial management systems. The score is based on the World Bank's Country Policy and Institutional Assessment (CPIA Indicator 13). In 2005 Bangladesh's rating was 3 on a six-point scale (ranging from a low of 1 to a high of 6).

The World Bank's 2006 Aid Effectiveness Review describes how public financial management (PFM) in Bangladesh remains weak. However, the government has now prepared a financial management improvement plan that includes all the key elements of effective public financial management. The Bank judges public financial accountability in Bangladesh to be at an early stage. One key problem is that the Office of the Comptroller and Auditor General, while constitutionally independent, remains dependent on the government for resources. A process for making audit standards compliant with international standards has been launched, and the government is considering a Public Expenditure Framework of Accountability, but progress to date has been limited. The government will need to prioritise PFM reforms if Bangladesh is to meet the target of a score of 3.5 on CPIA Indicator 13 by 2010.

INDICATOR 2b

No score is currently available for Indicator 2b on the quality of Bangladesh's procurement systems. The World Bank's 2006 Aid Effectiveness Review notes that procurement has been a major source of corruption in Bangladesh. New public procurement regulations were introduced in 2003 to usher in uniform procurement regulations for all public sector bodies, consistent with international standards, and Parliament is considering a public procurement law.

ALIGNING AID FLOWS ON NATIONAL PRIORITIES

The agreement of the PRSP in Bangladesh has encouraged donors to align their strategies with national priorities. Comprehensive and transparent reporting on aid, and how it is used, is critical not only to ensure that donors align aid flows with national development priorities but also to achieve accountability for the use of development resources and results. The objective of Indicator 3 is to increase the credibility of the budget as a mechanism for governing actual allocation and utilisation of development resources – an important criterion for making alignment a reality rather than a loose principle. To this end, it seeks to encourage a reasonable degree of congruence between how much aid is reported in the budget and how much aid is actually disbursed. In doing so, it recognised that the formulation of the budget is a central feature of the formal policy process. So the degree to which donor financial contributions are fully and accurately reflected in the budget provides a relevant indicator of the degree to which there is a serious effort to align aid with country policies and policy processes, and to be transparent.

The table below provides government's budget estimates of aid flows for fiscal year 2005 (numerator) as a percentage of aid disbursed by donors for the government sector for the same period (denominator). This ratio tells us the degree to which there is a discrepancy between budget estimates and actual disbursements. The discrepancy can be in two directions: indeed budget estimates can be either higher or lower than disbursements. In order to have a single measure of discrepancy that is always less than 100%, the ratio is flipped when budget estimates are higher than disbursements. The baseline value for Indicator 3 in Bangladesh is 88%. Achieving the target agreed in Paris of 94% (halving the gap) for this indicator will require concerted efforts by donors and government.

INDICATOR 3
Table 3.1

Are government budget estimates comprehensive and realistic?

	Government's budget estimates of aid flows for FY05 (USD m) a	Aid disbursed by donors for government sector in FY05 (USD m) b	Baseline ratio* (%) c=a/b	c=b/a
Asian Development Bank	208	258	81%	
Australia	6	14	42%	
Canada	8	34	23%	
Denmark	5	38	14%	
European Commission	8	31	26%	
Germany	24	38	63%	
Global Fund	--	8		
IFAD	9	14	68%	
Japan	45	63	72%	
Netherlands	5	26	18%	
Norway	4	4	97%	
Sweden	0	13	2%	
Switzerland	12	3		29%
United Kingdom	85	29		34%
United Nations	133	147	91%	
United States	1	0		0%
World Bank	696	696	100%	
Total	**1 249**	**1 414**	**88%**	

* Baseline ratio is c = a / b except where government's budget estimates are greater than disbursements (c = b /a).

INDICATOR 4
Table 3.2

How much technical assistance is co-ordinated with country programmes?

	Co-ordinated technical co-operation (USD m) a	Total technical co-operation (USD m) b	Baseline ratio (%) c=a/b
Asian Development Bank	5	8	69%
Australia	0	0	--
Canada	31	50	62%
Denmark	10	10	99%
European Commission	0	0	--
Germany	2	7	33%
Global Fund	0	0	--
IFAD	0	0	--
Japan	2	17	11%
Netherlands	1	26	5%
Norway	6	6	100%
Sweden	--	--	--
Switzerland	2	11	14%
United Kingdom	0	1	0%
United Nations	12	43	29%
United States	0	38	0%
World Bank	1	20	6%
Total	**73**	**238**	**31%**

The budget gap in Bangladesh is relatively small (12%) in comparison to other countries in the survey and should improve in the near future. For example, USAID has recently started including all of its funding in agreements with the government, even though much of it is disbursed directly by USAID.

This gap reflects a number of factors, including different financial years between donors and the government (this is the case with the Asian Development Bank), delayed communication of aid disbursements by donors and imperfect communication among government agencies. For example, the government and DFID will need to improve their channels of communication. In order to meet the target that 94% of aid to the government sector be recorded in the budget by 2010, the government and donors will have to work together to improve the accuracy and timeliness of data, and continue aligning donor strategies with the PRSP.

CO-ORDINATING SUPPORT TO STRENGTHEN CAPACITY

The government is increasingly assuming responsibility for planning, managing and implementing capacity-building projects. For their part, donors have taken steps to co-ordinate their technical assistance with country programmes, including through sector-wide approaches (SWAps) in education and health. However, co-ordinated technical assistance, including that incorporated into SWAps, accounted for only 31% of technical assistance to Bangladesh in 2005. As part of the follow-up to this survey, the government and donors are working to define standards for co-ordinated technical assistance. The development of a comprehensive capacity development strategy around which donors could co-ordinate would help Bangladesh reach the target of 50% co-ordinated technical assistance by 2010, but the government has not yet taken steps to develop such a strategy.

INDICATOR 5a
Table 3.3

How much aid for the government sectors uses country systems?

	Aid disbursed by donors for government sector (USD m) a	Public financial management				Procurement	
		Budget execution (USD m) b	Financial reporting (USD m) c	Auditing (USD m) d	Baseline ratio (%) avg (b,c,d) / a	Procurement systems (USD m) e	Baseline ratio (%) e /a
Asian Dev. Bank	258	258	258	258	100%	160	62%
Australia	14	0	0	13	31%	--	--
Canada	34	0	0	0	0%	0	0%
Denmark	38	0	0	0	0%	3	9%
European Commission	31	31	31	31	100%	27	87%
Germany	38	19	0	0	16%	0	0%
Global Fund	8	8	8	0	67%	0	0%
IFAD	14	14	14	14	100%	14	100%
Japan	63	37	37	37	59%	18	29%
Netherlands	26	26	26	26	100%	26	100%
Norway	4	4	0	4	67%	4	100%
Sweden	13	--	--	--	--	--	--
Switzerland	3	3	3	3	100%	3	100%
United Kingdom	29	29	29	29	100%	29	100%
United Nations	147	130	99	98	74%	8	5%
United States	0	0	0	0	--	0	--
World Bank	696	342	0	342	33%	388	56%
Total	**1 414**	**899**	**503**	**854**	**53%**	**680**	**48%**

USING COUNTRY SYSTEMS

On average, 53% of aid for the government sector uses Bangladesh's public financial management systems. A large proportion of this is accounted for by budget support, but levels of budget support have varied considerably over time. Given Bangladesh's moderately weak score for public budgetary and financial management (Indicator 2a), no internationally agreed targets have been set on use of country PFM systems. (This should not, however, prevent government and donors from agreeing on a target for Bangladesh). The steps being taken by the government to improve the quality of PFM systems should encourage donors to use them, but these improvements will also need to be effectively communicated if progress is to be made.

Government and a number of donors (Asian Development Bank, Switzerland and Denmark) have noted some inconsistency in the way donors report using country systems, especially with regard to how strictly the criteria have been applied.

Some 48% of aid uses national procurement systems. As a good sign, the introduction of new procurement regulations (see above) has helped donors to use national systems, particularly in the context of sector-wide approaches. Without data on Indicator 2b, no target can currently be set for Indicator 5b.

AVOIDING PARALLEL IMPLEMENTATION STRUCTURES

The Paris Declaration invites donors to "avoid to the maximum extent possible, creating dedicated structures for day-to-day management and implementation of aid-financed projects and programmes". Although 38 parallel project implementation units (PIUs) are currently in place, most donors do not make use of them. Steps are nevertheless being taken to reduce the number of PIUs, for example, by consolidating multiple PIUs in the education and health sectors. If the target of a two-thirds reduction in the number of parallel PIUs to 13 is to be reached by 2010, those donors that frequently use PIUs will need to change their approach.

INDICATOR 6
Table 3.4

How many PIUs are parallel to country structures?

	Parallel PIUs (units)
Asian Dev. Bank	0
Australia	0
Canada	0
Denmark	3
European Commission	3
Germany	0
Global Fund	0
IFAD	0
Japan	0
Netherlands	4
Norway	0
Sweden	0
Switzerland	0
United Kingdom	4
United Nations	0
United States	24
World Bank	0
Total	**38**

PROVIDING MORE PREDICTABLE AID

Indicator 7 focuses on the government's ability to record disbursements in its accounting system for the appropriate year (see table below).

The table above looks at predictability from two different angles. The first angle is donors' and government's combined ability to disburse aid on schedule. In Bangladesh, donors scheduled USD 1 366 million for disbursement in 2005 and actually disbursed – according to their own records – slightly more than expected (USD 1 414 million). The discrepancy varies considerably among donors and is mainly due to late disbursements carried over to 2005 and to delays in implementing programmes. The second angle is donors' and government's ability to record comprehensively disbursements made by donors for the government sector. In Bangladesh, government systems recorded USD 1 249 million out of the USD 1 414 million notified as disbursed by donors (88%), indicating that only a small proportion of disbursements were not captured, either because they were not appropriately notified by donors or because they were inaccurately recorded by government.

Indicator 7 on predictability has been designed to encourage progress against both of these angles so as to gradually close the predictability gap by half by 2010. In other words, it seeks to improve not only the predictability of actual disbursements but also the accuracy of how they are recorded in government systems – an important feature of ownership, accountability and transparency.

INDICATOR 7
Table 3.5

Are disbursements on schedule and recorded by government?

	Disbursements recorded by government in FY05 (USD m) a	Aid scheduled by donors for disbursement in FY05 (USD m) b	Aid actually disbursed by donors in FY05 (USD m) FOR REFERENCE ONLY	Baseline ratio* (%) c=a/b	c=b/a
Asian Development Bank	208	174	258		84%
Australia	6	14	14	42%	
Canada	8	34	34	23%	
Denmark	5	24	38	22%	
European Commission	8	50	31	16%	
Germany	24	6	38		24%
Global Fund	--	9	8		
IFAD	9	14	14	68%	
Japan	45	63	63	72%	
Netherlands	5	50	26	9%	
Norway	4	10	4	41%	
Sweden	0	13	13	2%	
Switzerland	12	3	3		29%
United Kingdom	85	29	29		34%
United Nations	133	180	147	74%	
United States	1	0	0		0%
World Bank	696	695	696		100%
Total	**1 249**	**1 366**	**1 414**	**91%**	

* Baseline ratio is c = a / b except where disbursements recorded by government are greater than aid scheduled for disbursement (c = b /a).

In Bangladesh, this combined predictability gap amounts to USD 117 million (9% of aid scheduled for disbursement). Closing this predictability gap will require donors and government to work increasingly together on various fronts at the same time. They might work at improving:

- the realism of predictions on volume and timing of expected disbursements;
- the way donors notify their disbursements to government;
- the comprehensiveness of government's records of disbursements made by donors.

In conclusion, in-year predictability is not a major problem in Bangladesh. This is at least in part because aid accounts for a relatively small proportion of expenditures, which makes project execution less of a problem than in more aid-dependent countries. The target of a 4% predictability gap by 2010 is within easy reach. A greater concern is that most aid is not disbursed on a timetable that coincides with the budget cycle.

UNTYING AID

INDICATOR 8

According to OECD data covering 90% of aid to Bangladesh, 82% of aid is untied. There are no formal discussions about reducing tying.

INDICATOR 9
Table 3.6

How much aid is programme based?

	Programme-based approaches			Total disbursed (USD m) d	Baseline ratio (%) e=c/d
	Budget support (USD m) a	Other PBAs (USD m) b	Total (USD m) c=a+b		
Asian Development Bank	0	20	20	280	7%
Australia	0	2	2	26	6%
Canada	0	31	31	51	61%
Denmark	0	45	45	49	92%
European Commission	0	27	27	47	57%
Germany	0	0	0	43	0%
Global Fund	0	17	17	17	100%
IFAD	0	0	0	14	0%
Japan	0	4	4	63	7%
Netherlands	0	18	18	40	45%
Norway	0	1	1	19	7%
Sweden	0	13	13	17	74%
Switzerland	0	2	2	12	21%
United Kingdom	0	0	0	200	0%
United Nations	0	19	19	172	11%
United States	0	0	0	92	0%
World Bank	300	258	558	696	80%
Total	**300**	**457**	**757**	**1 837**	**41%**

HARMONISATION

DONORS IN BANGLADESH have been making efforts to co-ordinate their activities more effectively, including through pooled funding, shared procedures and SWAps. This has been facilitated in part by the fact that a number of major donors have decentralised significant implementation responsibilities to staff in Bangladesh. An "Aid Governance" initiative was launched in 2003 to address questions of harmonisation.

USING COMMON ARRANGEMENTS

Some 41% of aid to Bangladesh is channelled via programme-based mechanisms, and thus makes use of common procedures. Budget support from the World Bank accounted for 40% of this, with the remainder disbursed via two SWAps in health and education. Some major donors have also drawn up a joint results matrix for measuring progress on their projects and programmes. Some bilateral donors are considering providing budget support to Bangladesh, but the government and donors will need to work together to identify the scope for further programme-based approaches at the sectoral level. In this way, they can bring the country closer to the 2010 target of 66% of aid to be disbursed via programme-based approaches.

CONDUCTING JOINT MISSIONS AND SHARING ANALYSIS

The government has requested that more donor missions be conducted jointly, in light of concerns about the burden imposed on government officials by uncoordinated and numerous country missions. Only 19% of missions by donors to Bangladesh were joint in 2005.

Less than half (38%) of the country analytical work conducted by donors in Bangladesh in 2005 was jointly done by more than one donor. For example, donors contributing to the SWAp in the health sector have established a trust fund to carry out joint analytical work. The government is keen to encourage this kind of initiative, and hopes to spearhead the process.

INDICATOR 10a
Table 3.7

How many donor missions are co-ordinated?

	Co-ordinated donor missions (missions) a	Total donor missions (missions) b	Baseline ratio (%) c=a/b
Asian Development. Bank	10	45	22%
Australia	--	0	--
Canada	6	27	22%
Denmark	0	11	0%
European Commission	2	16	13%
Germany	4	10	40%
Global Fund	0	3	0%
IFAD	5	8	63%
Japan	3	34	9%
Netherlands	18	25	72%
Norway	0	0	--
Sweden	3	8	38%
Switzerland	2	5	40%
United Kingdom	5	25	20%
United Nations	19	20	95%
United States	0	1	0%
World Bank	7	48	15%
Total (discounted*)	**55**	**286**	**19%**

* The total of co-ordinated missions has been adjusted to avoid double counting.
A discount factor of 35% has been applied.

INDICATOR 10b
Table 3.8

How much country analysis is co-ordinated?

	Co-ordinated donor analytical work (units) a	Total donor analytical work (units) b	Baseline ratio (%) c=a/b
Asian Development. Bank	3	8	38%
Australia	--	0	--
Canada	1	1	100%
Denmark	0	2	0%
European Commission	3	12	25%
Germany	0	1	0%
Global Fund	0	1	0%
IFAD	0	0	--
Japan	3	5	60%
Netherlands	0	2	0%
Norway	0	0	--
Sweden	0	1	0%
Switzerland	0	0	--
United Kingdom	0	0	--
United Nations	20	20	100%
United States	1	3	33%
World Bank	4	14	29%
Total (discounted*)	**26**	**70**	**38%**

* The total of co-ordinated analysis has been adjusted to avoid double counting.
A discount factor of 25% has been applied.

MANAGING FOR RESULTS

INDICATOR 11

MANAGING FOR RESULTS IS KEY to enhancing aid effectiveness. The Paris Declaration recommends that donors work alongside partner countries to manage resources on the basis of desired results, and use information effectively to improve decision making. Indicator 11 focuses on one component of managing for results: the establishment by the partner country of a cost-effective, transparent and monitorable performance and assessment framework. Bangladesh scored a D rating in the World Bank's 2005 Comprehensive Development Framework assessment, which provides the baseline for this indicator. This suggests that considerable progress will need to be made if Bangladesh is to meet the target of a B or an A score by 2010.

According to the World Bank's 2006 Aid Effectiveness Review, the strongest element of Bangladesh's performance and assessment framework is the availability of poverty data and statistics, based on regular surveys carried out by the Bureau of Statistics. That said, the various data-gathering efforts need to be better co-ordinated.

The government's dissemination of development information and policy is judged to be weak by the World Bank, but steps are being taken to address this, including the translation of a summary of the PRSP into Bangla. The National Poverty Focal Point is developing a national monitoring and evaluation system to track PRSP implementation and its consequences. An independent committee for monitoring PRS implementation and attainment of MDGs has been constituted by the government, with representatives from academia, the private sector and non-governmental organisations (NGOs). At the same time, a decision has been taken to form working groups in all relevant ministries/divisions for monitoring poverty reduction strategy implementation and attainment of MDGs, with representatives from government, the private sector, NGOs and research institutions. The World Bank expects this to play an increasingly important role over time. The PRSP also describes plans for a unified monitoring and evaluation framework to provide feedback to policy makers.

MUTUAL ACCOUNTABILITY

INDICATOR 12

THE PARIS DECLARATION calls for donors and partner countries to be accountable to each other for the use of development resources, and in a way that tends to strengthen public support for national policies and development assistance. As such, governments need to take steps to improve country accountability systems and donors need to be transparent about their own contributions. Indicator 12 measures one important aspect of mutual accountability: whether country-level mutual assessments of progress in implementing agreed commitments take place.

The government has been working with donors on a Bangladesh Harmonisation Action Plan, based on the Paris Declaration. This plan was approved in August 2006. No specific indicators of government and donor performance have yet been agreed, but plans are in place to set these now that the Harmonisation Action Plan has been accepted. The government and donors have established a task force to follow up on implementation of the Action Plan. This implementation process should help Bangladesh meet the target for Indicator 12 by 2010. The Local Consultative Group and the Joint Committee for Monitoring the Implementation Progress of the Poverty Reduction Strategy vis-à-vis Donor Co-ordination also act as fora for government and donors to hold each other to account, although neither currently meets the criteria for Indicator 12.

BASELINES AND TARGETS

THE TABLE BELOW presents the 2005 baselines and targets for Bangladesh. The information is discussed in detail in the above chapter and draws from various sources of information. The main source is the baseline survey undertaken in Bangladesh under the aegis of the National Co-ordinator (Nargis Islam).

Table 3.9 Baselines and targets

INDICATORS		2005 BASELINE	2010 TARGET
1	Ownership – Operational PRS	C	B or A
2a	Quality of PFM systems	3.0	3.5
2b	Quality procurement systems	Not available	Not applicable
3	Aid reported on budget	88%	94%
4	Co-ordinated capacity development	31%	50%
5a	Use of country PFM systems (aid flows)	53%	No target
5b	Use of country procurement systems (aid flows)	48%	Not applicable
6	Parallel PIUs	38	13
7	In-year predictability	91%	96%
8	Untied aid	82%	More than 82%
9	Use of programme-based approaches	41%	66%
10a	Co-ordinated missions	19%	40%
10b	Co-ordinated country analytical work	38%	66%
11	Sound performance assessment framework	D	B or A
12	Reviews of mutual accountability	Yes	Yes

ACRONYMS

CPIA Country Policy and Institutional Assessment
GNI Gross National Income
MDGs Millennium Development Goals
NGO non-governmental organisation
ODA official development assistance
PFM public financial management
PIU project implementation unit
PRSP Poverty Reduction Strategy Paper
SWAp sector-wide approach

4 BENIN

THE POPULATION OF BENIN, estimated in 2006 at 7.8 million, has a per capita income of about USD 510 (gross national income, 2005). Approximately 33% of the population falls below the national poverty line (2001). Benin has endorsed the Paris Declaration, and both the government and the majority of the donor community endorse the Declaration.

OVERVIEW Box 4.1 Challenges and priority actions

DIMENSIONS	BASELINE	CHALLENGES	PRIORITY ACTIONS
Ownership	Low-Moderate	Overlapping responsibilities within the executive, duplication of effort, poor dissemination of information on poverty alleviation plan among key players.	Clarify government goals and responsibilities towards donors and sectoral/thematic groups. Formulate participatory aid policy. Finalise and improve sectoral strategies. Strengthen Poverty Reduction Strategy system.
Alignment	Moderate	Government lead is still weak. Donor aid is insufficiently captured within the budget.	Follow administrative and institutional reforms as outlined in the Public Expenditure Review. Make technical improvements to aid management system. Donors should give government timely and accurate aid information.
Harmonisation	Moderate	Project aid is sometimes aligned on paper but not in practice.	Consolidate programme-based approach in all sectors. Identify comparative advantages of donors in each sector. Use Poverty Reduction Strategy Paper as a proxy for a joint assistance strategy to reinforce complementarity between donors and national priorities.
Managing for results	Moderate	The current budgetary management system is not functional at all levels and in all sectors.	Implement monitoring and evaluation system by ensuring sufficient resources, clarifying roles and responsibilities, and allocating decision making functions clearly. Donors should put in place necessary procedures so that they can follow national monitoring and evaluation system.
Mutual accountability	Low	There is no aid effectiveness matrix.	Develop and agree a joint annual progress plan. Plan an independent monitoring function.

Net official development assistance (ODA) to Benin in 2004 was USD 378 million, representing 9.34% of gross national income. The five major external partners, contributing approximately 73% of ODA in 2002-03, are France, the European Union, the World Bank, the United States and Germany. A total of 15 donors responded to the 2006 baseline survey, accounting for approximately 67% of official aid flows to Benin. Notable non-respondents included the United States, whose Millennium Challenge Account (MCA) in February 2006 granted USD 307 million to Benin, a figure that represents 81% of total aid to the country in 2004.

OWNERSHIP

INDICATOR 1

OWNERSHIP IS CRITICAL to achieving development results and is central to the Paris Declaration. It has been defined as a country's ability to exercise effective leadership over its development policies and strategies. Achieving this – especially in countries that rely heavily on aid to finance their development – is not a simple undertaking. Nor, of course, can it be measured by a single indicator. For donors, it means supporting countries' leadership, policies, institutions and systems. This is commonly referred to as "alignment" (see below). Donors are in a better position to do this when governments set out clear priorities and operational strategies (the main focus of Indicator 1 of the Paris Declaration).

According to the World Bank's Aid Effectiveness Review (AER), the government of Benin's efforts to lead overall development assistance are rather limited. The Ministry of Development, Economy and Finance is the locus of government activity, but most work on harmonisation comes from external partners, and some sources have noted an unwillingness on the part of key government officials to take the reins and assert control of their development process in the face of donors. Sectoral working groups originally set up by the government have lost their impetus: for example, during the development of the Poverty Reduction Strategy progress report in 2004, nine government cross-sectoral thematic groups had to be revived in order to provide inputs. Although the UNDP had chaired roundtable meetings to discuss development aid, these meetings have been discontinued. However, the government is planning a second edition of the Poverty Reduction Strategy and this has spurred some action – the government plans to host a workshop to validate the strategy.

Developmental oversight is managed by external partners, and 17 partners meet monthly through 12 sectoral or thematic working groups. At the partners' suggestion, some of these working groups are now chaired by the relevant ministry. Further, as part of the second Poverty Reduction Strategy planning process, a Poverty Reduction Strategy working group has been established to co-ordinate inputs from the thematic groups.

Indicator 1 of the Paris Declaration measures the extent to which a country has an operational development strategy to guide the aid co-ordination effort and the country's overall development. The score for Indicator 1 is based on the World Bank's 2005 Comprehensive Development Framework (CDF) Progress Report. In the CDF's terms, an operational strategy calls for a coherent long-term vision and a medium-term strategy derived from it; specific targets serving a holistic, balanced and well-sequenced development strategy; and capacity and resources for its implementation. Benin is considered to have some of these elements and not others, and is consequently placed, along with 58% of the countries covered, in category C of the CDF descending scale running from A to E. Only countries in categories A or B are considered to have an operational strategy.

Benin is, however, considered to have a coherent long- and medium-term vision and strategy for enacting development policy. The Ministry of Planning developed the long-term vision, entitled Benin 2025: ALAFIA ("Peace and Happiness"). The vision is supplemented by a Government Action Plan for 2001-06 as well as a Poverty Reduction Strategy, the *Document de Stratégie de Réduction de la Pauvreté* (DSRP), for 2003-05 and an interim DSRP Progress Report

(completed December 2004). The DSRP, which contains detailed progress indicators, is considered the principal reference point for development partner activities in Benin. The four DSRP pillars are to:

- strengthen the macroeconomic framework over the medium term;
- develop human capital and environmental management;
- strengthen good governance and institutional capacity; and
- promote employment and strengthen the poor's ability to participate in the decision making and production processes.

The government also prepared a second DSRP or Growth and Poverty Reduction Strategy for 2007-09 in which gender equity is a particular priority. The *Stratégie de Croissance et de Réduction de la Pauvreté* (SCRP) is based on five principles:

- economic growth;
- infrastructure development;
- strengthening of human capital;
- good governance; and
- balanced development of a national framework.

An action programme (based on the SCRP) identifies priority sectors : education, basic health, infrastructure (water and sanitation, energy, telecommunications and transport), rural development, micro-finance and small-medium enterprise development, social protection, justice and law reinforcement, environment, acceleration of administrative reforms and decentralisation. In addition, a National Development Plan will replace the Government Action Plan and will serve as the mandate of the government, which came to office in April 2006.

Additionally, a three-year Mid-Term Evaluation Framework (MTEF), updated annually, was launched in 2001, and will link results targets, policies and expenditures. The latest MTEF for 2005-07 channels spending in line with DSRP goals: the budget allocation for DSRP priority sectors was increased from 10.9% of gross domestic product in 2000-2001 to 12.1% in 2003-2005 (though the PSRP budget target was slightly higher at 12.4%). The MTEF currently under preparation will also reflect SCRP goals.

Operationalisation of the DSRP was at first hampered by a multiplicity of overlapping planning units: responsibility for DSRP formulation was shared between the Ministry of Planning and Development, and the Ministry of Finance and Economy. A new institutional framework was introduced in February 2004, under which a *Commission Nationale pour le Développement et la Lutte contre la Pauvreté* (CNDLP) (National Commission for Development and Fight against Poverty) within the Ministry of Finance and Economy was established to take forward the DSRP, although responsibility for various tasks is still shared among five separate departments.

Although the MTEF helps build the capacity of line ministries to develop their budgets, government budget planning overall is still considered to be weak. The government does not issue a consolidated budget, and the links between poverty reduction objectives and budget allocations are minimal. Monitoring of the budget is fragmented and piecemeal, and capacity at the municipal government level is very low. However, the line ministries are moving towards results-based budgeting, and the central government level is adopting results-based budgeting in its budget execution. The CNDLP now publishes economic performance indicators.

Despite consultations and input from stakeholders (including civil society, municipal governments and the private sector) during DSRP formulation, implementation of the DSRP has been marked by a lack of involvement by key stakeholders. The process has been hampered by poor communication of DSRP goals, as well as a monitoring and evaluation system that is still not fully operational. Weak institutional capacity to implement the DSRP (primarily in the area of staff resources and skills), and poor inter-ministerial co-ordination also hold up progress. The government is to be commended, however, for its efforts to give line ministries greater control and responsibility over key DSRP items.

ALIGNMENT

SINCE 2001, Benin has made considerable strides towards improving its public management framework, and in recent years has had some success in aligning aid with government priorities. Today, however, significant problems remain, which are compounded by lack of communication among line ministries, human resource challenges (in particular, retaining and paying good staff), and donor problems such as mission overlap. This calls for solid commitments for change both by the government and donors.

BUILDING RELIABLE COUNTRY SYSTEMS

INDICATOR 2a

The World Bank's Country Policy and Institutional Assessment (CPIA) gives Benin a current score of 4.0 – "moderately strong" – for the quality of budgetary and public financial management. This is slightly above average for International Development Association (IDA) countries. Although at the beginning of the decade, many donors pointed to a lack of leadership and political will of the government that caused them to work at the sectoral or local government level, the government is now aggressively pursuing improvements. A 2004 Public Expenditure Review (PER) found that only two of the monitoring indicators achieved the highest score, while the majority of others achieved low or very low scores. Chief among the problems to be tackled included the lack of: sectoral ministries' access to monies outlined in the national budget, a reliable budget tracking system, public access to information on budget spending, control over use of funds and a system of penalties for those misappropriating funds, and clear lines of responsibility of the Executive to the National Assembly on use of funds.

The PER emphasised the need for budget reforms to be coupled with administrative reforms, and recommended actions that the government has endorsed. These include steps toward greater transparency, decentralised financial management, and a more integrated and electronic financial management system to be adopted by line ministries and regional governments. A new inter-ministerial plan was set up at the end of 2005, and a new minister has been appointed to co-ordinate institutional and administrative reforms. A short- and medium-term strategy for public financial reform called the *Cadre de Réforme de la Gestion Budgétaire Axée sur les Résultats* will no doubt strengthen the public finance system and increase donor confidence.

INDICATOR 2b

Procurement is a particular area of concern, although a numerical score for Indicator 2b (an assessment of the quality of the procurement system) is not currently available. Benin ranks 121st out of 163 on Transparency International's Corruptions Perceptions Index. A 2004 Procurement Law calls for better procurement transparency, and the government has begun publishing public tender results. The new government is now preparing an anti-corruption strategy.

ALIGNING AID FLOWS ON NATIONAL PRIORITIES

Benin's Poverty Reduction Strategy (DSRP) provides a basis for external partners to align their support in a general way with the country's policies, although as mentioned, the government does not take the lead in this co-ordination. An external partners' working group has been established to co-ordinate inputs from external partners to the planned second Poverty Reduction Strategy.

The largest donors in Benin are Denmark, the European Commission (EC), France, Germany, Switzerland, the United States and the World Bank, which together represent 69% of all aid to Benin. All of these countries' aid strategies are aligned with the DSRP. The United States' Millennium Challenge Corporation has recently signed a large aid agreement with Benin which broadly reflects DSRP priorities. Partners are exploring the possibility of developing a joint assistance strategy, but no concrete plans have been made. An Aid Harmonization Technical Committee, open to all donors in Benin, is presided over by the government and brings together the EC, Denmark, Holland, Switzerland, UNDP and USAID.

Although some external partners have made preliminary efforts towards greater decentralisation of decision making, more work is needed. The World Bank and French development agency both have Benin-based Country Managers, and 40% of the World Bank's projects are managed from Cotonou. However, technical staff are still mostly based at central offices rather than deployed to Benin, making it difficult for them to participate in sectoral and thematic working groups.

One of the obstacles hindering joint country programming in Benin is the difficulty of reflecting donor financial commitments fully and accurately in the national budget. This is the aspect of alignment measured by Indicator 3 of the baseline survey. As the survey return notes, project support is not accurately reflected in the national budget: while line ministries hold information on projects in their sector, this information is often not passed on to the budget Director General. The general target for this indicator set by the Paris Declaration (85%) calls for a high level of budget realism on the part of the country authorities, accompanied by a high degree of willingness and ability of donors to provide information in a timely fashion and in a suitable form. Some work has already begun on improving the national budget management system and in modifying the programme to track donor aid.

The table provides government's budget estimates of aid flows for fiscal year 2005 (numerator) as a percentage of aid disbursed by donors for the government sector for the same period (denominator). This ratio tells us the degree to which there is a discrepancy between budget estimates and actual disbursements. The discrepancy can be in two directions: indeed budget estimates can be either higher or lower than disbursements. In order to have a single measure of discrepancy that is always less than 100%, the ratio is flipped when budget estimates are higher than disbursements. The baseline value for Indicator 3 in Benin is 47%. Achieving the target agreed in Paris of 74% (halving the gap) for this indicator will require concerted efforts by donors and government.

CO-ORDINATING SUPPORT TO STRENGTHEN CAPACITY

Capacity constraints significantly undermine the ability of country systems to capture and co-ordinate aid flows more effectively. The Paris Declaration commits donors to providing more co-ordinated support to capacity development under country leadership, with a target of 50% provided in this form by 2010. The survey indicates that currently 56% of reported technical assistance is considered co-ordinated in this sense, which would imply that there is no gap to close during the years to 2010.

However, beneath the numbers, there is clearly still significant work to do. For example, though some 25% of Benin's aid comes in the form of training or capacity

INDICATOR 3
Table 4.1

Are government budget estimates comprehensive and realistic?

	Government's budget estimates of aid flows for FY05 (USD m) a	Aid disbursed by donors for government sector in FY05 (USD m) b	Baseline ratio* (%) c=a/b c=b/a
African Dev. Bank	30	35	86%
Belgium	0	6	0%
Denmark	4	33	13%
EC	14	48	29%
France	4	12	33%
Germany	3	25	13%
Netherlands	2	12	21%
Switzerland	1	1	95%
United Nations	0	14	0%
World Bank	54	55	98%
Total	**112**	**240**	**47%**

* Baseline ratio is c = a / b except where government's budget estimates are greater than disbursements (c = b /a).

building, the government currently has no overall capacity-building strategy (relying for the most part on external partners to suggest areas of possible technical assistance), and the DSRP does not address the issue of capacity building. No donors have formulated a co-ordinated plan to address capacity building. The government is now developing a national policy on capacity building, which is expected to focus on the division of labour among donors – that is, ensuring that the most technically appropriate donor provides training in each area. It is also expected that one of the second Poverty Reduction Strategy pillars will be capacity building and training. Priority areas will include agriculture, macro-economic policy and development, budget management, local administration and decentralisation, and health, social protection and gender issues.

In terms of the questionnaire and donors' responses to this item, interpretation of the phrase "capacity building" is clearly an important issue. There is no one exhaustive list of capacity-building activities in Benin; hence, donors' responses were not made using the same information.

In practice, capacity building often takes the form of non-coordinated projects. Nonetheless, there are signs of progress. For example, a basket fund was recently set up by Denmark, Switzerland and Germany, to help co-ordinate monitoring and evaluation training that will enable the government's Social Change Observatory to evaluate the DSRP. Other specific examples of more co-ordinated co-operation include the Ministry of Mines and Energy, whose capacity-building programme is funded by many donors; and the Ministry of Development, Economy and Finance's results-based monitoring programme, jointly funded by the African Development Bank and Denmark.

INDICATOR 4
Table 4.2

How much technical assistance is co-ordinated with country programmes?

	Co-ordinated technical co-operation (USD m) a	Total technical co-operation (USD m) b	Baseline ratio (%) c=a/b
African Dev. Bank	6	7	86%
Belgium	0	1	0%
Denmark	0	2	20%
European Commission	0	4	11%
France	0	6	0%
Germany	9	9	100%
Netherlands	1	1	96%
Switzerland	3	3	100%
United Nations	1	4	20%
World Bank	--	--	--
Total	**20**	**36**	**56%**

USING COUNTRY SYSTEMS

Indicator 5a is a measure of the use of three components of country public financial management systems by donors. According to the survey data, 52% of flows make use of all three components in Benin, and the average rate of utilisation of the national procurement system is 64%. All donors included in the survey make at least some use of the country's systems. Since Benin's Country Policy and Institutional Assessment (CPIA) score for public budgetary and financial management is 4.0, the target for 2010 is to reduce by one-third the non-utilisation of country systems.

Budgetary aid, as provided by the World Bank, the Netherlands, Switzerland and France, is the most aligned form of assistance in Benin. There are multiple other projects and programmes that are partially aligned, such as projects of the West African Development Bank, France, Denmark and Germany. The West African Development Bank and France use the government's procurement system but not its public management system. Denmark uses national procedures, but with sectoral variations. Interestingly, there is great variation in take-up rate among the separate aid agencies run by France and Germany. France's AFD, for example, uses more aligned procedures than SCAC; while in Germany, KFW utilises more aligned procedures than GTZ. These variations clearly have less to do with stated government priorities and more to do with the subsidiary aid agency's own management policies.

Fully one-third of aid is not aligned at all with government systems, including the United States (both USAID and the Millennium Challenge Account), Belgium, Japan, Canada, the UNDP

INDICATOR 5
Table 4.3

How much aid for the government sectors uses country systems?

	Aid disbursed by donors for government sector (USD m) a	Public financial management: Budget execution (USD m) b	Public financial management: Financial reporting (USD m) c	Public financial management: Auditing (USD m) d	Public financial management: Baseline ratio (%) avg (b,c,d) / a	Procurement: Procurement systems (USD m) e	Procurement: Baseline ratio (%) e /a
African Dev. Bank	35	35	35	35	100%	35	100%
Belgium	6	0	0	0	0%	3	50%
Denmark	33	5	4	4	12%	22	66%
European Commission	48	34	34	14	57%	34	71%
France	12	6	6	2	42%	6	55%
Germany	25	12	12	12	47%	12	47%
Netherlands	12	10	10	10	86%	10	86%
Switzerland	1	1	1	1	100%	1	100%
United Nations	14	1	1	1	6%	1	8%
World Bank	55	30	30	30	54%	30	54%
Total	**240**	**134**	**132**	**107**	**52%**	**154**	**64%**

and China. The Millennium Challenge Account has proposed an entirely separate reporting system for its recent grant allocation of USD 307 million. Reasons given for non-alignment include the need to see better anti-corruption measures in place and better auditing procedures by the Benin government; and also the restrictions placed on the donors themselves by their central offices (as with Japan, Belgium and the EC). Lack of harmonisation, particularly of the Millennium Challenge Account which represents such a huge funding source, is clearly a very important issue.

INDICATOR 6
Table 4.4

How many PIUs are parallel to country structures?

	Parallel PIUs (units)
African Dev. Bank	3
Belgium	3
Denmark	4
European Commission	6
France	--
Germany	0
Netherlands	0
Switzerland	2
United Nations	4
World Bank	7
Total	**29**

AVOIDING PARALLEL IMPLEMENTATION STRUCTURES

The Paris Declaration calls for a substantial reduction in the number of project implementation units (PIU) that are parallel, where appointment decisions and accounting relationships involve the donor alone. The current baseline figure for Benin is given as 29 such structures. However, the survey return suggests that this number does not reflect the true extent of parallel PIUs in the country: there may be as many as 70 PIUs in the agricultural and environment sector alone. Other donors use different approaches that function in effect like a parallel implementation structure: Swiss aid money, for example, is given directly in response to proposals from private, non-governmental organisations.

There is cause for optimism, though. For example, the PIUs of some of the World Bank's aid projects are now housed within the appropriate line ministries. Most of Benin's largest aid partners are phasing out, or are planning to phase out, parallel PIUs. A significant reduction in PIUs, however, will depend on progress towards public administration reform, and more united rules and regulations among the donors governing their implementation procedures.

INDICATOR 7
Table 4.5

Are disbursements on schedule and recorded by government?

	Disbursements recorded by government in FY05 (USD m) a	Aid scheduled by donors for disbursement in FY05 (USD m) b	Aid actually disbursed by donors in FY05 (USD m) FOR REFERENCE ONLY	Baseline ratio* (%) c=a/b	c=b/a
African Dev. Bank	30	40	35	75%	
Belgium	0	--	6		
Denmark	4	30	33	14%	
European Commission	14	34	48	40%	
France	4	12	12	31%	
Germany	3	21	25	15%	
Netherlands	2	12	12	21%	
Switzerland	1	1	1	95%	
United Nations	0	7	14	0%	
World Bank	54	55	55	98%	
Total	**112**	**212**	**240**	**53%**	

* Baseline ratio is c = a / b except where disbursements recorded by government are greater than aid scheduled for disbursement (c = b /a).

PROVIDING MORE PREDICTABLE AID

Predictability of aid is weak, due mostly to the lack of centralised aid allocation information at the government level. Indicator 7 focuses on the government's ability to record disbursements in its accounting system for the appropriate year, for which 53% is the total recorded value for Benin. This figure, broken down by donor, reveals a high level of both under- and over-accounting of disbursements by the government, with the most significant gaps occurring in the EC and Germany. Even donors' own planned schedules of aid versus aid actually disbursed can vary widely: compare, for example, the African Development Bank and the EC's scheduled versus disbursed aid figures.

Like Indicator 3 (aid on budget) there are two measures for Indicator 7. The first is based on a ratio and provides a good indication as to whether a government disbursement records are less (ratio under 100%) or more (ratio over 100%) than what was initially scheduled by each donor. The second is based on measuring the gap ("the predictability gap").

Indicator 7 on predictability has been designed to encourage progress against both of these angles so as to gradually close the predictability gap by half by 2010. In other words, it seeks to improve not only the predictability of actual disbursements but also the accuracy of how they are recorded in government systems – an important feature of ownership, accountability and transparency. In Benin, this combined predictability gap amounts to USD 99 million (42% of aid scheduled for disbursement). Closing this predictability gap will require donors and government to work increasingly together on various fronts at the same time. They might work at improving:

- he realism of predictions on volume and timing of expected disbursements;
- the way donors notify their disbursement to government; and
- the comprehensiveness of government's records of disbursements made by donors.

The real objective will be to reduce significantly the spreads in both directions, both between donor plans and disbursements, and between disbursements and their recording by the government. This will not be easy unless the government is able to address weaknesses in the public financial system overall, establish ground rules that mobilise donors to provide aid information in a more timely and accurate manner, and ensure that its own aid

figures are more accurate. Donors must act to streamline the often widely variant rules that they apply to project aid and reform the burdensome nature of donor procedures that bring disbursement lags in their wake. Encouragingly, the EC is helping the government to define a procedure to integrate aid grants into the budget. Across the board, external partners are trying to align aid with the government's annual budget.

INDICATOR 8

UNTYING AID

Donors are exploring how to increase the percentage of untied aid to Benin. Yet, a larger share of bilateral aid to Benin is coming in the form of budget support, making it unlikely that untied aid will increase. The Millennium Challenge Account's actions in this area will obviously be crucial.

HARMONISATION

HARMONISATION of donor practices and procedures can enhance aid effectiveness. Where possible, donors are putting in place joint financing and research plans, using their own comparative advantage when they can. A programme-based approach has been taken in Benin, although of course, definitional obstacles remain. The government has found it challenging to come to a unified definition of harmonisation that fulfils OECD criteria, particularly since each donor seems to have its own definition of "programme-based approach". A series of workshops in March 2006 on the Paris Declaration drove home the need to consolidate the programme-based approach in Benin.

USING COMMON ARRANGEMENTS

Progress has been made towards use of common arrangements in Benin. In fact, some 17 different sectors have now adopted a programme-based approach. Under the Joint Approach Agreement for budget support, the government and external partners share a common monitoring framework to measure structural and sectoral reform programmes. At the sectoral level, stakeholders are working to improve joint sector strategies, programmes and technical assistance. For instance, basket funding is now in use in the water and public financial management systems; and there are basket funds to finance monitoring and evaluation training in support of the new DSRP, as well as for agricultural research. However, no sector-wide approaches are currently planned.

INDICATOR 9
Table 4.6

How much aid is programme based?

	Budget support (USD m) a	Other PBAs (USD m) b	Total (USD m) c=a+b	Total disbursed (USD m) d	Baseline ratio (%) e=c/d
African Development Bank	17	18	35	35	100%
Belgium	0	0	0	7	0%
Denmark	5	17	22	34	64%
European Commission	34	0	34	50	68%
France	2	0	2	12	16%
Germany	0	17	17	28	61%
Netherlands	3	8	11	12	90%
Switzerland	1	0	1	7	8%
United Nations	0	4	4	15	24%
World Bank	30	--	30	55	54%
Total	**91**	**64**	**155**	**255**	**61%**

Actual results may be some ways behind the improvements on paper. While a majority of project aid is now considered in theory to be harmonised within line ministries' sectoral programmes, for example, the actual changes needed to make them more aligned (reduction in PIUs, change in the multiple and non-harmonised administrative procedures, separate monitoring undertaken outside of the national monitoring and evaluation structure, etc.) are yet to come in many cases. The donor community does not place a high priority on dividing up work based on comparative advantage. From sector to sector, implementation of the programme-based approach has been uneven. In certain issue areas and sectors, such as decentralisation and agriculture, the link between programme budget and strategic vision remains fragile. Real programme-based approaches will depend on consolidation of sectoral strategy. The true baseline is therefore somewhere below 61%, and reaching the Paris Declaration target for 2010 (66%) will be correspondingly harder to achieve.

INDICATOR 10a
Table 4.7

How many donor missions are co-ordinated?

	Co-ordinated donor missions (missions) a	Total donor missions (missions) b	Baseline ratio (%) c=a/b
African Dev. Bank	4	5	80%
Belgium	0	3	0%
Denmark	5	15	33%
EC	2	11	18%
France	2	60	3%
Germany	7	8	88%
Netherlands	2	2	100%
Switzerland	0	0	--
United Nations	12	40	30%
World Bank	5	31	16%
Total (discounted*)	**25**	**175**	**14%**

* The total of co-ordinated missions has been adjusted to avoid double counting. A discount factor of 35% has been applied.

INDICATOR 10b
Table 4.8

How much country analysis is co-ordinated?

	Co-ordinated donor analytical work (units) a	Total donor analytical work (units) b	Baseline ratio (%) c=a/b
African Dev. Bank	3	4	75%
Belgium	1	5	20%
Denmark	2	3	67%
EC	2	3	67%
France	1	10	10%
Germany	7	13	54%
Netherlands	1	1	100%
Switzerland	0	5	0%
United Nations	18	27	67%
World Bank	2	3	67%
Total (discounted*)	**28**	**74**	**38%**

* The total of co-ordinated analysis has been adjusted to avoid double counting. A discount factor of 25% has been applied.

CONDUCTING JOINT MISSIONS AND SHARING ANALYSIS

The baseline figure for co-ordination of donor missions is just 14%, considerably below the Paris Declaration target of 40%. However, annual reviews of certain sectors are taken jointly among donors, including water, health and education, where donors develop joint mission schedules. A Harmonisation Action Plan calls upon donors to plan more joint missions. However, the government does not yet have a formal mechanism for co-ordinating missions among different donors, and clearly there is room for much work. For example, in June 2006, in the decentralisation sector alone, six parallel planning missions were undertaken by six different donors (Switzerland, Denmark, the EC, France, Germany and Belgium).

As a positive sign, joint analytical work is becoming more common, and the baseline proportion is 38%. The African Development Bank, the UN system, the World Bank, Denmark, the EC and the Netherlands all conduct joint exercises. There has been joint diagnostic work in the area of public finance. The UN and the World Bank pooled their expertise in a Common Country Assessment in 2002, while in 2004, the World Bank and Denmark completed a joint Public Expenditure Review. Four donors participated in the most recent Country Financial Accountability Assessment. Joint sector reviews are conducted in the areas of health, education, water, and budget support. A country analytical website shared by donors now has 21 documents posted. These encouraging signs aside, the target of 60% joint work by 2010 will be a major leap without renewed efforts on the part of government and donors.

MANAGING FOR RESULTS

INDICATOR 11

THE PARIS DECLARATION urges partner countries and donors to work together to manage resources on the basis of desired results, and to use information to improve decision making. This means both strengthening the capacity to undertake such management and helping to increase the demand for a focus on results. Indicator 11 targets one component of this effort: the establishment of cost-effective results-oriented reporting and assessment systems by the country.

Benin has received a C rating in terms of the quality of its results monitoring system according to the World Bank's CDF Progress Report. This means that Benin ranks among 42% of IDA sample countries that have some but not all of the elements of such a system. This reflects particular strengths and inadequacies in three areas: the quality of the available development information, the degree to which stakeholders have access to it, and the extent of co-ordinated monitoring and evaluation of the country's development efforts.

The AER reports that the availability and quality of poverty-related data are improving. Data for monitoring expenditures and poverty is available, and the government is attempting to strengthen its capacity. The National Statistics Institute collects and analyses data, and the government has launched a Poverty Reduction Information System (BenInfo) based on the 2003 Core Welfare Indicators Questionnaire and Poverty Assessment. The World Bank commends progress on improving household living standards monitoring and the prevalence of income poverty, which began in March 2004 when the government held a workshop on this subject and developed plans for improving household data collection. The government's data collection system is operational but needs to be revamped.

In terms of country-level monitoring and evaluation, the government and donors are strengthening the system in place, first by helping to clarify the roles of the two departments responsible for evaluation and identifying capacity building needs in a formalised plan. They are also planning a baseline household survey, and a three-year monitoring and evaluation program to be managed by the Social Change Observatory. Monitoring and evaluation units have been established in most DRSP-related line ministries.

Until recently, the DSRP has been distributed informally among stakeholders. After initial delays, it was launched in December 2004 with a more formal communications plan including website publication and public communications of the DSRP. The plan has been translated into English, though not into any local languages.

MUTUAL ACCOUNTABILITY

INDICATOR 12

THE PARIS DECLARATION calls for donors and partner countries to be accountable to each other for the use of development resources, and in a way that strengthens public support for national policies and development assistance. This in turn requires governments to improve country accountability systems and donors to be transparent about their own contributions. Indicator 12 seeks to establish whether there is a country-level mechanism permitting joint assessment of progress in implementing agreed commitments on aid effectiveness, including those in the Declaration itself.

The government of Benin is a signatory of the Paris Declaration on Aid Effectiveness. In 2004, the Harmonization Technical Committee developed a Harmonisation Action Plan, which is being adopted by other donors. However, the government has not prepared a parallel action plan. In March 2005, workshops were held to develop a framework for development effectiveness, at which donors pressed to adopt the Paris Declaration framework and indicators for mutual accountability.

Donors are working to include targets of the Paris Declaration into the second Poverty Reduction Strategy. Additionally, in December 2006, an update was completed on the implementation of the Paris Declaration in Benin. A workshop brought together 60 government and donor partners who agreed to establish a joint government-donor aid effectiveness action plan for 2007. Overall, it is considered that Benin has not achieved the work needed for "mutual evaluation". Nonetheless, the current initiative of government and donors to establish a joint aid effectiveness action plan is expected to usher in plans for a mutual evaluation system.

BASELINES AND TARGETS

THE TABLE BELOW presents the 2005 baselines and the targets for Benin. The baseline values are taken from the discussion above, which draws on various sources of information. The main source is the baseline survey undertaken in Benin under the aegis of the National Co-ordinator (Rigobert Laourou).

Table 4.9 Baselines and targets

INDICATORS		2005 BASELINE	2010 TARGET
1	Ownership – Operational PRS	C	B or A
2a	Quality of PFM systems	4.0	4.5
2b	Quality procurement systems	Not available	Not applicable
3	Aid reported on budget	47%	85%
4	Co-ordinated capacity development	56%	50%
5a	Use of country PFM systems (aid flows)	52%	68%
5b	Use of country procurement systems (aid flows)	64%	Not applicable
6	Parallel PIUs	29	10
7	In-year predictability	53%	77%
8	Untied aid	79%	More than 79%
9	Use of programme-based approaches	61%	66%
10a	Co-ordinated missions	14%	40%
10b	Co-ordinated country analytic work	38%	66%
11	Sound performance assessment framework	C	B or A
12	Reviews of mutual accountability	No	Yes

ACRONYMS

AER Aid Effectiveness Review
CDF Comprehensive Development Framework
CNDLP *Commission Nationale pour le Développement et la Lutte contre la Pauvreté* (National Commission for Development and Fight against Poverty)
CPIA Country Policy and Institutional Assessment
DSRP *Document de Stratégie de Réduction de la Pauvreté* (Poverty Reduction Strategy)
EC European Commission
IDA International Development Association
ODA official development assistance
MCA Millennium Challenge Account
MTEF Mid-Term Evaluation Framework
PER Public Expenditure Review
PIU project implementation unit
SCRP *Stratégie de Croissance et de Réduction de la Pauvreté*

5 BOLIVIA

BOLIVIA'S 9 MILLION PEOPLE receive an average annual income per head of USD 960 (gross national income per capita, 2004). At the time of the last household survey in 1999, some 14% of the population fell below the dollar-a-day international poverty line and 34% below the two dollars-a-day line. Bolivia has endorsed the Paris Declaration, and the effectiveness of aid is of the highest concern to both the government and the donor community.

Net official development assistance (ODA) to Bolivia in 2004 was USD 767 million, representing 9% of gross national income. A total of 16 donors responded to the 2006 baseline survey, accounting for at least 88% of official aid flows to the country. Some of the key challenges and priority actions suggested by the survey are shown in the box below.

OVERVIEW Box 5.1 Challenges and priority actions

DIMENSIONS	BASELINE	CHALLENGES	PRIORITY ACTIONS
Ownership	Moderate	National Development Plan is not operationalised.	Agree on intermediate National Development Plan objectives and link to budget allocations
Alignment	Low	Much donor-supported activity is de-linked from government systems.	Draw up a government initiative on capacity development. Improve government's financial accounting for aid.
Harmonisation	Low	Programme-based approaches and common procedures are not yet widely used.	Remove obstacles to wider adoption of programme-based approaches.
Managing for results	Moderate	Monitoring and evaluation system for the national development plan is not yet in place.	Specify intermediate indicators and clarify responsibilities for monitoring and evaluation.
Mutual accountability	Moderate	Harmonisation and alignment plan exists but is not being actively monitored.	Agree on an approach to harmonisation and alignment monitoring.

OWNERSHIP

OWNERSHIP IS CRITICAL to achieving development results and is central to the Paris Declaration. It has been defined as a country's ability to exercise effective leadership over its development policies and strategies. Achieving this – especially in countries that rely heavily on aid to finance their development – is not a simple undertaking. Nor, of course, can it be measured by a single indicator. For donors, promoting ownership means supporting countries' leadership, policies, institutions and systems. This is commonly referred to as "alignment" (see below). Donors are in a better position to do this when governments set out clear priorities and operational strategies – which is the main focus of Indicator 1 of the Paris Declaration.

OPERATIONAL DEVELOPMENT STRATEGY

INDICATOR 1

Indicator 1 of the Paris Declaration measures the extent to which a country has an operational development strategy to guide the aid co-ordination effort and the country's overall development. It uses the World Bank's 2005 Comprehensive Development Framework (CDF) Progress Report as the basis of this judgement. In the CDF's terms, an operational strategy calls for: a coherent long-term vision and a medium-term strategy derived from it; specific targets serving a holistic, balanced and well-sequenced development strategy; and capacity and resources for its implementation. Bolivia is considered to have some of these elements and not others, and is consequently placed, along with 58% of the countries covered, in category C of the CDF's descending scale running from A to E. Only countries in categories A or B are considered to have an operational strategy.

Bolivia's policy framework for poverty reduction has been affected by the frequent changes of government that were a feature of the country's history between 2000 and 2005. Political instability and underlying social tensions affected the operationalisation of the country's first Poverty Reduction Strategy Paper and prevented agreement on a successor strategy. For two years (2003-05) Bolivia's relations with its donors were conducted without even a formal agreement on medium-term policy directions. The stalemate at the political level reflected a profound lack of consensus among the main social forces of the country on a long-term development vision for Bolivia, and led to an unusual standstill in policy development.

This period was brought to an end with the election of Evo Morales as President with a large popular following and a decisive congressional majority at the end of 2005. Bolivia now has a solid long-term National Development Plan, subtitled *Bolivia Digna, Soberana, Productiva y Democrática para Vivir Bien*, which is based on Morales' election platform. The general objectives set out in the plan are strongly owned by the governing party, *Movimiento al Socialismo*, and differ from previous government plans in that they command quite a broad social consensus. It is expected that in due course the comprehensive National Development Plan will be recognised as Bolivia's new poverty reduction strategy (PRS). However, a good deal of work remains to be done to turn it into an operational document, with specific targets and a prioritised, balanced and well-sequenced implementation plan.

Various high-profile policy issues are likely to dominate government concerns for some time. They include the re-nationalisation of oil and natural gas, implementation of a new land policy and the formulation of a new national Constitution. At the same time, the government wants to lay the foundations for a new relationship between the centre and the regions, based on elected Prefects with much increased autonomy and powers to formulate development plans at the department level. According to the World Bank's Aid Effectiveness Review (AER), there have been frequent Cabinet changes and a significant level of resignations from some of the more professionalised sections of the senior civil service. Such circumstances may create considerable delays in the elaboration of policies that will breathe new life into the poverty-reduction objectives implicit in the national plan, and the costing and funding of relevant activities.

The linkage between the budget and government development objectives is a longstanding weakness of development planning in Bolivia. Ministries and local governments are legally required to prepare Annual Operational Plans that establish spending priorities. However, according to the AER report, in practice these plans are not based on a realistic estimate of available resources and do not include a results framework linking policies, objectives and indicators to monitor them. Ultimately, their impact on budget formulation is limited. The Morales government has taken a fresh approach to this issue by placing the supervision of public spending plans under the Ministry of Development Planning rather than the Ministry of Finance, but the implications of this change are not yet clear.

OTHER ASPECTS OF OWNERSHIP

Although the government of Bolivia has so far only taken some of the steps necessary to provide a solid framework for the alignment of external assistance with country policies, it has resumed an active role in co-ordinating external development assistance. The Vice-Ministry for Investment and External Finance now reports to the new Ministry of Development Planning. Since May 2006, the government chairs five joint working groups which were previously co-chaired by donor and government representatives. Several sector working groups are functioning well, according to the AER. The government is exploring how to reinstate scheduled Consultative Group (CG) meetings, with annual mini-CG meetings, and otherwise regularise the relationship between the country and its donors.

ALIGNMENT

AFTER SEVERAL YEARS OF MARKING TIME, Bolivia's external partners – especially the bilateral donors – are now moving back into a normal pattern of country assistance planning based on a stable country policy framework. The World Bank, for example, is preparing a two-year interim strategy as a bridge towards a full-fledged four-year Country Assistance Strategy. Undoubtedly, there will be accelerated progress on a number of items in the aid alignment agenda. The results of the baseline survey confirm the need to inject a new sense of urgency into these moves, and reveal some promising signs of progress. It is clear that the speed with which Bolivia moves towards the targets set by the Paris Declaration follow-up will be affected by both the willingness of donors to adopt new practices and the ability of the government to address various longstanding system issues affecting such areas as public financial management (PFM) and procurement.

BUILDING RELIABLE COUNTRY SYSTEMS

INDICATOR 2

The World Bank's Country Policy and Institutional Assessment (CPIA) gives Bolivia a current score of 3.5 for the quality of budgetary and public financial management, which is barely above the average for International Development Association countries. Although the country has a fairly sophisticated integrated financial management system (*Sistema Integrado de Gestión y Modernización Administrativa*), the 2004 Heavily Indebted Poor Countries tracking exercise found that the overall quality of public financial management met only 4 of 16 benchmarks, with some deterioration since 2001. For example, the supreme audit body, the Comptroller of the Republic, has been strengthened as an instrument of financial auditing in the public sector since the passage of the 1990 Financial Administration and Control Law. However, it has limited enforcement powers, and does not yet conduct performance audits of government policies and programmes.

INDICATOR 3
Table 5.1

Are government budget estimates comprehensive and realistic?

	Government's budget estimates of aid flows for FY05 (USD m) a	Aid disbursed by donors for government sector in FY05 (USD m) b	Baseline ratio* (%) c=a/b	c=b/a
Andean Dev. Corp.	191	154		81%
Belgium	1	2	46%	
Canada	0	13	4%	
Denmark	11	17	67%	
European Commission	73	34		47%
Germany	28	42	66%	
Global Fund	--	0		
IDB	191	112		59%
IMF	0	0		
Italy	3	0		0%
Japan	8	37	21%	
Netherlands	14	29	48%	
Spain	14	19	71%	
Sweden	3	10	30%	
Switzerland	2	8	21%	
United Kingdom	0	1	66%	
United Nations	4	14	27%	
United States	15	66	23%	
World Bank	157	71		45%
Total	**885**	**628**	**71%**	

* Baseline ratio is c = a / b except where government's budget estimates are greater than disbursements (c = b /a).

The government has taken action to deal with some of the weaknesses, notably by sharply reducing the ceiling on off-budget expenditures that do not require congressional approval. A strategic framework and action plan for strengthening public finances has been in place since 2005, and the results are being keenly watched.

The AER reports that there have been initiatives to introduce new technology into the public procurement system but that rules and procedures do not meet international standards. There is no central body supervising and regulating public procurement. Unfortunately, a numerical score for Indicator 2b, an assessment of the quality of the procurement system, is not currently available.

ALIGNING AID FLOWS ON NATIONAL PRIORITIES

As donors move to reorient their country assistance plans around the National Development Plan, all partners must work together to ensure that donor financial commitments are reflected fully and accurately in the national budget. This is the aspect of alignment measured by Indicator 3 of the baseline survey. The general target for this indicator set by the Paris Declaration (85%) calls for both a high level of budget realism on the part of the country authorities and a high degree of willingness and ability of donors to provide information in a timely fashion and in a suitable form.

The table provides government's budget estimates of aid flows for fiscal year 2005 (numerator) as a percentage of aid disbursed by donors for the government sector for the same period (denominator). This ratio tells us the degree to which there is a discrepancy between budget estimates and actual disbursements. The discrepancy can be in two directions: indeed budget estimates can be either higher or lower than disbursements. In order to have a single measure of discrepancy that is always less than 100%, the ratio is flipped when budget estimates are higher than disbursements.

The baseline figure for Bolivia from the survey is 71%. However, this number is a reflection of the sizeable discrepancies in both directions that exist between the aid reported by donors as disbursed to the government sector and that recorded in the budget. According to the survey return, these discrepancies primarily reflect failures of notification on the part of the different executing bodies. In some cases, executing agencies channelling funds directly to lower tiers of government or other public bodies failed to inform the authorities about planned expenditures and neglected the established reporting procedures. In other cases, figures were reported that exceeded what could be realistically disbursed within the year. The second source of inaccurate reporting applies particularly to commitments that are entered into the supplementary budget quite late in the fiscal year. The target for this indicator therefore calls for a significant joint effort to include both the capture of aid funds in the budget and the realism of the submitted expenditure estimates.

CO-ORDINATING SUPPORT TO STRENGTHEN CAPACITY

The Paris Declaration recognises capacity development as an essential condition for country ownership of the development agenda and for the strengthening of country systems. Fragmented donor support to capacity development is seen as an important obstacle. The Declaration therefore commits donors to providing more co-ordinated support to capacity development under country leadership, with a target of 50% provided in this form by 2010.

The baseline survey indicates that in Bolivia 80% of reported technical assistance is considered co-ordinated in this sense. This is well over the target. However, from the descriptive part of the survey return it is apparent that the reported percentage is a considerable overestimate, based on a loose understanding of the concept of "co-ordination under government leadership" that is not consistent with the survey guidance materials or with the spirit of the Paris Declaration.

INDICATOR 4
Table 5.2

How much technical assistance is co-ordinated with country programmes?

	Co-ordinated technical co-operation (USD m) a	Total technical co-operation (USD m) b	Baseline ratio (%) c=a/b
Andean Dev. Corp.	1	1	53%
Belgium	2	2	90%
Canada	3	3	87%
Denmark	0	1	19%
EC	34	34	100%
Germany	--	16	--
Global Fund	0	0	--
IDB	1	1	94%
IMF	0	--	--
Italy	0	1	0%
Japan	15	19	80%
Netherlands	5	5	100%
Spain	6	6	100%
Sweden	0	0	100%
Switzerland	2	3	64%
United Kingdom	0	0	0%
United Nations	14	16	88%
United States	58	66	87%
World Bank	3	3	100%
Total	**143**	**178**	**80%**

As the AER reports, only limited action is being taken towards developing a comprehensive national capacity-building strategy linked to the National Development Plan. Capacity development plans for sectors are being considered in those sectors, starting with education, that are moving towards sector-wide approaches (SWAps). A group of donors proposes to move to direct budget support as soon as an endorsed poverty reduction strategy is in place, and will be undertaking joint support for capacity in public financial management. However, these developments are still at an early stage. In order to meet the Paris Declaration target realistically, Bolivia will need to move beyond the position where technical assistance activities are merely consistent with country policies, and instead support a well-considered government initiative to improve public-sector capacity.

INDICATOR 5a
Table 5.3

How much aid for the government sectors uses country systems?

	Aid disbursed by donors for government sector (USD m) a	Public financial management: Budget execution (USD m) b	Public financial management: Financial reporting (USD m) c	Public financial management: Auditing (USD m) d	Public financial management: Baseline ratio (%) avg (b,c,d) / a	Procurement: Procurement systems (USD m) e	Procurement: Baseline ratio (%) e /a
Andean Dev. Corp.	154	1	0	0	0%	0	0%
Belgium	2	2	2	2	87%	2	100%
Canada	13	1	1	1	5%	1	5%
Denmark	17	15	15	0	60%	15	90%
European Commission	34	34	34	0	67%	17	49%
Germany	42	23	23	0	37%	23	55%
Global Fund	0	--	--	--	--	--	--
IDB	112	111	24	24	47%	0	0%
IMF	0	--	--	--	--	--	--
Italy	0	0	0	0	--	0	--
Japan	37	0	0	0	0%	0	0%
Netherlands	29	20	20	20	69%	20	69%
Spain	19	0	0	0	0%	0	0%
Sweden	10	10	10	10	100%	10	100%
Switzerland	8	3	2	3	40%	0	0%
United Kingdom	1	1	0	1	67%	0	0%
United Nations	14	5	7	1	29%	8	56%
United States	66	0	0	0	0%	0	0%
World Bank	71	71	0	0	33%	0	0%
Total	**628**	**296**	**137**	**60**	**26%**	**95**	**15%**

USING COUNTRY SYSTEMS

Indicator 5a is a measure of the use of three components of country public financial management systems by donors. In Bolivia, the majority of externally financed projects and programmes use donors' systems and procedures. According to the survey data, 26% of flows make use of all three components in Bolivia.

Given Bolivia's moderately high CPIA score for public budgetary and financial management, the average should rise to 76% by 2010. If the current trend towards SWAps continues, and if the planned arrangement for multi-donor budget support is consolidated, it is likely that Bolivia will see a substantial improvement in the use of country PFM systems. Sector support modalities are already proving to foster stepped-up use of country systems, notably in education. The budget support programme will not only create an automatic reliance on the country's budget execution and financial reporting arrangement, but will bring with it monitoring of agreed policy matrices that highlight improvement of financial management systems.

According to the survey results, only 15% of the aid from reporting donors made use of the country's procurement system. At present, no numerical rating of the quality of the Bolivian procurement system is available, so a specific target for increased utilisation cannot be set. However, in the view of the World Bank's AER, the increased use of programme modalities should lead to more extensive efforts to make use of country procurement systems and contribute to their improvement.

AVOIDING PARALLEL IMPLEMENTATION STRUCTURES

The Paris Declaration calls for a substantial reduction in the number of project implementation units (PIUs) that are parallel in the sense that appointment decisions and accounting relationships involve the donor alone. The current baseline figure for Bolivia is given as 66 such structures. This may well be an underestimate. According to the descriptive part of the survey return as well as the view of the World Bank's AER, almost all externally funded projects are run by PIUs that are effectively parallel structures.

There are some exceptions. For example, some Japanese-funded activities restrict themselves to posting Japanese experts within executing agencies that are departments of the government, and providing them with only their salaries and an allowance for minor expenses. Also, in sectors like education where the dialogue between the donors and the government has been intensive and capacity support has been stronger, there is more reliance on mainstream government structures. Nevertheless, this would seem to be an area that would benefit from greater donor efforts in Bolivia, in combination with the thoroughgoing approach to capacity development suggested above. The government has requested that external partners move away from parallel PIUs and allow units to be absorbed into the appropriate government offices at the end of projects. The Paris Declaration target for a country with 66 such units in 2006 is to reduce the number to 22 by 2010.

PROVIDING MORE PREDICTABLE AID

It is a major undertaking to improve the predictability of support and measure performance in this regard. Indicator 7 focuses on the government's ability to record disbursements in its accounting system: Bolivia recorded 63% of its aid in 2005. While this total might seem to suggest a reasonable level of predictability together with a moderate level of accuracy in the recording, the breakdown by donor reveals a high level of both under- and over-accounting of disbursements by government. The figures provided by the donors themselves do not indicate a high level of predictability, with unscheduled over- or under-disbursement in almost all cases.

INDICATOR 6
Table 5.4

How many PIUs are parallel to country structures?

	Parallel PIUs (units)
Andean Dev. Corp.	0
Belgium	0
Canada	5
Denmark	3
European Commission	0
Germany	0
Global Fund	0
IDB	0
IMF	--
Italy	1
Japan	0
Netherlands	0
Spain	10
Sweden	0
Switzerland	8
United Kingdom	1
United Nations	31
United States	0
World Bank	7
Total	**66**

The table looks at predictability from two different angles. The first angle is donors' and government's combined ability to disburse aid on schedule. In Bolivia, donors scheduled USD 722 million for disbursement in 2005 and actually disbursed – according to their own records – less than expected (USD 628 million). The discrepancy varies considerably among donors. The second angle is donors' and government's ability to record comprehensively disbursements made by donors for the government sector. In Bolivia, government systems recorded only USD 455 million out of the USD 628 million notified as disbursed by donors (72%), indicating that a significant proportion of disbursements were not captured, either because they were not appropriately notified by donors or because they were inaccurately recorded by government.

INDICATOR 7
Table 5.5

Are disbursements on schedule and recorded by government?

	Disbursements recorded by government in FY05 (USD m) a	Aid scheduled by donors for disbursement in FY05 (USD m) b	Aid actually disbursed by donors in FY05 (USD m) FOR REFERENCE ONLY	Baseline ratio* (%) c=a/b	c=b/a
Andean Dev. Corp.	132	210	154	63%	
Belgium	0	2	2	0%	
Canada	1	15	13	5%	
Denmark	15	21	17	71%	
European Commission	30	52	34	57%	
Germany	26	23	42		88%
Global Fund	--	--	0		
IDB	88	97	112	91%	
IMF	--	--	0		
Italy	0	0	0		
Japan	4	37	37	11%	
Netherlands	15	29	29	51%	
Spain	6	19	19	32%	
Sweden	6	23	10	28%	
Switzerland	5	5	8	97%	
United Kingdom	0	1	1	25%	
United Nations	9	18	14	50%	
United States	13	66	66	19%	
World Bank	38	106	71	36%	
Total	**455**	**722**	**628**	**63%**	

* Baseline ratio is c = a / b except where disbursements recorded by government are greater than aid scheduled for disbursement (c = b /a).

Indicator 7 on predictability has been designed to encourage progress on both of these angles so as to gradually close the predictability gap by half by 2010. In other words, it seeks to improve not only the predictability of actual disbursements but also the accuracy of how they are recorded in government systems – an important feature of ownership, accountability and transparency. In Bolivia, this combined predictability gap amounts to USD 267 million (37% of aid scheduled for disbursement). Closing this predictability gap will require donors and government to work increasingly together on various fronts at the same time. They might work at improving:

- the realism of predictions on volume and timing of expected disbursements;
- the way donors notify their disbursements to government;
- the comprehensiveness of government's records of disbursements made by donors.

UNTYING AID

INDICATOR 8

According to OECD data covering 79% of 2004 commitments, 78% of aid to Bolivia is untied. It is not clear whether donors have made any specific commitments to reduce the remaining tied aid, or whether the government is monitoring the issue.

HARMONISATION

ACHIEVING A GREATER DEGREE of alignment of external support with country policies and systems is going to take a substantial effort in Bolivia. The opportunities provided by the expected period of policy stability will need to be seized with both hands by the donor community. For its part, the government will have to recognise that the realisation of its development vision for the country depends on addressing the various long-delayed problems affecting the systems and capacities of the state. Tackling the system problems would encourage donors to take steps to enhance the effectiveness of their aid, including adopting more harmonised practices and less fragmented funding flows that reduce transaction costs for government.

USING COMMON ARRANGEMENTS

Currently, 32% of reported government-sector aid uses programme-based approaches (PBAs). This figure reflects the reality that a large number of disparate externally financed projects and agreements are still in place – 820 according to a World Bank estimate for the end of 2004. On the other hand, the proportion of budget support has remained low because the base conditions for starting multi-donor budget support were not satisfied up to the end of 2005. In fact, education is the only area with strong support for a SWAp.

The use of PBAs should increase over the coming years, putting the target of 66% by 2010 within easy reach. Certain common procedures and at least some of the elements of a programme-based approach can be seen in the joint support to the Education Reform Programme, the Ombudsman, the agricultural technology system and the water sector. The Paris Declaration calls upon donors and government to build upon examples such as these.

INDICATOR 9
Table 5.6

How much aid is programme based?

	Programme-based approaches			Total disbursed	Baseline ratio
	Budget support (USD m) a	Other PBAs (USD m) b	Total (USD m) c=a+b	(USD m) d	(%) e=c/d
Andean Dev. Corp.	28	1	30	198	15%
Belgium	0	0	0	11	0%
Canada	0	0	0	13	4%
Denmark	0	8	8	22	34%
European Commission	8	11	20	40	49%
Germany	0	7	7	48	15%
Global Fund	--	--	--	2	--
IDB	24	90	114	114	100%
IMF	--	--	--	0	--
Italy	0	0	0	1	0%
Japan	0	0	0	41	0%
Netherlands	2	27	29	31	94%
Spain	14	6	19	61	32%
Sweden	6	--	6	21	26%
Switzerland	0	1	1	18	8%
United Kingdom	0	0	0	4	0%
United Nations	5	0	5	19	26%
United States	0	--	0	76	0%
World Bank	14	0	14	71	20%
Total	**101**	**152**	**253**	**791**	**32%**

INDICATOR 10a
Table 5.7

How many donor missions are co-ordinated?

	Co-ordinated donor missions (missions) a	Total donor missions (missions) b	Baseline ratio (%) c=a/b
Andean Dev. Corp.	5	5	100%
Belgium	0	0	--
Canada	1	11	9%
Denmark	3	5	60%
European Commission	0	10	0%
Germany	5	13	38%
Global Fund	1	3	33%
IDB	0	81	0%
IMF	0	5	0%
Italy	0	6	0%
Japan	0	20	0%
Netherlands	2	2	100%
Spain	0	5	0%
Sweden	3	10	30%
Switzerland	3	6	50%
United Kingdom	0	1	0%
United Nations	33	46	72%
United States	0	0	--
World Bank	11	28	39%
Total (discounted*)	**44**	**257**	**17%**

* The total of co-ordinated missions has been adjusted to avoid double counting. A discount factor of 35% has been applied.

INDICATOR 10b
Table 5.8

How much country analysis is co-ordinated?

	Co-ordinated donor analytical work * (units) a	Total donor analytical work (units) b	Baseline ratio (%) c=a/b
Andean Dev. Corp.	2	2	100%
Belgium	0	0	--
Canada	0	1	0%
Denmark	0	0	--
European Commission	0	5	0%
Germany	2	3	67%
Global Fund	0	0	--
IDB	1	2	50%
IMF	0	5	0%
Italy	0	0	--
Japan	4	4	100%
Netherlands	0	0	--
Spain	1	1	100%
Sweden	1	4	25%
Switzerland	0	0	--
United Kingdom	0	6	0%
United Nations	5	12	42%
United States	0	0	--
World Bank	4	5	80%
Total (discounted*)	**15**	**50**	**30%**

* The total of co-ordinated analysis has been adjusted to avoid double counting. A discount factor of 25% has been applied.

CONDUCTING JOINT MISSIONS AND SHARING ANALYSIS

The baseline figure for co-ordination of donor missions is at 17% when compared with the Paris Declaration target of 40%. The UN system and the World Bank account for a large proportion of reported joint exercises. The absolute number of missions is nonetheless still very high. Although there has been a trend among donors to decentralise their offices and decision making to the country level, this has not led to a substantial reduction in the number of missions. Deliberate efforts will therefore be needed to meet the target even if PBAs, and the joint activities that they imply, increase in importance as expected.

Jointly conducted analytical work is on the rise, with the baseline proportion at 30%. Leading examples include the Country Financial Accountability Assessment, the Institutional and Governance Review, and the joint Country Social Assessment. External partners have posted at least 27 documents on the multi-donor international website for country analytical work (www.countryanalyticwork.net). However, donors will have to make a major and concerted effort if they are to meet the Paris Declaration target of 60% of analytical work done jointly.

MANAGING FOR RESULTS

INDICATOR 11

THE PARIS DECLARATION calls for partner countries and donors to work together to manage resources on the basis of desired results and use information to improve decision making. This means both strengthening the capacity to undertake such management and helping to increase the demand for a focus on results. Indicator 11 measures one component of this effort: the establishment of cost-effective results-oriented reporting and assessment systems by the country.

Bolivia is not among the very small group of International Development Association countries judged to have a "largely developed" results monitoring system according to the CDF. Instead, it falls into category C of this assessment along with the 42% of the sample that have some (but not all) of the elements of such a system. This reflects particular strengths and inadequacies in three areas: the quality of the available development information, the degree to which stakeholders have access to it, and the extent of co-ordinated monitoring and evaluation of the country's development efforts.

The AER reports that the availability and quality of poverty-related data has improved. However, action is needed to strengthen information reliability, timeliness and comprehensiveness. There have been regular surveys of living conditions, and statistical capacity is being strengthened with support from a multi-donor trust fund. However, a country-level monitoring and evaluation system is not in place. Under the first PRS, annual progress reports were prepared by the *Unidad de Análisis de Políticas Económicas* (political economy analysis unit) on behalf of an inter-ministerial council on monitoring and evaluation, but this arrangement no longer operates. The National Development Plan identifies 2006 and 2010 targets for six basic indicators of poverty and inequality. However, these are not yet backed up with intermediate indicators to track progress towards their achievement on an annual basis. Although the National Development Plan has been published and budget execution data are available on government websites, there are no known plans to disseminate or promote discussion of the plan's implementation. These issues will need attention if the government is to play its part in realising the Paris Declaration vision.

MUTUAL ACCOUNTABILITY

INDICATOR 12

THE PARIS DECLARATION RECOMMENDS that donors and partner countries be accountable to each other for the use of development resources, and in a way that strengthens public support for national policies and development assistance. This in turn requires governments to improve country accountability systems and donors to be transparent about their own contributions. Is there a country-level mechanism permitting joint assessment of progress in implementing agreed commitments on aid effectiveness, including those in the Declaration itself?

Such a mechanism does exist in Bolivia. Bolivia became a harmonisation pilot country after the 2003 Rome Declaration on Harmonisation and Alignment. Together with external partners, the government prepared a National Plan for Alignment and Harmonisation, that was presented at the Paris High-Level Forum in 2005. This was reviewed in an evaluation workshop held in November 2005, which led to a joint declaration of intentions by participating donors and the government. Further steps to institutionalise joint reviews of progress in aid effectiveness are anticipated.

BASELINES AND TARGETS

THE TABLE BELOW presents the 2005 baselines and targets for Bolivia. The baseline values are formulated through the discussion above, which draws on various sources of information. The main source is the baseline survey undertaken in Bolivia under the aegis of the National Co-ordinator (Fernando Jiménez Zeballos).

Table 5.9 Baselines and targets

INDICATORS		2005 BASELINE	2010 TARGET
1	Ownership – Operational PRS	C	B or A
2a	Quality of PFM systems	3.5	4.0
2b	Quality procurement systems	Not available	Not applicable
3	Aid reported on budget	71%	85%
4	Co-ordinated capacity development	80%	50%
5a	Use of country PFM systems (aid flows)	26%	51%
5b	Use of country procurement systems (aid flows)	15%	Not applicable
6	Parallel PIUs	66	22
7	In-year predictability	63%	81%
8	Untied aid	78%	More than 78%
9	Use of programme-based approaches	32%	66%
10a	Co-ordinated missions	17%	40%
10b	Co-ordinated country analytical work	30%	66%
11	Sound performance assessment framework	C	B or A
12	Reviews of mutual accountability	Yes	Yes

ACRONYMS

AER Aid Effectiveness Review
CDF Comprehensive Development Framework
CG Consultative Group
CPIA Country Policy and Institutional Assessment
ODA official development assistance
PBA programme-based approach
PFM public financial management
PIU project implementation unit
PRS Poverty Reduction Strategy
SWAp sector-wide approach

6 BURKINA FASO

THE PER CAPITA ANNUAL INCOME OF BURKINA FASO'S 13.9 MILLION PEOPLE is USD 400 (2004), and some 43% of the population fall below the national poverty line (2003). Burkina Faso has endorsed the Paris Declaration. Net official development assistance (ODA) to Burkina Faso in 2004 was USD 633 million, representing approximately 12.7% of gross national income. A total of 23 of the 27 resident donors responded to the 2006 baseline survey, including 13 of the top 15 donors, accounting for 91% of official aid flows to Burkina Faso. The United States, Cuba, Morocco and the West African Development Bank did not respond.

OVERVIEW
Box 6.1
Challenges and priority actions

DIMENSIONS	BASELINE	CHALLENGES	PRIORITY ACTIONS
Ownership	Moderate	A Poverty Reduction Strategy has been developed but it is not matched by implementation capacity. Government ownership of development policy has until recently been weak, though recent efforts have been stepped up (e.g. through establishment of the Technical Secretariat for Aid Effectiveness).	Implement action plan to address government weaknesses identified in the Aid Effectiveness Review, particularly lack of resources and capacity of development oversight departments Strengthen budget control systems, particularly in the area of revenue projections.
Alignment	Moderate	Very low alignment in the area of capacity building. Many different projects and programmes are not captured in the government recording system. Many different project implementation units still exist outside government.	Prepare government capacity-building initiative. Build up budget and resources of government audit function. Ensure that all projects are included in government financial public management system. Government should enact policies to reduce number of project implementation units.
Harmonisation	Moderate	In sectors with no programme-based approach, alignment is weak.	Develop programme-based approach with common procedures for all relevant sectors.
Managing for results	Moderate	Results managing system is hampered by weaknesses in statistical and monitoring and evaluation resources and capacity.	Donors and government should provide adequate funding and staff levels to the departments responsible for results-based management systems.
Mutual accountability	Moderate	Discussions on mutual accountability have only recently begun.	Ensure Technical Secretariat has resources and staff to properly oversee implementation of plans as they develop.

OWNERSHIP

INDICATOR 1

OWNERSHIP IS CRITICAL to achieving development results and is central to the Paris Declaration. It has been defined as a country's ability to exercise effective leadership over its development policies and strategies. Achieving this – especially in countries that rely heavily on aid to finance their development – is not a simple undertaking. Nor can it be measured by a single indicator. For donors, it means supporting countries' leadership, policies, institutions and systems. This is commonly referred to as "alignment" (see below). Donors are in a better position to do this when governments set out clear priorities and operational strategies (the main focus of Indicator 1 of the Paris Declaration).

Indicator 1 of the Paris Declaration measures the extent to which a country has an operational development strategy to guide the aid co-ordination effort and the country's overall development. The score for Indicator 1 is based on the World Bank's 2005 Comprehensive Development Framework (CDF) Progress Report. In the CDF's terms, an operational strategy calls for a coherent long-term vision and a medium-term strategy derived from it; specific targets serving a holistic, balanced and well-sequenced development strategy; and capacity and resources for its implementation. Burkina Faso is considered to have some of these elements and not others, and is consequently placed, along with 58% of the countries covered, in category C of the CDF descending scale running from A to E. Only countries in categories A or B are considered to have an operational strategy.

According to the World Bank's Aid Effectiveness Review (AER), Burkina Faso's policy framework is strong on vision and medium-term objective setting. The government wrote its first long-term development strategy, the Letter of Intent for Sustainable Development Policy, in 1995. This document gives conceptual underpinnings to the medium-term strategy, the *Cadre Stratégique de Lutte contre la Pauvreté* (CSLP). A further long-term vision study updating the Letter of Intent, Burkina 2025, was completed in December 2005 by a government-established *Groupe opérationnel d'experts de l'étude prospective,* a UNDP-financed group of some 60 government and civil-society representatives. The most recent medium-term strategy, CSLP II, covers the years 2004-06 and functions as the country's Poverty Reduction Strategy (PRS). Policy activities are outlined in the accompanying matrix, the 2004-2006 Priority Action Plan (PAP), which is updated yearly to help reflect CSLP II priorities within the budget.

The five pillars of the CSLP II are (as with the previous CSLP) accelerated and equitable growth, better access for poor people to social services, employment growth, the environment and good governance. Millennium Development Goals are made more country-specific and linked to these priority pillars. The CSLP II puts greater emphasis on gender issues than the previous strategy, and includes regional development plans along with the national one. Annual reviews ensure that targets are modified according to lessons learned, and that resources are appropriate to those targets: for example, education and poverty reduction goals have been extended past 2015 to take into account country realities (low baseline achievement and poor capacity). Ten-year sectoral development plans for selected sectors (health, education, public expenditure reform) are also being developed, as well as 13 regional development plans.

The government, having historically been quite weak, has recently stepped up efforts to "own" development policy. A Technical Secretariat for Aid Effectiveness (STELA) has been established, which has collaborated with the National Co-ordinator on the OECD questionnaire. The government co-chairs (with the UNDP) round-table meetings on development assistance, most recently in March 2004, and has identified appropriate sectoral leads among donors. For example, the World Bank and European Commission are the government's choice to lead work on budget support (though this role is not necessarily limited to these two donors), while France was chosen to head education work. Through the planned framework for private-sector/civil-society involvement in development, as well as possible

legal reforms to enhance non-government participation, the government is soliciting inputs from non-government stakeholders. Overall, however, the World Bank's Aid Effectiveness Review notes that "civil society involvement has proven difficult to accomplish in a sufficiently representative fashion" across all sectors.

Until recently, the government's approach to stakeholder consultation was wide-reaching, yet inconsistent, as typified by its stakeholder consultations for the original CSLP. Consultations for CSLP II were more rigorous, and included 10 regional consultations and development of the regional strategies discussed above. Civil-society organisations (CSOs) and private-sector representatives were brought in and provided inputs to the CSLP II. The National Assembly reviewed both CSLP I and II, but does not review progress reports (it only provides budget approval). Line ministries also provide commentary on the CSLP progress during the annual budget session. The government plans to conduct annual CSLP revisions at the national and regional levels, with regional councils providing a permanent venue for dialogue. These regional efforts are expected to take on a more central importance since the introduction of a 2004 decentralisation law. At the national level, CSOs and the private sector may speak to their appointed representative on the Economic and Social Council, an advisory body to the government that is constitutionally responsible for Parliamentary review of all national development plans (and which reviewed CSLP I and II).

Further, the government has established an office tasked with overseeing the implementation of the national poverty alleviation plan, overseen by the Ministry of Economy and Development (MED), the Ministerial Steering and Monitoring Committee, chaired by the Prime Minister and with participation from all ministries. The Committee develops policy and keeps sectoral strategies in line with the overall development policy. There are also six active Sectoral Commissions to monitor sectoral policy implementation, overseen by the *Direction Générale de l'Economie et de la Planification* within the MED. However, of the six, only two produced reports that were used in preparation of the 2005 CSLP Progress Report. The Secrétariat Technique pour la Coordination des Programmes de Développement Economique et Social (STC-PDES) handles monitoring and evaluation as well as liaison with civil society, national consultations and regional councils. Originally a department within the MED, the STC-PDES was recently moved to the *Direction Générale de l'Economie et du Développement*. The government hosted 100 participants at a workshop in March 2006 to disseminate and discuss Burkina 2025 findings.

The government now links medium-and long-term strategies to the national budget through use of a three-year rolling Mid-Term Evaluation Framework (MTEF), which is integrated with the budget cycle. The latest MTEFs were prepared sufficiently in advance to be included in the annual budget submission. A sectoral MTEF has been developed for health, and others are planned in finance, water and transport. Budget expenditures have increased in line with priorities set out in the Poverty Reduction Strategy Paper. Poverty-reducing social expenditures have risen from 4.8% of gross domestic product in 2002 to 5.8% in 2004, and nearly half of all domestic revenue in 2006 went to financing the CSLP priority pillars.

Despite recent progress, however, weaknesses remain. Capacity to implement strategy, for example (particularly at the local government level), is much weaker than that available for strategy formulation. For sectoral policies to be formulated and implemented, priority needs to be placed squarely on building up skills in the areas of decentralisation, civil-service reform and training. More resources are needed to implement CSLP targets, as well as more technical assistance. Further, budget control systems need to be honed, particularly in the area of revenue projections. The MTEF still requires more results-based sectoral programmes, as only one has been developed to date. Lastly, aid disbursements need to be more closely attuned to the results of monitoring and evaluation work.

Such weaknesses have their roots in Burkina Faso's overall policy environment (in particular, the country's limited monitoring and evaluation capacity, poor inter-ministerial co-ordination, lack of "discussion space" in Parliament in which to discuss budget programming, etc.) Nonetheless, there are positive signs on the horizon: the health sector MTEF was finalised in 2005, and annual CSLP reviews have improved the MTEF. Most line ministries are now beginning to prioritise their planning in line with the poverty alleviation plan.

ALIGNMENT

ALTHOUGH BURKINA FASO AND ITS DONORS have put in place a number of the elements necessary to align aid with country policies and systems, this process remains incomplete in some important respects. On the one hand, country systems still fall short of providing a robust framework into which aid can be easily integrated. On the other hand, donors will need to step up their efforts if the Paris Declaration commitments on alignment are to be fully realised in Burkina Faso.

BUILDING RELIABLE COUNTRY SYSTEMS

INDICATOR 2a

The World Bank's Country Policy and Institutional Assessment gives Burkina Faso a current score of 4.0 – "moderately strong" – for the quality of budgetary and public financial management. This is slightly above average for International Development Association countries. The AER reports that public financial management has improved significantly since 2002, when the first budget reform plan, the P*lan de Réforme de la Gestion Budgétaire*, was launched to help strengthen the budget process as outlined in the CSLP. The plan is helping to decentralise budget preparation to the sectors, and, thanks to the establishment of a Supreme Audit Institution (the *Cour des Comptes*), strengthening budget oversight. The *Cour des Comptes*, a very recently established institution, is independent, and undertakes audits of all public enterprises and ministries including regional branches. Sectors in the CSLP are scrutinised more regularly. Nonetheless, the *Cour des Comptes* is understaffed and under-funded, creating a backlog on budget audits.

The government now has a computerised expenditure management system, and is introducing a payroll information system for local and central governments. An electronic debt management system is also being introduced, along with an integrated revenue management system.

INDICATOR 2b

A procurement code was introduced in 2002-03 to strengthen transparency and efficiency, and a procurement reform commission established, bringing together government representatives and other stakeholders to co-ordinate and monitor these reforms. Since then, procurement responsibility has been transferred to local units, such as local governments and sectoral planning units. Procurement units are given sufficient resources thanks to a well-functioning cash management system, though capacity in some units is limited. Other outstanding problems include the paucity of regular audits: only 5% of procurement contracts were audited in 2005.

In 2006, government introduced an action plan to operationalise the findings of the 2005 Country Procurement Assessment Review, aiming for the creation of a regulatory agency and specialised procurement units for major contracting authorities, as well as a functional and administrative overhaul of the Central Directorate for Public Procurement.

Corruption remains a serious issue in Burkina Faso. Though it ranks in the top half of Transparency International's Corruption Perceptions Index (79th of 163), it rates just 3.2, on a scale from 0 (highly corrupt) to 10 (highly clean). In 2002, the government established a High Authority for the Coordination of the Fight Against Corruption, hampered by a limited mandate to prosecute cases, and tight resources. A civil-society organisation, the National Anti-Corruption Network, has raised public awareness of the issue. A National Anti-Corruption Strategy was developed in 2005, and the High Authority intends to put it into action.

ALIGNING AID FLOWS ON NATIONAL PRIORITIES

Burkina Faso's poverty reduction strategy provides a basis for external partners to align their support in a general way with the country's policies. The country's five biggest donors are the World Bank, France, the European Union, the Netherlands and the African Development Bank (AfDB); together they accounted for 74% of aid in 2002-03. They have aligned their assistance with the CSLP. The World Bank's Country Assistance Strategy 2000-03 and Country Assistance Strategy Progress Report 2004-05 are based on the CSLP and the strategies of the European Commission (EC), Netherlands, Austria, United Nations and AfDB. The Millennium Challenge Corporation of the United States invited Burkina Faso to apply for a Threshold Program in 2005, to help it become eligible for Millennium Challenge Account funding; the government is now preparing a proposal for funding that is aligned with CSLP II priorities. Several donors, including the EC, UNDP, France and AfDB, have aligned to the Plan de Réforme de la Gestion Budgétaire (the government's budget strengthening plan).

Staffing and resources are also decentralising to a certain extent. The World Bank's country manager is based in Ouagadougou, along with technical specialists in environment, rural development, education and HIV/AIDS. The UNDP has transferred decision making to Ouagadougou. Technical expertise from several other donors, including the EC, Netherlands, Germany, Denmark, Switzerland, Austria and Sweden, are based locally and enhance technical group discussions. However, overall dialogue on harmonisation and alignment among offices could be stepped up to ensure a coherent overall strategy.

The government has tried to steer donor funding. The Ministry of Finance's Direction Générale de la Coopération has an electronic database of all development aid projects and disbursements, and publishes an annual report (though often delayed). Several formal sectoral working groups chaired by line ministries help co-ordinate sectoral budget support; these can be found in agriculture, budget support, education, energy, health, water and sanitation, vocational education and training, and transport. Recognising that different donors have different rules and decentralisation levels within their own organisations, the World Bank, UNDP and EC formed a Technical Secretariat for Aid Effectiveness that identifies stumbling blocks and areas where the group can help the government with its harmonisation and alignment plans.

One of the obstacles hindering further joint country programming in Burkina Faso is the difficulty of reflecting donor financial commitments fully and accurately in the national budget. This is the aspect of alignment measured by Indicator 3 of the baseline survey. The general target for this indicator set by the Paris Declaration (85%) calls for a high level of budget realism on the part of the country authorities, accompanied by a high degree of willingness and ability of donors to provide information in a timely fashion and in a suitable form.

INDICATOR 3
Table 18.1

Are government budget estimates comprehensive and realistic?

	Government's budget estimates of aid flows for FY05 (USD m) a	Aid disbursed by donors for government sector in FY05 (USD m) b	Baseline ratio* (%) c=a/b	c=b/a
African Dev. Bank	58	58		99%
Austria	1	4	27%	
Belgium	8	3		45%
Canada	8	8	97%	
China	10	20	47%	
Denmark	28	27		96%
European Commission	84	92	91%	
France	9	43	20%	
Germany	7	26	28%	
IMF	0	10	0%	
Italy	0	6	0%	
Netherlands	15	43	34%	
Sweden	3	11	29%	
Switzerland	6	7	95%	
United Nations	19	44	45%	
World Bank	102	128	79%	
Total	**359**	**531**	**68%**	

* Baseline ratio is c = a / b except where government's budget estimates are greater than disbursements (c = b /a).

The table provides government's budget estimates of aid flows for fiscal year 2005 (numerator) as a percentage of aid disbursed by donors for the government sector for the same period (denominator). This ratio tells us the degree to which there is a discrepancy between budget estimates and actual disbursements. The discrepancy can be in two directions: indeed budget estimates can be either higher or lower than disbursements. In order to have a single measure of discrepancy that is always less than 100%, the ratio is flipped when budget estimates are higher than disbursements. The baseline value for Indicator 3 in Burkina Faso is 68%. Achieving the target agreed in Paris of 84% (halving the gap) for this indicator will require concerted efforts by donors and government.

INDICATOR 4
Table 6.2

How much technical assistance is co-ordinated with country programmes?

	Co-ordinated technical co-operation (USD m) a	Total technical co-operation (USD m) b	Baseline ratio (%) c=a/b
African Dev. Bank	0	0	0%
Austria	0	4	0%
Belgium	0	1	0%
Canada	0	5	7%
China	0	2	0%
Denmark	1	4	15%
European Commission	0	4	5%
France	0	8	0%
Germany	0	10	0%
IMF	0	0	--
Italy	1	6	18%
Netherlands	0	1	0%
Sweden	0	0	--
Switzerland	0	10	3%
United Nations	0	19	0%
World Bank	0	0	--
Total	**3**	**75**	**3%**

There are some sizeable discrepancies in both directions between the aid reported by donors as disbursed to the government sector. In general, only the projects or programmes that are managed by the state and those requiring a financial counterpart of the state are registered. Since 2006, the government has adopted a new policy to include development aid within the budget. However, many projects and programmes remain outside the budget structure. It seems clear that stakeholders will need to look closely at the realism of the budget and its reporting of donor funding.

CO-ORDINATING SUPPORT TO STRENGTHEN CAPACITY

Capacity constraints significantly undermine the ability of country systems to capture and co-ordinate aid flows more effectively. The Paris Declaration commits donors to providing more co-ordinated support to capacity development under country leadership, with a target of 50% provided in this form by 2010. The survey indicates that in Burkina Faso, currently just 3% of reported technical assistance is considered co-ordinated in this sense, pointing to a very large gap to close during the years to 2010.

On a definitional note, many donors noted during discussions with the National Co-ordinator their confusion over what is regarded as joint capacity building as outlined in Indicator 4 of the questionnaire. The government and nine donors are now beginning to formulate a more co-ordinated approach.

INDICATOR 5
Table 6.3

How much aid for the government sectors uses country systems?

	Aid disbursed by donors for government sector (USD m) a	Public financial management				Procurement	
		Budget execution (USD m) b	Financial reporting (USD m) c	Auditing (USD m) d	Baseline ratio (%) avg (b,c,d) / a	Procurement systems (USD m) e	Baseline ratio (%) e /a
African Dev. Bank	58	8	8	8	14%	58	100%
Austria	4	0	0	0	0%	0	0%
Belgium	3	0	0	0	0%	2	60%
Canada	8	2	0	0	10%	2	29%
China	20	13	13	13	63%	13	63%
Denmark	27	11	4	4	24%	17	64%
European Commission	92	52	95	52	72%	52	57%
France	43	18	7	7	25%	30	70%
Germany	26	16	16	16	61%	16	61%
IMF	10	10	10	10	100%	10	100%
Italy	6	0	0	0	8%	0	8%
Netherlands	43	20	20	20	45%	38	87%
Sweden	11	7	7	7	63%	7	63%
Switzerland	7	7	7	7	100%	7	100%
United Nations	44	11	16	8	27%	9	20%
World Bank	128	60	60	60	47%	60	47%
Total	**531**	**234**	**263**	**212**	**45%**	**321**	**60%**

USING COUNTRY SYSTEMS

Indicator 5a is a measure of the use of three components of country public financial management systems by donors. According to the survey data, , the average rate of utilisation across the three components is 45%. Given Burkina Faso's relatively strong Country Policy and Institutional Assessment score for public budgetary and financial management, the target of 63% by 2010 seems, though challenging, within reach.

This promising performance is in part a reflection of the growing role of budget support. Approximately 30% of development assistance is now budget support: the EC, for example, provides exclusive budget support within the education sector. Donors contributing aid through sector-wide approaches (SWAps) have also begun to use country systems. For example, France, the Netherlands, Sweden and the UNFPA use national procurement systems in their health and HIV/AIDS SWAp. They have agreed on a list of 35 indicators to monitor progress. An Education SWAp supported by Belgium, Canada, Denmark, France, the Netherlands, Sweden and the World Bank uses national financial management, monitoring and procurement measures where possible. The World Bank has adopted national procedures for national bids but uses its own systems for international bids.

Increasing use of government systems reflects the government's *Plan de Réforme de la Gestion Budgétaire*, that encourages all development partners to use the government's own financial planning and procurement systems. However, widespread utilisation of the public financial management system is still hindered by rigidities of donor procedures.

According to the survey results, 60% of aid for the government sector made use of Burkina Faso's procurement system and development partners are increasingly following national procurement procedures. Donors have also heeded the call for adherence to national procurement procedures found in the World Bank's 2003 Country Procurement Assessment Report. Ultimately, though, Burkina Faso (like many aid-dependent countries) still faces a multiplicity of donor administrative procedures.

INDICATOR 6
Table 6.4

How many PIUs are parallel to country structures?

	Parallel PIUs (units)
African Dev. Bank	21
Austria	9
Belgium	5
Canada	12
China	3
Denmark	13
European Commission	9
France	12
Germany	--
IMF	0
Italy	2
Netherlands	7
Sweden	5
Switzerland	4
United Nations	16
World Bank	13
Total	**131**

AVOIDING PARALLEL IMPLEMENTATION STRUCTURES

The Paris Declaration calls for a substantial reduction in the number of project implementation units (PIU) that are parallel, where appointment decisions and accounting relationships involve the donor alone. The current baseline figure for Burkina Faso is given as 131 such structures. However, this is partly due to definitional issues: in Burkina Faso, four criteria are used to establish the list of PIUs, and they are defined as such if they meet even one of these criteria. The National Co-ordinator reports that some questionnaire respondents had a tendency to minimise the number of PIUs in their portfolio as defined by these criteria. Additionally, six respondents (Canada, France, China, Switzerland, Sweden and Italy) provided a number of PIUs without furnishing a detailed list. In general, the government approves these structures, and the structures collaborate strictly according to government procedures. The usual reasons for setting up parallel structures are raised, primarily surrounding the administrative burdens of government which delay timely execution of projects and programs.

The government and partners are now making efforts to integrate PIUs into country structures and to reduce the size of remaining PIUs. The goal of many PIUs is changing from implementation to capacity building and co-ordination. The use of single PIUs to execute multiple projects (community development, transport, water and rural development, for example) is also being tested.

PROVIDING MORE PREDICTABLE AID

There is a need to improve the predictability of support and the measurement of performance in this regard. Indicator 7 focuses on the government's ability to record disbursements in its accounting system for the appropriate year, for which 92% is the total recorded value for Burkina Faso. While this total might point to a high level of predictability together with a high level of accuracy in the recording, the breakdown by donor reveals a high level of both under- and over-accounting of disbursements by the government. Even more surprising is the lack of comparability between some donors' own scheduled aid plans versus their actual disbursements. It is clear that some of Burkina Faso's biggest donors, including the EC, France, Germany and the UN, have very different planned versus actual disbursements.

The table looks at predictability from two different angles. The first angle is donors' and government's combined ability to disburse aid on schedule. In Burkina Faso, donors scheduled USD 477 million for disbursement in 2005 and actually disbursed – according to their own records – significantly more than expected (USD 531 million). The discrepancy varies considerably among donors and is mainly due to late disbursements carried over to 2005 and to delays in implementing programmes. The second angle is donors' and government's ability to record comprehensively disbursements made by donors for the government sector. In Burkina Faso, government systems recorded USD 438 million out of the USD 531 million notified as disbursed by donors (83%), indicating that a significant proportion of disbursements were not captured, either because they were not appropriately notified by donors or because they were inaccurately recorded by government.

INDICATOR 7
Table 6.5

Are disbursements on schedule and recorded by government?

	Disbursements recorded by government in FY05 (USD m) a	Aid scheduled by donors for disbursement in FY05 (USD m) b	Aid actually disbursed by donors in FY05 (USD m) FOR REFERENCE ONLY	Baseline ratio* (%) c=a/b	c=b/a
African Dev. Bank	58	58	58		99%
Austria	0	5	4	0%	
Belgium	8	--	3		
Canada	0	8	8	0%	
China	10	20	20	48%	
Denmark	14	27	27	51%	
European Commission	108	113	92	96%	
France	30	0	43		0%
Germany	7	9	26	70%	
IMF	15	10	10		66%
Italy	0	6	6	0%	
Netherlands	46	47	43	98%	
Sweden	8	11	11	77%	
Switzerland	6	7	7	95%	
United Nations	0	30	44	0%	
World Bank	128	127	128		99%
Total	**438**	**478**	**531**	**92%**	

* Baseline ratio is c = a / b except where disbursements recorded by government are greater than aid scheduled for disbursement (c = b /a).

Indicator 7 on predictability has been designed to encourage progress against both of these angles so as to gradually close the predictability gap by half by 2010. In other words, it seeks to improve not only the predictability of actual disbursements but also the accuracy of how they are recorded in government systems – an important feature of ownership, accountability and transparency. In Burkina Faso, this combined predictability gap amounts to USD 39 million (8% of aid scheduled for disbursement). Closing this predictability gap will require donors and government to work increasingly together on various fronts at the same time. They might work at improving:

- the realism of predictions on volume and timing of expected disbursements;
- the way donors notify their disbursements to government;
- the comprehensiveness of government's records of disbursements made by donors.

Nearly half of all public expenditures are financed through external flows, often in the form of direct budget support. By 2005, most development partners were making multi-year budget commitments, contributing to budget predictability. However, only one-third of this expenditure was committed before the annual budgetary framework. SWAps are also helping to align aid disbursements with the annual budget: for example, donors in the education SWAp conduct joint reviews during annual budget preparation. Disbursements under the SWAp are committed on the basis of the Ministry of Education's yearly action plan; donors monitor timeliness of disbursements.

To address these issues, the government approved a Memorandum of Understanding for joint budgetary support, the Cadre general pour l'appui budgétaire, in the area of public financial management. Participants include the AfDB, France, Denmark, the EC, Germany, the Netherlands, Sweden, Switzerland and the World Bank.

UNTYING AID

INDICATOR 8

In Burkina Faso, all multilateral and most bilateral aid is untied. Untied bilateral aid may be set to increase because of anticipated aid increases from donors that provide only untied aid.

HARMONISATION

USING COMMON ARRANGEMENTS

The National Co-ordinator responsible for collating donor responses noted that, as with some other portions of the questionnaire, respondents had definitional questions regarding "co-ordinated programme under government leadership" and interpretations of the phrase varied widely. Harmonisation of external partners' procedures come in the form of joint annual CSLP reviews, common project performance indicators, common financing arrangements and joint implementation mechanisms. The proportion of reported government sector aid using programme-based approaches and hence employing common arrangements is currently reported as 45%, mostly in the form of sectoral approaches.

The Government's Cadre general pour l'appui budgétaire provides a framework to assess budget support and measures macroeconomic performance, public sector resource management and CSLPII rollout. The PAP also provides a joint performance mechanism: the World Bank's upcoming Poverty Reduction Support Credit will be based on this.

Finance is being co-ordinated particularly closely through SWAps in education, vocational education and training, water and sanitation, and health, all of which involves multiple donors and joint performance reviews. For example, an upcoming agricultural SWAp (World Bank, Denmark, Germany and IFAD) will feature joint financing mechanisms. In the area of vocational education and training, some co-ordination of parallel financing is provided through the Cadre de Concertation sur l"Enseignement Technique et la Formation Professionelle. In sectors where there is no sectoral approach in place, however, there are many examples of stand-alone projects where there is little or no co-ordination. The government has found it challenging to establish a list of programmes considered relevant to programme-based approaches, since complete data on current programmes are not available and such programmes are not necessarily included in national monitoring systems.

INDICATOR 9
Table 6.6

How much aid is programme based?

	Budget support (USD m) a	Other PBAs (USD m) b	Total (USD m) c=a+b	Total disbursed (USD m) d	Baseline ratio (%) e=c/d
African Dev. Bank	8	--	8	58	14%
Austria	0	4	4	4	100%
Belgium	0	0	0	12	0%
Canada	0	2	2	15	17%
China	0	0	0	20	0%
Denmark	6	27	33	33	100%
European Commission	51	19	70	104	67%
France	10	1	11	47	23%
Germany	0	0	0	29	0%
IMF	0	0	0	10	0%
Italy	0	1	1	6	18%
Netherlands	20	8	28	47	58%
Sweden	7	5	12	12	100%
Switzerland	7	2	9	19	45%
United Nations	0	15	15	48	31%
World Bank	60	17	77	128	60%
Total	**168**	**101**	**269**	**593**	**45%**

CONDUCTING JOINT MISSIONS AND SHARING ANALYSIS

The baseline figure for co-ordination of donor missions is just 26%, versus the Paris Declaration target of 40%. The government does not at present have control over mission schedules, and decisions to travel rest at the level of the donors. Developing joint sectoral approaches will no doubt help to improve this picture. For example, donors undertake joint missions in education, health/HIV/AIDS and water and sanitation.

Joint analytical work is also becoming more common, and the baseline proportion is as high as 60%. The World Bank and Strategic Partnership for Africa conducted a joint Country Financial Accountability Assessment in 2002 in partnership with at least seven other donors. In 2004, the World Bank and the International Monetary Fund jointly updated the Accountability Assessment and Action Plan to track poverty indicators. In January 2005, the government and nine partners agreed to provide joint budgetary support to implement Burkina Faso's Poverty Reduction Strategy, and a Country Procurement Assessment Review.

SWAps are commonplace, involving up to 13 external partners (as with education). Environmental impact assessments have been undertaken jointly in the power sector, and analytical work has been conducted in child nutrition, child labour and trade. The EC will co-ordinate responses to improve financial management through the Public Expenditure and Financial Accountability framework in 2007.

INDICATOR 10a
Table 6.7

How many donor missions are co-ordinated?

	Co-ordinated donor missions (missions) a	Total donor missions (missions) b	Baseline ratio (%) c=a/b
African Dev. Bank	3	8	38%
Austria	1	1	100%
Belgium	2	4	50%
Canada	4	41	10%
China	2	4	50%
Denmark	3	16	19%
European Commission	2	6	33%
France	5	38	13%
Germany	7	20	35%
IMF	2	10	20%
Italy	--	--	--
Netherlands	2	4	50%
Sweden	2	3	67%
Switzerland	4	6	67%
United Nations	43	179	24%
World Bank	15	35	43%
Total (discounted*)	**63**	**375**	**17%**

* The total of co-ordinated missions has been adjusted to avoid double counting. A discount factor of 35% has been applied.

INDICATOR 10b
Table 6.8

How much country analysis is co-ordinated?

	Co-ordinated donor analytical work (units) a	Total donor analytical work (units) b	Baseline ratio (%) c=a/b
African Dev. Bank	2	4	50%
Austria	0	0	--
Belgium	0	0	--
Canada	4	9	44%
China	0	0	--
Denmark	10	10	100%
European Commission	5	6	83%
France	0	1	0%
Germany	10	15	67%
IMF	0	2	0%
Italy	--	--	--
Netherlands	1	1	100%
Sweden	0	2	0%
Switzerland	0	0	--
United Nations	14	24	58%
World Bank	1	4	25%
Total (discounted*)	**35**	**78**	**45%**

* The total of co-ordinated analysis has been adjusted to avoid double counting. A discount factor of 25% has been applied.

Some 30 documents have been posted on the shared Country Analytic Work website as of October 2006. However, to date, responsibility for joint work has rested mostly with donors; the national government has had less leadership in this area than desirable. For their part, donors should use the government's own periodic reviews of sectoral policies rather than preparing their own.

MANAGING FOR RESULTS

INDICATOR 11

THE PARIS DECLARATION URGES partner countries and donors to work together to manage resources on the basis of desired results, and to use information to improve decision making. This means both strengthening the capacity to undertake such management and helping to increase the demand for a focus on results. Indicator 11 targets one component of this effort: the establishment of cost-effective results-oriented reporting and assessment systems by the country.

Burkina Faso does not have a "largely developed" results monitoring system, according to the World Bank's CDF Progress Report. It falls in category C of this assessment, along with the 42% of the sample that have some but not all of the elements of such a system. This reflects particular strengths and inadequacies in three areas: the quality of the available development information, the degree to which stakeholders have access to it, and the extent of co-ordinated monitoring and evaluation of the country's development efforts.

The AER reports that the government is improving its data collection system, including a national statistical development strategy supported by the World Bank through a Statistical Capacity Building Project. However, this project is not yet fully funded, limiting the ability of the project to enact meaningful reforms. A communications strategy to inform the public about the CSLP II was agreed in 2005 and is being implemented through media coverage and interaction with civil-society organisations. A monitoring and evaluation system associated with the CSLP has brought improvements, but remains weak. Lastly, the government has updated monitoring indicators to be more relevant to the CSLP II: this revamped set of 28 indicators is now included in the PAP.

MUTUAL ACCOUNTABILITY

INDICATOR 12

THE PARIS DECLARATION CALLS for donors and partner countries to be accountable to each other for the use of development resources, and in a way that strengthens public support for national policies and development assistance. This in turn requires governments to improve country accountability systems and donors to be transparent about their own contributions. Indicator 12 seeks to establish whether there is a country-level mechanism permitting joint assessment of progress in implementing agreed commitments on aid effectiveness, including those in the Declaration itself.

In Burkina Faso, it is too early for donors and governments to agree on a plan for mutual responsibility, as discussions of concepts and definitions began only recently. Additionally, the move towards joint budget support is also contributing to the establishment of mutual assessment frameworks, thanks to independent performance reviews and agreed criteria. The government has signed the Paris Declaration on Aid Effectiveness, and a Technical Secretariat has been established to develop strategies for its implementation. The country is also a member of the African Peer Review Mechanism.

BASELINES AND TARGETS

THE TABLE BELOW presents the 2005 baselines and the targets for Burkina Faso. The baseline values are taken from the discussion above, which draws on various sources of information. The main source is the baseline survey undertaken in Burkina Faso under the aegis of the National Co-ordinator (Justin Hien).

Table 6.9 Baselines and targets

INDICATORS		2005 BASELINE	2010 TARGET
1	Ownership – Operational PRS	C	B or A
2a	Quality of PFM systems	4.0	4.5
2b	Quality procurement systems	Not available	Not applicable
3	Aid reported on budget	68%	85%
4	Co-ordinated capacity development	3%	50%
5a	Use of country PFM systems (aid flows)	45%	63%
5b	Use of country procurement systems (aid flows)	60%	Not applicable
6	Parallel PIUs	131	44
7	In-year predictability	92%	96%
8	Untied aid	92%	More than 92%
9	Use of programme-based approaches	45%	66%
10a	Co-ordinated missions	17%	40%
10b	Co-ordinated country analytic work	45%	66%
11	Sound performance assessment framework	C	B or A
12	Reviews of mutual accountability		

ACRONYMS

AER	Aid Effectiveness Review
AfDB	African Development Bank
CDF	Comprehensive Development Framework
CSLP	*Cadre Stratégique de Lutte contre la Pauvreté* (medium-term strategy)
CSO	Civil-society organisation
EC	European Commission
MED	Ministry of Economy and Development
MTEF	Mid-Term Evaluation Framework
ODA	official development assistance
PAP	Policy Action Plan
PIU	project implementation unit
PRS	Poverty Reduction Strategy
STC-PDES	*Secrétariat Technique pour la Coordination des Programmes de Développement Economique et Social*
SWAp	sector-wide approach

7 BURUNDI

BURUNDI HAS A POPULATION OF AROUND 7.5 MILLION PEOPLE, with an average annual income of only USD 100 per capita (gross national income per capita). In 1990 (the most recent survey), 36% of the population were reported as falling below the national poverty line. In terms of the international poverty line, a 1998 survey reported that 55% of the population fell below the dollar-a-day mark and 88% below the two-dollars-a-day mark.

Burundi is a signatory to the Paris Declaration on Aid Effectiveness. As a country that has recently emerged from a protracted civil war, Burundi is launching poverty reduction initiatives that are crucial to the effectiveness of aid. In 2005, net official development assistance (ODA) was USD 365 million, up from USD 362 million in 2004 and USD 227 million in 2003. ODA as a percentage of gross national income (GNI) dropped from 55.9% in 2003 to 46.8% in 2005 (although this figure was at 39.4% in 2003). This chapter has been written on the basis of information provided for the baseline survey by the government of Burundi and 14 donors, together accounting for around 76% of ODA for 2005.

OVERVIEW Box 7.1 Challenges and priority actions

DIMENSIONS	BASELINE	CHALLENGES	PRIORITY ACTIONS
Ownership	Low	There are continued capacity constraints, particularly in the ability to absorb new finance.	Continue to define long-term vision through the poverty reduction strategy towards 2025, and to develop linkages between the budget and the strategy.
Alignment	Low	Donor concerns over the quality of country public financial management and procurement systems.	Continue to consolidate alignment with public financial management and procurement systems, and with the annual budgetary framework.
Harmonisation	Moderate	Uncoordinated donor missions.	Expand plans to create a national tracking mechanism for donor missions.
Managing for results	Low	Weak data quality as a result of capacity constraints.	Continue work on formulating a national statistical development strategy.
Mutual accountability	Moderate	No mutual assessment has taken place, although mechanisms are in place to do so.	Develop a framework for assessing aid effectiveness in line with Paris Declaration targets.

OWNERSHIP

INDICATOR 1

OWNERSHIP IS CRITICAL to achieving development results and is central to the Paris Declaration. It has been defined as a country's ability to exercise effective leadership over its development policies and strategies. Achieving this – especially in countries that rely heavily on aid to finance their development – is not a simple undertaking. Nor, of course, can it be measured by a single indicator. For donors, it means supporting countries' leadership, policies, institutions and systems. This is commonly referred to as 'alignment' (see below). Donors are in a better position to do this when governments set out clear priorities and operational strategies (the main focus of Indicator 1 of the Paris Declaration).

As part of the World Bank's 2005 review of the Comprehensive Development Framework (CDF), Burundi ranked low, at D, on a scale from A to E (where A is the highest). This assessment is made on the basis of the following criteria: whether the country has a long-term vision, with medium-term strategy derived from that vision; whether there are country-specific development targets with holistic, balanced and well sequenced strategy; and whether there are the capacity and resources for implementation. Only countries in categories A or B are considered to have an operational strategy.

According to the World Bank's Aid Effectiveness Review for 2006, "the elements of a long-term vision through 2025, which is currently under preparation, are mentioned in the *Cadre Stratégique de Croissance et de Lutte contre la Pauvreté* (CSLP), Burundi's Poverty Reduction Strategy (PRS) for 2006-09". The responsibility for this lies with the Office of the Second Vice President of the Republic, who will report to the Council of Ministers, supported by an Interministerial Committee and Secretariat.

The focus of the CSLP is on improving the economy and reducing poverty. With regard to medium-term vision, the government is currently working with external partners to develop detailed sector strategies, particularly in the area of resettlement of internally displaced persons and refugees. The government is preparing a governance diagnosis and has formulated a health sector strategy and a gender action plan. New priorities include a multi-sector strategy for HIV/AIDS, a study on growth (particularly agriculture) and an education strategy. The preparation of a national community development programme, that entrusts local representatives with responsibility for local development activities, is being finalised. Given the country's recent exit from civil war, it is encouraging to see efforts being made towards strategic planning on a coherent basis. At the same time, these activities are still in their early stages and there is a long way to go before full ownership is possible in this area.

CSLP targets are in line with the Millennium Development Goals (MDGs), tailored to country circumstances with medium-term performance targets. The seven basic principles underlying the long-term vision of the CSLP are: refocusing the role of the state; maintaining peace and security; building capacity; renewed and sustainable economic growth; stronger community involvement; affirmation of the central role of women; and promotion of a new partnership with external partners.

The World Bank's Aid Effectiveness Review for 2006 notes that "preliminary action has been taken to develop a link between the budget and the CSLP through the establishment of a tracking system to monitor the flow of public spending to specific facilities, projects and activities". The allocations in the budget towards programmes aiming at poverty reduction have climbed significantly over recent years. There are plans to prepare sectoral Medium-Term Expenditure Frameworks in line with the CSLP, and periodic Public Investment Programmes at macroeconomic level and at individual budgetary sector level. Again, these activities are at a preliminary stage.

There is a system in place for co-ordinating external assistance, under the leadership of the Head of State and the Cabinet and with the input of all relevant ministries as well as other stakeholders. This system extends across the government, including structures dealing with formulation, sectoral issues, implementation and reporting. However, the government would do well to take more leadership over development assistance co-ordination. The country is still experiencing large capacity constraints, after a decade of conflict, particularly in terms of ability to absorb new finance and to design and implement pro-poor economic reforms.

The involvement of national stakeholders is growing, encouraged by a largely decentralised nationwide consultation process conducted by the government and a focus on participatory policy making. The process has seen widespread representation of civil society in CSLP formulation, not only in the consultation process but also in the government committees and structures. The private sector has a more central role, thanks to a focus on improving dialogue with the public sector. Parliamentary involvement in strategy formulation is also reported to be strong.

ALIGNMENT

FOR AID TO BE EFFECTIVE, it must be aligned with national development strategies and plans. Indicators 2 to 8 of the Paris Declaration seek to assess the degree of alignment attained, looking at a number of dimensions of alignment.

For Burundi, efforts towards alignment are proceeding slowly, perhaps because the civil war and the subsequent reliance on humanitarian aid have meant that new systems have had to be created towards Paris Declaration objectives. More work needs to be done in terms of building reliable country systems in particular.

BUILDING RELIABLE COUNTRY SYSTEMS

Under the World Bank's Country Policy and Institutional Assessment (CPIA) for 2005, which assesses the quality of budgetary and financial management, Burundi's public financial management (PFM) systems receive a rating of 2.5. This is significantly lower than the average of 3.2 for all International Development Association borrowers and this area represents a priority if the 2010 target of 3.0 is to be reached.

INDICATOR 2a

The World Bank's Aid Effectiveness Review report for 2006 applauds Burundi's efforts to prioritise the improvement of public expenditure management, track poverty-related resources by activity and by region, and monitor external assistance and government expenditure flows. In 2004, the government created an Audit Court to strengthen jurisdictional control over public financial management; the Audit Court is still being strengthened.

INDICATOR 2b

Meanwhile, the procurement system is being overhauled, with a revised procurement code adopted in October 2006. The government is making an effort to reduce the widespread and renowned corruption problem in the country. Much more needs to be done in all areas, however, particularly in terms of building capacity of users and tackling corruption at its core.

ALIGNING AID FLOWS ON NATIONAL PRIORITIES

According to the World Bank's Aid Effectiveness Review for 2006, the government is keen to take leadership over development assistance co-ordination, despite the fact that until now this has entailed work along thematic lines and externally funded sectoral programmes. In 2005, Burundi established the National Committee on Aid Coordination (CNCA) to continue improvements towards the 2010 target of 86%, both within government and between government and external partner agencies (with plans being for a partnership framework for the latter). The CNCA has become increasingly effective, but there is still considerable work to be done here, not least in terms of the current lack of data on budget recording. Most external partners either plan to align their strategies with the CSLP or already do. The government recognises the need for improved communication, both within the administration and between the government and external partners.

There are problems reflecting donor financial commitments fully and accurately in the national budget. Indicator 3 seeks to assess the degree to which aid flows are aligned with national priorities, using the proportion of aid recorded in the budget as a proxy.

The table provides government's budget estimates of aid flows for fiscal year 2005 (numerator) as a percentage of aid disbursed by donors for the government sector for the same period (denominator). This ratio tells us the degree to which there is a discrepancy between budget estimates and actual disbursements. The discrepancy can be in two directions: indeed budget estimates can be either higher or lower than disbursements. In order to have a single measure of discrepancy that is always less than 100%, the ratio is flipped when budget estimates are higher than disbursements. The baseline value for Indicator 3 in Burundi is 39%. Achieving the target agreed in Paris of 86% (halving the gap) for this indicator will require concerted efforts by donors and government.

INDICATOR 3
Table 7.1

Are government budget estimates comprehensive and realistic?

	Government's budget estimates of aid flows for FY05 (USD m) a	Aid disbursed by donors for government sector in FY05 (USD m) b	Baseline ratio* (%) c=a/b c=b/a
African Dev. Bank	10	--	
Belgium	1	7	11%
EC	10	30	35%
France	--	7	
Germany	0	--	
Global Fund	0	11	0%
IFAD	3	4	69%
United Kingdom	--	1	
United Nations	0	44	0%
World Bank	47	79	60%
Total	**72**	**183**	**39%**

* Baseline ratio is c = a / b except where government's budget estimates are greater than disbursements (c = b /a).

According to the survey return, the possible reasons include lack of communication within the administration and between agencies/ non-governmental organisations and the government, and the impact of the exchange rate on the various currencies of donor disbursements. Late or un-programmed disbursement can affect recording of aid. Achieving the target agreed in Paris for this indicator will mean gradually closing this large gap over time, with particular attention to terms of reporting and communication.

INDICATOR 4
Table 7.2

How much technical assistance is co-ordinated with country programmes?

	Co-ordinated technical co-operation (USD m) a	Total technical co-operation (USD m) b	Baseline ratio (%) c=a/b
African Development Bank	--	--	--
Belgium	0	8	0%
European Commission	0	0	0%
France	0	3	0%
Germany	--	--	--
Global Fund	0	0	--
IFAD	--	0	--
United Kingdom	0	6	0%
United Nations	25	33	76%
World Bank	0	8	0%
Total	**25**	**59**	**43%**

CO-ORDINATING SUPPORT TO STRENGTHEN CAPACITY

Capacity constraints significantly undermine the ability of country systems to capture and co-ordinate aid flows more effectively. The Paris Declaration commits donors to providing more co-ordinated support to capacity development under country leadership, with a target of 50% provided in this form by 2010. The survey indicates that currently 43% of reported technical assistance is considered co-ordinated in this sense.

Despite a lack of data for this indicator, Burundi seems to have done well to make progress towards achieving its 2010 target of 50%, but this really only covers the UN technical assistance programmes and does not stretch to other donors. At the same time, it is not entirely clear what interpretation is made of the phrase "co-ordinated programme under government leadership". The government notes in the survey that co-ordination has different levels, and that only a minority provides technical co-operation in the context of programmes co-ordinated towards national development strategies. This will hinder work towards the 2010 objective and suggests that more work is to be done to enable fully co-ordinated technical assistance.

The government is working towards a request that its external partners provide assistance in fully operationalising the CNCA. The government confirms that although the 2010 target has almost been attained, Burundi will continue to make efforts towards maximising co-ordination, and particularly encouraging more key donors to co-ordinate around national development strategies. In addition, given that past assistance was concentrated more on humanitarian aid, it seems likely that the number of co-ordinated technical assistance programmes will increase as Burundi passes into a new phase of development. The World Bank's Aid Effectiveness Review for 2006 reports that although capacity building is still fragmented, partnerships are emerging, particularly in economic management, institutional and policy reform, strengthening public administration and institutions for improving governance, and formulation and implementation of the poverty reduction strategy.

INDICATOR 5
Table 7.3

How much aid for the government sectors uses country systems?

	Aid disbursed by donors for government sector (USD m) a	Public financial management: Budget execution (USD m) b	Public financial management: Financial reporting (USD m) c	Public financial management: Auditing (USD m) d	Public financial management: Baseline ratio (%) avg (b,c,d) / a	Procurement: Procurement systems (USD m) e	Procurement: Baseline ratio (%) e /a
African Dev. Bank	--	--	--	--	--	--	--
Belgium	7	7	0	0	33%	5	74%
European Commission	30	30	30	30	100%	30	100%
France	7	4	4	4	55%	0	0%
Germany	--	--	--	--	--	--	--
Global Fund	11	11	11	0	67%	0	0%
IFAD	4	--	--	--	--	--	--
United Kingdom	1	0	0	0	0%	0	0%
United Nations	44	0	2	1	2%	0	0%
World Bank	79	0	0	0	0%	0	0%
Total	**183**	**53**	**47**	**35**	**24%**	**35**	**19%**

INDICATOR 6
Table 7.4

How many PIUs are parallel to country structures?

	Parallel PIUs (units)
African Dev. Bank	--
Belgium	14
European Commission	4
France	1
Germany	--
Global Fund	0
IFAD	1
United Kingdom	0
United Nations	17
World Bank	--
Total	**37**

USING COUNTRY SYSTEMS

The Paris Declaration calls upon donors to step up use of country systems for public financial management and for procurement. Indicator 5a is a measure of the average use of three components of country public financial management systems by donors. The baseline survey for Burundi reports that an average of 24% of country PFM systems. For procurement, 19% of aid makes use of country systems. There are currently no targets for 2010. Given the low CPIA score for public budgetary and financial management (2.5), it is clear that this is a priority area for Burundi.

The Ministry of Finance and external partners (by means of a Memorandum of Understanding) are joining forces to improve co-ordination of assistance for public financial management reforms and budget support. As the results show, there is improvement to be made, with increased efforts needed in terms of weak country systems and capacity bottlenecks. It is anticipated by the government that the new phase of development (as opposed to humanitarian assistance) will go some way to improving this situation.

AVOIDING PARALLEL IMPLEMENTATION STRUCTURES

The Paris Declaration calls for a substantial reduction in the number of project implementation units (PIUs) that are parallel in the sense that appointment decisions and accounting relationships involve the donor alone. The baseline survey for Burundi shows a total of 37 parallel PIUs in existence. The target for 2010 is significantly lower than this, at 12. However, this may not be a true representation of the situation for PIUs in Burundi. The survey notes that some donors may have defined PIU differently and that the majority did not respond at all; the figures below represent the government responses. Additionally, there may be information lacking on PIUs given the absence of countrywide information. In general, these PIUs are to be found within the government structure, where appointments end with the project.

INDICATOR 7
Table 7.5

Are disbursements on schedule and recorded by government?

	Disbursements recorded by government in FY05 (USD m) a	Aid scheduled by donors for disbursement in FY05 (USD m) b	Aid actually disbursed by donors in FY05 (USD m) FOR REFERENCE ONLY	Baseline ratio* (%) c=a/b	c=b/a
African Dev. Bank	10	--	--		
Belgium	1	8	7	10%	
European Commission	10	43	30	24%	
France	--	7	7		
Germany	0	--	--		
Global Fund	0	12	11	0%	
IFAD	3	1	4		23%
United Kingdom	--	1	1		
United Nations	0	65	44	0%	
World Bank	47	0	79		0%
Total	**72**	**137**	**183**	**53%**	

* Baseline ratio is c = a / b except where disbursements recorded by government are greater than aid scheduled for disbursement (c = b /a).

The World Bank's Aid Effectiveness Review for 2006 states that although PIUs are handling externally financed projects, there is some movement towards implementing and integrating lighter structures, for example the forthcoming World Bank-financed Community Development Program. There will be a hurdle ahead in terms of the loss of jobs of personnel originally recruited for PIUs as the country moves to reduce the number of these.

PROVIDING MORE PREDICTABLE AID

If aid is provided in a predictable manner, then recipient countries are better able to plan and make effective use of aid. Indicator 7 seeks to assess the in-year predictability of aid, measuring the proportion of planned disbursements (as reported by donors), recorded by government in the national accounting system as having been disbursed.

The table looks at predictability from two different angles. The first angle is donors' and government's combined ability to disburse aid on schedule. In Burundi, donors scheduled USD 137 million for disbursement in 2005 and actually disbursed – according to their own records – significantly more than expected (USD 183 million). The discrepancy varies considerably among donors and is mainly due to late disbursements carried over to 2005 and to delays in implementing programmes. The second angle is donors' and government's ability to record comprehensively disbursements made by donors for the government sector. In Burundi, government systems recorded USD 72 million out of to USD 183 million notified as disbursed by donors (40%), indicating that a significant proportion of disbursements were not captured, either because they were not appropriately notified by donors or because they were inaccurately recorded by government.

Indicator 7 on predictability has been designed to encourage progress against both of these angles so as to gradually close the predictability gap by half by 2010. In other words, it seeks to improve not only the predictability of actual disbursements but also the accuracy of how they are recorded in government systems – an important feature of ownership, accountability and transparency. In Burundi, this combined predictability gap amounts to 157 million (115% of aid scheduled for disbursement). Closing this predictability gap will require donors and government to work increasingly together on various fronts at the same time. They might work at improving:

- the realism of predictions on volume and timing of expected disbursements;
- the way donors notify their disbursements to government; and
- the comprehensiveness of government's records of disbursements made by donors.

UNTYING AID

INDICATOR 8

According to OECD data covering 75% of 2004 commitments, 60% of aid to Burundi is untied. The Paris Declaration commits countries and donors to make progress in further untying aid. The World Bank Aid Effectiveness Review for 2006 points to discussions on the possibility of future budget support, which may lead to an increase in the level of untied aid. However, all multilateral aid is untied.

HARMONISATION

BURUNDI IS WORKING TOWARDS HARMONISATION along with its donors, with particularly good results in terms of use of programme-based approaches (although this is less common for budget support). All actors need to consider further joint missions and shared analysis: at present, the implementation of these is concentrated in the hands of relatively few actors.

USING COMMON ARRANGEMENTS

54% of aid to Burundi is reported to use programme-based approaches (PBAs). However, this is unequally spread across the different areas of support. Around 4% of this total is accounted for by budget support, with around 53% constituting support through other PBAs.

Against a 2010 target of 66% for PBAs, Burundi appears to be doing well in terms of harmonisation of policies and procedures. According to the World Bank's Aid Effectiveness Review of 2006, there is a push for more harmonised arrangements from some development assistance agencies. Sector-wide approaches (SWAps) are under development and those agencies supporting these are aligning around a common strategy. The government of Burundi sees most assistance in 2005 centred on humanitarian aid rather than on development programmes, and that the former does not entail a programme-based approach.

INDICATOR 9
Table 7.6

How much aid is programme based?

	Budget support (USD m) a	Other PBAs (USD m) b	Total (USD m) c=a+b	Total disbursed (USD m) d	Baseline ratio (%) e=c/d
African Development Bank	--	--	--	--	--
Belgium	3	5	7	8	93%
European Commission	0	22	22	61	36%
France	4	0	4	9	43%
Germany	--	--	--	--	--
Global Fund	0	11	11	11	100%
IFAD	--	--	--	--	--
United Kingdom	0	0	0	7	0%
United Nations	0	32	32	46	69%
World Bank	0	0	0	--	--
Total	**6**	**70**	**76**	**142**	**54%**

CONDUCTING JOINT MISSIONS AND SHARING ANALYSIS

In its examination of co-ordinating donor missions, the baseline survey shows a result of 24%. This result is moving towards the 2010 target of 40%. The World Bank's Aid Effectiveness Review of 2006 states that more and more missions are being co-ordinated jointly. There is as yet no national tracking mechanism, but the CNCA has plans to begin working in this area. The government of Burundi acknowledges that a common effort between Burundi and the donors is necessary to distinguish the different types of missions with a view to possibly increasing the number of joint missions.

55% of country analysis was co-ordinated, according to the baseline survey. This is a strong result, making encouraging progress towards the 2010 target of 60%. The World Bank's Aid Effectiveness Review of 2006 confirms that analytical work is increasingly being carried out in partnership. Progress is so far satisfying, reflected both in the number of joint studies conducted and in the number of donors co-ordinating their initiatives. Among others, in June 2004, the government, World Bank, European Commission, Belgium and France conducted a Country Financial and Accountability Assessment (CFAA); the group of donors here plan to support the government in its implementation of CFAA recommendations. However, it should be cautioned that the vast majority of co-ordinated country analysis has been carried out by the UN and that other donors have not yet joined this trend (according to survey data).

INDICATOR 10a
Table 7.7

How many donor missions are co-ordinated?

	Co-ordinated donor missions (missions) a	Total donor missions (missions) b	Baseline ratio (%) c=a/b
African Dev. Bank	--	--	--
Belgium	1	9	11%
EC	7	7	100%
France	6	8	75%
Germany	--	--	--
Global Fund	0	2	0%
IFAD	--	--	--
United Kingdom	1	1	100%
United Nations	37	112	33%
World Bank	0	0	--
Total (discounted*)	**34**	**139**	**24%**

* The total of co-ordinated missions has been adjusted to avoid double counting. A discount factor of 35% has been applied.

INDICATOR 10b
Table 7.8

How much country analysis is co-ordinated?

	Co-ordinated donor analytical work (units) a	Total donor analytical work (units) b	Baseline ratio (%) c=a/b
African Dev. Bank	--	--	--
Belgium	0	1	0%
EC	3	3	100%
France	0	6	0%
Germany	--	--	--
Global Fund	0	0	--
IFAD	--	--	--
United Kingdom	0	0	--
United Nations	19	20	95%
World Bank	0	0	--
Total (discounted*)	**17**	**30**	**55%**

* The total of co-ordinated analysis has been adjusted to avoid double counting. A discount factor of 25% has been applied.

MANAGING FOR RESULTS

INDICATOR 11

THE PARIS DECLARATION urges partner countries and donors to work together to manage resources on the basis of desired results, and to use information to improve decision making. This means both strengthening the capacity to undertake such management and helping to increase the demand for a focus on results. Indicator 11 targets one component of this effort, the establishment of cost-effective results-oriented reporting and assessment systems by the country.

The rating for Indicator 11 is based on the World Bank's 2005 assessment of the Comprehensive Development Framework. The rating is based on three criteria: the quality of development information, the degree to which stakeholders have access to it, and the extent to which there is a coordinated monitoring and evaluation of the country's development efforts. In this assessment, which included 55 countries, Burundi fell in group D, one of the lowest. With a target for 2010 of B or even A, there is serious work to be done in terms of strengthening managing for results.

The World Bank's Aid Effectiveness Review for 2006 explains that data quality is weak as a result of capacity constraints, and that parts of the country are still inaccessible owing to ongoing violence. Although the government has started to formulate a fully financed national statistical development strategy, its institutions are in need of modernisation. In 2006, a Core Welfare Indicators Questionnaire was conducted and a Public Expenditure Tracking Survey is planned as well as comprehensive poverty assessments every five years (with shorter surveys every two years). A new census is on the calendar for 2007-8 (the last one was in 1990).

However, information is easily accessible, with a new communication strategy planned for the CSLP. It will be necessary to ensure that the CSLP is more fully bilingual. The government places an emphasis on monitoring and evaluation of poverty reduction, and as such is preparing a three-year operational programme aimed at producing monitoring indicators for the CSLP. There are blueprints for a participatory monitoring and evaluation system. Of course, problems of limited capacity arise, particularly given the low pay scales for civil servants.

MUTUAL ACCOUNTABILITY

INDICATOR 12

THE PARIS DECLARATION calls for donors and partner countries to be accountable to each other for the use of development resources, and in a way that tends to strengthen public support for national policies and development assistance. This in turn requires governments to take steps to improve country accountability systems and donors to help by being transparent about their own contributions. Indicator 12 looks at whether there is a country-level mechanism permitting joint assessment of progress in implementing agreed commitments on aid effectiveness, including those in the Declaration itself, and specifically, whether such an assessment has taken place.

The baseline survey reports that no such assessment has taken place for Burundi in 2005. However, the World Bank's Aid Effectiveness Review for 2006 shows that the CNCA is considering developing a framework for assessing aid effectiveness, which would include indicators appraising both government and external partner performance in line with Paris Declaration targets.

BASELINES AND TARGETS

THE TABLE BELOW presents the 2005 baselines and the targets for Burundi. The baseline values are taken from the discussion above, which draws on various sources of information. The main source is the baseline survey undertaken in Burundi under the aegis of the National Co-ordinator (Pierre C. Abega Rurakamvye).

Table 7.9 Baselines and targets

INDICATORS		2005 BASELINE	2010 TARGET
1	Ownership – Operational PRS	D	B or A
2a	Quality of PFM systems	2.5	3.0
2b	Quality procurement systems	Not available	Not applicable
3	Aid reported on budget	39%	85%
4	Co-ordinated capacity development	43%	50%
5a	Use of country PFM systems (aid flows)	24%	No target
5b	Use of country procurement systems (aid flows)	19%	Not applicable
6	Parallel PIUs	37	12
7	In-year predictability	53%	76%
8	Untied aid	60%	More than 60%
9	Use of programme-based approaches	54%	66%
10a	Co-ordinated missions	24%	40%
10b	Co-ordinated country analytical work	55%	66%
11	Sound performance assessment framework	D	B or A
12	Reviews of mutual accountability	No	Yes

ACRONYMS

PBA programme-based approach
CDF Comprehensive Development Framework
CFAA Country Financial and Accountability Assessment
CNCA National Committee on Aid Coordination
CPIA Country Policy and Institutional Assessment
CSLP *Cadre Stratégique de Croissance et de Lutte contre la Pauvreté*
GNI gross national income
MDG Millennium Development Goal
ODA official development assistance
PFM public financial management
PIU project implementation unit
PRS Poverty Reduction Strategy
SWAp sector-wide approach

8 CAMBODIA

CAMBODIA IS A COUNTRY OF NEARLY 14 MILLION PEOPLE, with an average annual income of USD 402 per person (gross domestic product per capita, 2005). The latest survey shows that now 35% of Cambodians live below the national poverty line, down from an estimated 47% a decade earlier. In 2005, net official development assistance (ODA) to Cambodia was USD 470 million, which amounts to around 8% of gross domestic product (GDP). A total of 18 donors have responded to the 2006 survey; together, they account for at least 88% of ODA to the country.

OVERVIEW Box 8.1 Challenges and priority actions

DIMENSIONS	BASELINE	CHALLENGES	PRIORITY ACTIONS
Ownership	Moderate	Weak synchronisation among development plans, Medium-Term Expenditure Framework, Public Investment Program and budget process.	Implement fully the Public Financial Management Reform Program.
Alignment	Low	Very limited use of country public financial management and procurement systems.	Strengthen country systems, with donor support.
Harmonisation	Low	The need to promote the use of programme-based approaches.	Develop and strengthen sector programmes, with donor support.
Managing for results	Moderate	Relatively unsystematic approach to making development information available to stakeholders.	Complete and implement the monitoring framework for the National Strategic Development Plan.
Mutual accountability	Moderate	Difficulty in developing the implicit arrangements that exist in current mechanisms so that mutual accountability becomes a more explicit process.	Implement the mutual accountability provisions of the Cambodia Declaration on Aid Effectiveness and develop explicit commitments to mutual assessment.

OWNERSHIP

INDICATOR 1

OWNERSHIP IS CRUCIAL TO AID EFFECTIVENESS and good development results, and is central to the Paris Declaration. It has been defined in terms of a country's ability to exercise effective leadership over its development policies and strategies. Achieving this is not a simple undertaking, especially in countries that rely heavily on aid to finance their development. Nor, of course, can it be measured by a single indicator. Indicator 1 provides an entry point to the issue of ownership, focusing in particular on whether a country has an operational development strategy, with which donors can align their development assistance.

OPERATIONAL DEVELOPMENT STRATEGY

Cambodia received – along with 58% of the sampled countries – a C rating for its development strategies in the World Bank's 2005 Comprehensive Development Framework Progress Report. This assessment is made on the basis of a range of criteria: whether the country has a long-term vision, with medium-term strategy derived from that vision; whether there are country-specific development targets with holistic, balanced and well-sequenced strategy; and whether there are the capacity and resources for implementation.

As the World Bank's 2006 Aid Effectiveness Review reports, the Rectangular Strategy for Growth, Employment, Equity and Efficiency sets out the long-term vision for Cambodia, and was adopted by the coalition government in 2004. The medium-term National Strategic Development Plan (NSDP) seeks to operationalise the Rectangular Strategy, and covers the period 2006-10. It brings together the goals and targets contained in earlier development strategies, including the National Poverty Reduction Strategy for 2003-05.

To complement and implement the NSDP, a number of sectoral plans have been prepared for education, health, HIV/AIDS, fisheries, nutrition, governance, legal and judicial reform, and decentralisation. Plans are being drawn up for agriculture, water, energy and land policy. Sub-national plans are also to be laid out that adjust national goals and targets to local circumstances, so that local development priorities can be addressed.

The National Strategic Development Plan incorporates the Cambodia Millennium Development Goals (MDGs), providing the "framework and compass" for growth, employment, equity and efficiency needed to meet the MDG targets. Indeed, the highest priority of the National Strategic Development Plan is to reduce poverty and help meet the country's MDGs.

Aligning the annual budget, the Public Investment Program and the Medium-Term Expenditure Framework to medium-term strategic priorities remains, as the World Bank puts it, "a key implementation challenge". The government is working hard to ensure full synchronisation, but has encountered such difficulties as lack of co-ordination among government ministries. Encouragingly, there has been some reallocation of resources away from defence and security, towards education and health.

If Cambodia is to receive a rating of B by the Comprehensive Development Framework Progress Report for the ownership it exerts, and for the quality of its development strategy, substantial progress will be needed. Full implementation of the Public Financial Management Reform Program (expected to enhance the credibility of the budget) is a high priority.

OTHER ASPECTS OF OWNERSHIP

The World Bank's Aid Effectiveness Review reports that the government is exercising greater leadership in development assistance co-ordination. Most recently, at the March 2006 Consultative Group meeting, the government asked donors to align their assistance with national development priorities described in the National Strategic Development Plan. This will be taken forward through the existing aid dialogue structures, including the Technical Working Groups

mechanism, co-ordinated by the Government-Donor Coordination Committee. Government ownership and leadership over the national development agenda will be further extended from 2007, when the Consultative Group will be replaced with the Cambodia Development Cooperation Forum (CDCF), to be chaired by government. The drafting of the National Strategic Development Plan brought together a wide range of stakeholders, but with limited involvement of civil society and the private sector. Parliament was involved in formulating the development plan, and approved it in May 2006. The CDCF is therefore intended to provide a high-level dialogue opportunity for government, donors and civil society to discuss the NSDP, its financing framework and associated reform programmes.

To promote and strengthen national ownership, a relatively sophisticated aid management structure has evolved in Cambodia, with an emphasis on increased government leadership of a development partnership based on the National Strategic Development Plan. Aid management is the responsibility of the Cambodian Rehabilitation and Development Board of the Council for the Development of Cambodia, which hosts the Secretariat for the Government-Donor Coordination Committee that oversees the Technical Working Group mechanism.

Cambodia participates in the OECD-DAC Working Party on Aid Effectiveness and the principles of the Paris Declaration have guided the drafting of the 2006 Government Action Plan on Harmonization, Alignment and Results. In October 2006, the government signed a declaration with all major OECD-DAC donors that applies these principles to the national context and commits all parties to their implementation.

ALIGNMENT

FOR AID TO BE EFFECTIVE, it must be aligned with national development strategies and plans. Indicators 2 to 8 of the Paris Declaration seek to determine the degree of alignment by looking at a number of dimensions of alignment. In Cambodia, while there are some achievements, the fact that country systems are regarded as inadequate works against greater alignment at the present time.

BUILDING RELIABLE COUNTRY SYSTEMS

The quality of Cambodia's public financial management systems is given a rating of only 2.5 under the World Bank's 2005 Country Policy and Institutional Assessment (CPIA). This is some way below the average of 3.2 for International Development Association (IDA) borrowers.

INDICATOR 2a

As the World Bank's Aid Effectiveness Review notes, the Public Financial Management Reform Program is expected to generate improvements in budget execution and to reduce the fiduciary risks associated with the current system of cash-based payments. It has already played an important role in building more reliable country systems, and has helped Cambodia to move up 0.5 point on the CPIA scale in 2006. The CPIA rating is therefore now 3 and a target of 3.5 or higher might be considered for 2010.

INDICATOR 2b

Cambodia's procurement system has not been rated, but the Aid Effectiveness Review recognises that some progress has been made in introducing more transparent procurement procedures, in line with international standards. This includes the establishment of national standard operating procedures in 2005 that are based on the regulations of the Asian Development Bank and the World Bank, and which will provide the basis for donors to align their support with a strengthened national procurement system. Cambodia ranked 130th out of 158 countries in Transparency International's 2005 Corruption Perceptions Index.

ALIGNING AID FLOWS ON NATIONAL PRIORITIES

According to the data, 79% of aid for government for fiscal year 2005 was recorded on budget by the government, which indicated a total of USD 397 million in the Ministry of Economy and Finance's accounts.

More substantively, as the survey response points out, this indicator assumes the existence of a budgeting process that aligns resources with national priorities. In Cambodia, such a process was being further reinforced in 2005. The formulation of the National Strategic Development Plan, and efforts to strengthen the links among plans, expenditure frameworks and budgets, may bring Cambodia closer to the 2010 target of 90% of aid disbursements recorded on budget. It has been also observed that alignment has progressed faster in some areas, such as health and education, than others.

Government and donors in Cambodia take the view that the indicator fails to measure alignment in the context of this country, because much useful and well-aligned aid is disbursed to local government and non-governmental organisations – not only through the budget exercise. Government intends to make use of its resource mobilisation mechanisms and its ODA database in order to develop its own indicators that monitor the alignment of aid with national priorities.

INDICATOR 3
Table 8.1

Are government budget estimates comprehensive and realistic?

	Government's budget estimates of aid flows for FY05 (USD m) a	Aid disbursed by donors for government sector in FY05 (USD m) b	Baseline ratio* (%) c=a/b	c=b/a
Asian Dev. Bank	--	85		
Australia	--	15		
Belgium	--	5		
Canada	--	2		
Denmark	--	4		
European Commission	--	7		
France	--	18		
GAVI Alliance	--	2		
Germany	--	17		
Global Fund	--	19		
IMF	--	2		
Japan	--	92		
New Zealand	--	1		
Sweden	--	2		
United Kingdom	--	3		
United Nations	--	61		
United States	--	22		
World Bank	--	41		
Total	**314**	**397**	**79%**	

* Baseline ratio is c = a / b except where government's budget estimates are greater than disbursements (c = b /a).

The table provides government's budget estimates of aid flows for fiscal year 2005 (numerator) as a percentage of aid disbursed by donors for the government sector for the same period (denominator). This ratio tells us the degree to which there is a discrepancy between budget estimates and actual disbursements. The discrepancy can be in two directions: indeed budget estimates can be either higher or lower than disbursements. In order to have a single measure of discrepancy that is always less than 100%, the ratio is flipped when budget estimates are higher than disbursements. The baseline value for Indicator 3 in Cambodia is 79%. Achieving the target agreed in Paris of 90% (halving the gap) for this indicator will require concerted efforts by donors and government.

CO-ORDINATING SUPPORT TO STRENGTHEN CAPACITY

Capacity constraints significantly undermine the ability of country systems to capture, co-ordinate and utilise aid flows more effectively. Under the Paris Declaration, donors have committed to providing a greater proportion of their technical assistance in a way that is co-ordinated with country programmes, so that it helps to strengthen the capacity of partner countries.

In Cambodia, capacity-building programmes at the sector level are much more viable than those at the national level due to the great lack of technical staff in many sectors. Therefore, co-ordination with a sector strategy in collaboration with other development partners was the focus in compiling the data.

The baseline figure for Cambodia – reached through a process of discussion between donors and government about the meanings of "co-ordinated" and "technical co-operation" – shows that 36% of technical assistance is co-ordinated with sector strategies that are aligned to and embedded with the national strategy. It must be noted that there may have been some inconsistency among donors regarding the manner in which the criteria were interpreted and applied but donors will have to work hard to meet the 2010 target of 50%.

It is expected that the proportion of technical assistance that is co-ordinated with country programmes will climb as the use of programme-based approaches (budget and sectoral support) increases. In addition, the government is developing a set of guidelines for the provision of technical co-operation, while the Government Action Plan on Harmonization, Alignment and Results also commits government and donors to identifying capacity gaps and working out how to close them. Pilot efforts to eliminate salary supplements are underway through merit-based pay initiatives in sectors and reform programmes (including the Public Financial Management Reform Program), with others to be established in the near future. The government will need to maintain its ownership and leadership of the capacity building and technical co-operation agenda.

INDICATOR 4
Table 8.2

How much technical assistance is co-ordinated with country programmes?

	Co-ordinated technical co-operation (USD m) a	Total technical co-operation (USD m) b	Baseline ratio (%) c=a/b
Asian Dev. Bank	4	32	13%
Australia	0	11	0%
Belgium	0	5	0%
Canada	0	6	0%
Denmark	1	4	34%
European Commission	2	4	55%
France	3	9	34%
GAVI Alliance	0	0	--
Germany	4	13	31%
Global Fund	0	0	--
IMF	2	2	100%
Japan	6	38	17%
New Zealand	0	2	0%
Sweden	0	3	9%
United Kingdom	1	1	60%
United Nations	18	32	57%
United States	33	43	77%
World Bank	2	9	26%
Total	**77**	**212**	**36%**

INDICATOR 5a
Table 8.3

How much aid for the government sectors uses country systems?

	Aid disbursed by donors for government sector (USD m) a	Public financial management: Budget execution (USD m) b	Public financial management: Financial reporting (USD m) c	Public financial management: Auditing (USD m) d	Public financial management: Baseline ratio (%) avg (b,c,d) / a	Procurement: Procurement systems (USD m) e	Procurement: Baseline ratio (%) e /a
Asian Dev. Bank	85	23	0	0	9%	0	0%
Australia	15	0	0	0	0%	0	0%
Belgium	5	0	0	0	0%	1	24%
Canada	2	0	0	0	0%	0	0%
Denmark	4	0	0	0	0%	0	0%
European Commission	7	2	2	0	21%	2	31%
France	18	0	0	0	0%	0	0%
GAVI Alliance	2	0	0	2	33%	0	0%
Germany	17	0	0	0	0%	0	0%
Global Fund	19	19	19	0	67%	0	0%
IMF	2	0	0	0	0%	0	0%
Japan	92	7	7	7	8%	2	3%
New Zealand	1	0	0	0	0%	0	0%
Sweden	2	0	0	0	0%	0	0%
United Kingdom	3	0	0	0	0%	0	0%
United Nations	61	13	6	2	12%	12	20%
United States	22	0	0	0	0%	0	0%
World Bank	41	4	0	0	4%	4	11%
Total	**397**	**69**	**35**	**12**	**10%**	**22**	**6%**

USING COUNTRY SYSTEMS

The Paris Declaration encourages donors to step up their use of country systems where these are of sufficient quality. Indicator 5a measures the extent to which aid for government makes use of the country's systems for budget execution, financial reporting and audit.

For Cambodia, while 17% of aid for government uses the country's budget execution system, the figure is much lower for the country's financial reporting and audit systems. Averaged across the three systems, only 10% of aid makes use of the country's systems.

Cambodia received a rating of 2.5 for the quality of its public financial management (PFM) systems in 2005. In 2006, the CPIA rating increased to 3.0 but further headway is clearly needed, first on building reliable country systems (see above) and second, on making more use of country systems. The Public Financial Management Reform Program should, as it bears fruit, allow for increased use of government systems. In the meantime, the lessons from the Education Sector Priority Action Program and the Commune/Sangkat Fund – both of which use government financial systems – should be adopted and applied broadly. Although no target is set for

2010, the successful implementation of the PFM reform will encourage donors to make more use of government systems and this may allow for the establishment of a target for Indicator 5a at a future time.

The same applies to the country's procurement systems. They are seldom used (6% of aid) and, although unrated, are regarded as weak. They will need improving if donors are to make more use of them. The fact that three development partners (Asian Development Bank, Agence française de développement and the World Bank) are following the government's recently established procurement procedures (the standard operating procedures) gives some grounds for optimism, especially as the procedures are to be extended to cover grant as well as loan financing.

AVOIDING PARALLEL IMPLEMENTATION STRUCTURES

The Paris Declaration calls for a substantial reduction in the number of project implementation units (PIUs) that are parallel, where appointment decisions and accounting relationships involve the donor alone. The baseline survey (having determined that there is a spectrum from fully integrated to fully parallel PIUs, and having decided on a cut-off point for reporting purposes) records a total of 56 parallel PIUs, a figure which leads to a 2010 target of 19. This baseline figure, and therefore the target, should be received with caution, however, as there is felt to be significant donor under-recording of PIUs.

Progress is expected both by integrating existing PIUs and by making use of programme-based approaches, which will make it unnecessary to establish new parallel PIUs. Such efforts will be given added impetus by the Government Action Plan for Harmonization, Alignment and Results that sets out a number of steps to reduce the number of parallel PIUs.

INDICATOR 6
Table 8.4

How many PIUs are parallel to country structures?

	Parallel PIUs (units)
Asian Dev. Bank	0
Australia	9
Belgium	6
Canada	1
Denmark	0
European Commission	0
France	18
GAVI Alliance	0
Germany	0
Global Fund	0
IMF	0
Japan	0
New Zealand	0
Sweden	0
United Kingdom	3
United Nations	19
United States	0
World Bank	0
Total	**56**

PROVIDING MORE PREDICTABLE AID

If aid is provided in a predictable manner, then recipient countries are better able to plan and make effective use of it. Indicator 7 seeks to assess the in-year predictability of aid, measuring the proportion of planned disbursements (as reported by donors), recorded by government in the national accounting system as having been disbursed.

The table looks at predictability from two different angles. The first angle is donors' and government's combined ability to disburse aid on schedule. In Cambodia, donors scheduled USD 455 million for disbursement in 2005 and actually disbursed – according to their own records – significantly less than expected (USD 397 million). The discrepancy varies considerably among donors. The second angle is donors' and government's ability to record comprehensively disbursements made by donors for the government sector. In Cambodia,

INDICATOR 7
Table 8.5

Are disbursements on schedule and recorded by government?

	Disbursements recorded by government in FY05 (USD m) a	Aid scheduled by donors for disbursement in FY05 (USD m) b	Aid actually disbursed by donors in FY05 (USD m) FOR REFERENCE ONLY	Baseline ratio* (%) c=a/b	c=b/a
Asian Dev. Bank	--	96	85		
Australia	--	15	15		
Belgium	--	6	5		
Canada	--	2	2		
Denmark	--	5	4		
European Commission	--	8	7		
France	--	28	18		
GAVI Alliance	--	2	2		
Germany	--	17	17		
Global Fund	--	23	19		
IMF	--	2	2		
Japan	--	89	92		
New Zealand	--	1	1		
Sweden	--	6	2		
United Kingdom	--	3	3		
United Nations	--	55	61		
United States	--	33	22		
World Bank	--	63	41		
Total	**314**	**455**	**397**		**69%**

* Baseline ratio is c = a / b except where disbursements recorded by government are greater than aid scheduled for disbursement (c = b /a).

government systems recorded USD 314 million out of the USD 397 million notified as disbursed by donors (69%) indicating that a significant proportion of disbursements were not captured either because they were not appropriately notified by donors or because the government system records only loan-financing and investment components of bilateral grants in the budget.

Indicator 7 on predictability has been designed to record progress in both disbursing and recording funds so as to gradually close the predictability gap by half by 2010. In other words, it seeks to improve not only the predictability of actual disbursements but also the accuracy of how they are recorded in government systems – an important feature of ownership, accountability and transparency. In Cambodia, this combined predictability gap amounts to USD 141 million (31% of aid scheduled for disbursement). Closing this predictability gap will require donors and government to work increasingly together on various fronts at the same time. They might work at improving:

- the realism of predictions on volume and timing of expected disbursements;
- the way donors notify their disbursements to government;
- the comprehensiveness of government's records of disbursements made by donors.

UNTYING AID

INDICATOR 8

According to OECD data covering 61% of 2004 commitments, 86% of aid to Cambodia is untied.

HARMONISATION

THE FACT THAT LITTLE AID is provided to Cambodia in the form of programme-based approaches (PBAs) limits the degree of harmonisation achieved. There is much room for improvement of the co-ordination of donor missions too, in contrast to the commendable situation of co-ordinating country analytical work where much has already been accomplished. Donors, alongside government, will have to work hard to meet the Paris targets by 2010. Notwithstanding these observations, it has been noted in Cambodia that many partners have made great progress in forming delegated partnership arrangements and there is a marked trend in channelling resources through other donors. The "point of delivery" methodology adopted by this survey does not capture these partnership arrangements but it is necessary to acknowledge and to encourage this trend.

USING COMMON ARRANGEMENTS

Based on criteria developed in-country by a joint government-donor group, 24% of aid to Cambodia makes use of PBAs. Most of it is provided as sectoral support, through sector-wide approaches focused on education, health, decentralisation, public financial management and private-sector development.

INDICATOR 9
Table 8.6

How much aid is programme based?

	Programme-based approaches			Total disbursed	Baseline ratio
	Budget support (USD m) a	Other PBAs (USD m) b	Total (USD m) c=a+b	(USD m) d	(%) e=c/d
Asian Dev. Bank	11	0	11	85	13%
Australia	0	0	0	18	1%
Belgium	0	0	0	6	0%
Canada	0	0	0	6	0%
Denmark	0	1	1	5	29%
European Commission	2	0	2	8	27%
France	0	0	0	21	0%
GAVI Alliance	0	0	0	2	0%
Germany	0	5	5	27	18%
Global Fund	0	19	19	19	100%
IMF	0	2	2	2	100%
Japan	0	33	33	96	34%
New Zealand	0	0	0	2	0%
Sweden	0	0	0	4	7%
United Kingdom	0	2	2	3	78%
United Nations	2	29	31	81	39%
United States	0	0	0	47	0%
World Bank	0	7	7	41	16%
Total	**15**	**98**	**113**	**470**	**24%**

INDICATOR 10a
Table 8.7

How many donor missions are co-ordinated?

	Co-ordinated donor missions (missions) a	Total donor missions (missions) b	Baseline ratio (%) c=a/b
Asian Dev. Bank	8	104	8%
Australia	0	6	0%
Belgium	0	1	0%
Canada	2	11	18%
Denmark	2	3	67%
European Commission	4	10	40%
France	2	25	8%
GAVI Alliance	0	0	--
Germany	2	16	13%
Global Fund	0	5	0%
IMF	22	25	88%
Japan	3	74	4%
New Zealand	1	4	25%
Sweden	12	26	46%
United Kingdom	12	17	71%
United Nations	52	201	26%
United States	10	10	100%
World Bank	14	30	47%
Total (discounted*)	**146**	**568**	**26%**

* The total of co-ordinated missions has been adjusted to avoid double counting. A discount factor of 35% has been applied.

INDICATOR 10b
Table 8.8

How much country analysis is co-ordinated?

	Co-ordinated donor analytical work * (units) a	Total donor analytical work (units) b	Baseline ratio (%) c=a/b
Asian Dev. Bank	4	6	67%
Australia	7	13	54%
Belgium	0	0	--
Canada	0	3	0%
Denmark	2	3	67%
European Commission	1	2	50%
France	3	4	75%
GAVI Alliance	0	0	--
Germany	1	5	20%
Global Fund	0	0	--
IMF	0	4	0%
Japan	3	3	100%
New Zealand	2	2	100%
Sweden	5	11	45%
United Kingdom	7	7	100%
United Nations	29	41	71%
United States	3	3	100%
World Bank	9	11	82%
Total (discounted*)	**76**	**118**	**64%**

* The total of co-ordinated analysis has been adjusted to avoid double counting. A discount factor of 25% has been applied.

Donors and government need to collaborate to set targets on the proportion of aid to be delivered through PBAs, as highlighted in the Government Harmonization, Alignment and Results Action Plan for 2006-10. Technical working groups have already been established in 18 sectors and thematic areas. They will have an important role to play in facilitating and accelerating the formation of PBAs. Their potential has been demonstrated by Technical Working Groups on Planning and Poverty Reduction, Agriculture and Water, and Decentralisation and Deconcentration. Nevertheless, reaching the 2010 target of 66% will be an uphill climb.

CONDUCTING JOINT MISSIONS AND SHARING ANALYSIS

The baseline survey raised some questions about the meaning of "joint" and "mission". Results show that 26% of the 568 donor missions to Cambodia were co-ordinated. Despite numerous successes among donors in running joint missions, the 2010 target of 40% co-ordinated missions is ambitious. The call by the Harmonization, Alignment and Results Action Plan for each Technical Working Group to produce a calendar of missions should nevertheless reduce the number of duplicative missions.

In excess of 60% of country analysis was co-ordinated and this brings Cambodia close to the 2010 target. As the data show, and the World Bank's Aid Effectiveness Review confirms, the efforts of multilaterals to co-ordinate their analysis have paid off.

MANAGING FOR RESULTS

INDICATOR 11

THE PARIS DECLARATION invites partner countries and donors to work together to manage resources and use information to improve decision making. This means both strengthening the capacity to undertake such management and helping to increase the demand for a focus on results. Indicator 11 looks at one component of this effort: the establishment of a cost-effective results-oriented reporting and assessment system by the country.

Cambodia, along with 42% of the countries assessed, received a rating of C for its reporting and assessment system, as part of the World Bank's 2005 review of the Comprehensive Development Framework. The rating is based on three criteria: the quality of development information, the degree to which stakeholders have access to it, and the extent to which there is co-ordinated monitoring and evaluation of the country's development efforts.

In terms of the quality of development information, the World Bank's Aid Effectiveness Review for 2006 points out that action is being taken to strengthen capacity for data analysis. Most significantly, in 2005, the National Institute of Statistics completed a Statistical Master Plan for 2005-15. This plan provides for regular surveys, and better quality and timeliness of statistics. It should lead to co-ordination and coherence among the various line ministries. In order to guarantee stakeholder access to information, some of the necessary elements are in place, with many useful documents available on the government's website. Finally, in monitoring and evaluation, the government has prepared an outline for a monitoring framework. In addition, the work of the Joint Government-Donor Technical Working Groups and the Government-Donor Coordination Committee provide other opportunities for co-ordinated country-level monitoring and evaluation. With a determined effort by government, and with the support of donors, Cambodia is reasonably well-placed to achieve a B rating by 2010.

MUTUAL ACCOUNTABILITY

INDICATOR 12

THE PARIS DECLARATION CALLS for donors and partner countries to be accountable to each other for the use of development resources, and in a way that tends to strengthen public support for national policies and development assistance. This in turn requires governments to improve country accountability systems and donors to help by being transparent about their own contributions. Is there a country-level mechanism permitting joint assessment of progress in implementing agreed commitments on aid effectiveness, including those in the Declaration itself?

Cambodia uses its Harmonization, Alignment and Results Action Plan (previously the Harmonization and Alignment Action Plan) and a set of joint monitoring indicators as a basis for discussion at its annual dialogue with donors (national-level Consultative Group mechanism, to become the Cambodia Development Cooperation Forum in 2007). This action plan lays out priority activities for aid effectiveness work, while the joint monitoring indicators establish verifiable indicators and targets that are used in discussions throughout the year, before being reviewed at the following Consultative Group meeting (attended by a broad range of government ministries as well as civil society).

BASELINES AND TARGETS

Table 8.9 Baselines and targets

INDICATORS		2005 BASELINE	2010 TARGET
1	Ownership – Operational PRS	C	B or A
2a	Quality of PFM systems	2.5	3.0
2b	Quality procurement systems	Not available	Not applicable
3	Aid reported on budget	79%	90%
4	Co-ordinated capacity development	36%	50%
5a	Use of country PFM systems (aid flows)	10%	No target
5b	Use of country procurement systems (aid flows)	6%	Not applicable
6	Parallel PIUs	56	19
7	In-year predictability	69%	84%
8	Untied aid	86%	More than 86%
9	Use of programme-based approaches	24%	66%
10a	Co-ordinated missions	26%	40%
10b	Co-ordinated country analytical work	64%	66%
11	Sound performance assessment framework	C	B or A
12	Reviews of mutual accountability	Yes	Yes

The table above presents the 2005 baselines and targets for Cambodia. The baseline values are concluded from the discussion above, which draws on various sources of information. The main source is the baseline survey undertaken in Cambodia under the aegis of the National Co-ordinator (Chhieng Yanara).

The government and its donor partners are fully committed to implementing the Paris Declaration as part of a national approach to aid effectiveness work. This has been firmly demonstrated most recently by the October 2006 signing of the Declaration on Aid Effectiveness.

To strengthen national aid management, the aid dialogue structure has also been strengthened in recent months following reviews of the Consultative Group mechanism, and of the Technical Working Group and Government-Donor Coordination Committee structures. Both reviews contained proposals for more effective aid management: they were discussed and agreed by government and donors prior to being approved for implementation.

The government is also currently working with donors to position the Paris indicators – and others suited to the country context – in the Harmonization, Alignment and Results Action Plan. Lastly, customisation of Cambodia's ODA database will provide for more routine monitoring and application at country level.

ACRONYMS

CDCF Cambodia Development Cooperation Forum
CPIA Country Policy and Institutional Assessment
GDP gross domestic product
IDA International Development Association
MDG Millennium Development Goal
NSDP National Strategic Development Plan
ODA official development assistance
PBA programme-based approach
PFM public financial management
PIU project implementation unit

9 CAPE VERDE

THE POPULATION OF THE CAPE VERDE ISLANDS numbers just 445 000 habitants. Average per capita gross national income (GNI) in 2005 was USD 1 870, having grown considerably from USD 1 250 in 2002. Some 37% of Cape Verde's population is considered to be living in poverty, the majority of whom (62%) live in rural areas, according to the 2001-02 Household Income and Expenditure/Household Living Conditions. Of the poor, 54% (around 20% of Cape Verde's total population) are considered to be very poor.

In 2005, Cape Verde graduated from the United Nations list of least developed countries, and its preferential treatment under least developed country status is being gradually phased out between now and 2008. Official development assistance (ODA) to Cape Verde in 2004 was USD 140 million, representing 14.9% of GNI. Some 64% of Cape Verde's ODI comes from bilateral donors, of which Portugal is the largest. The donors responding to the 2006 survey accounted for more than 81% of official aid flows to Cape Verde. However, several donors provided incomplete responses to the survey, leaving data gaps in the quantitative findings for several indicators, as they found some questions in the current survey open-ended.

OVERVIEW Box 9.1 Challenges and priority actions

DIMENSIONS	BASELINE	CHALLENGES	PRIORITY ACTIONS
Ownership	Moderate	Medium-Term Expenditure Frameworks and sectoral plans need to be better linked to national budget.	Strong planning processes are undermined by lack of implementation capacity, particularly at municipal levels. Improve budget focus and linkage to Medium-Term Expenditure Frameworks. Strengthen capacity for implementation.
Alignment	Moderate	The majority of donors do not yet use country public financial management or procurement systems.	Continue to increase the use of country systems by donors. Maintain government implementation of reforms to budgeting, financial management and procurement systems.
Harmonisation	Low-Moderate	Donor harmonisation within sectoral approaches remains limited.	Donors should consolidate and deepen sectoral co-operation.
Managing for results	Moderate	Progress is slow in putting Poverty Reduction Strategy monitoring and evaluation system in place due to lack of resources.	Government and donors should commit greater resourcing and technical support to the Poverty Reduction Strategy monitoring and evaluation system.
Mutual accountability	Low-Moderate	No formal mutual accountability mechanism is in place.	Formally establish an accountability mechanism, perhaps based around joint budget support.

OWNERSHIP

INDICATOR 1

OWNERSHIP IS CRITICAL to achieving development results and is central to the Paris Declaration. The Paris Declaration defines ownership in terms of a country's ability to exercise effective leadership and co-ordination of its development policies and strategies. Achieving this – especially in countries that rely heavily on aid to fund their development – is not a simple undertaking. Nor can it be measured by a single indicator. Indicator 1 assesses the extent to which a country has translated its national development strategies into "prioritised, results-oriented operational programmes" with which donors can align their assistance.

Along with 58% of the countries surveyed, Cape Verde received a C rating in the World Bank's 2005 Comprehensive Development Framework (CDF) assessment, which provides the baseline for Indicator 1. According to the CDF, an operational strategy calls for a coherent long-term vision and a medium-term strategy derived from it; specific targets serving a holistic, balanced and well-sequenced development strategy; capacity and resources for its implementation; and the participation of national stakeholders in strategy formulation and implementation. A C rating indicates that Cape Verde has taken action towards achieving good practice in its operational development strategy. Only countries in categories A or B are considered to have an operational strategy.

Cape Verde considers that it has its own operational strategy implemented through several national strategy plans and two main strategic plans: the Growth and Poverty Reduction Strategic Paper and the Grand Options of the Plan. Through the implementation of these documents, Cape Verde demonstrates that it has taken action on the ownership of its development policies.

The country has articulated a number of long-term development objectives through a series of 10-year sectoral strategies. Although a unified national long-term perspective study (Cape Verde 2020), was completed in 1997, the World Bank's Aid Effectiveness Review (AER) reports that policy makers rarely refer to it. Cape Verde completed its medium-term Poverty Reduction Strategy, the *Documento de Estratégia de Crescimento e de Redução da Pobreza* (DECRP), in 2004. It will span the years 2004-07. Cape Verde also has a constitutionally required medium-term framework for economic and social development, the Grand Options of the Plan, prepared in 2001. The new DECRP is now being drafted and will run from 2008 to 2011. The AER states that the objectives of the various medium-term plans are in line with one another.

A wide range of national stakeholders have been involved in DECRP strategy formulation and implementation. However, the AER reports that links between DECRP co-ordination and monitoring at the national, regional and local levels could be strengthened. Also, in contrast with the Grand Options of the Plan and the National Development Plans, the National Assembly was not required to approve the DECRP, and was only informed on DECRP progress for the first time in 2006. Ownership of the DECRP might accordingly be strengthened through greater scrutiny and engagement by the National Assembly.

The DECRP and the Grand Options of the Plan focus on five pillars: good governance; economic growth and employment creation; human capital; infrastructure and environmental protection; and social protection. Gender and HIV/AIDS are integrated as cross-cutting issues. The medium-term objectives identified in the DECRP are in line with the Millennium Development Goals (MDGs) and with the long-term national objectives. A large proportion of the budget – around 37% of government spending for 2007 – is allocated to priority sectors such as basic infrastructure, health and education. However, links between sectoral and global Medium-Term Expenditure Frameworks (MTEFs) need to be reinforced in order to tighten the strategic focus of the annual budget. The new law on budget planning and preparation is designed to improve the budget linkages with the MTEFs.

While planning capacity is strong, the AER reports that implementation bottlenecks hamper execution of the DECRP. In particular, decentralisation has not been accompanied by adequate transfer of resources to municipal government. The government has approved a local finance law ensuring greater resourcing of municipalities, and is overhauling budget execution and reporting at local level.

With continued focus on budget reform and on capacity for implementation, Cape Verde has the potential to achieve most of the MDGs by 2015 (it has in fact already met the education targets) and should meet its target of a B or A rating for ownership by 2010.

ALIGNMENT

THE PARIS DECLARATION requires donors to move towards aligning their assistance with national development strategies, institutions and procedures. Improving alignment requires action on the part of both governments and donors. Governments need to strengthen financial and programme management capacities, and to elaborate coherent and effective policies and plans, while donor agencies need to overcome institutional blocks to the use of national systems and management structures. Indicators 2 to 8 seek to assess the extent to which assistance is being aligned with Cape Verde's national development strategies and plans. They consider the extent to which donors are aligning their assistance with Cape Verde's national development and poverty reduction policies, and also provide some indication of the extent to which donors and government are achieving *systems* alignment.

BUILDING RELIABLE COUNTRY SYSTEMS

The World Bank's Country Policy and Institutional Assessment for 2005 gives Cape Verde a score of 3.5 for the quality of budgetary and public financial management, slightly above the average of 3.2 for International Development Association countries. The AER reports that country systems are broadly sound, and that action is being taken to improve them (see below). Moreover, public sector corruption in Cape Verde is considered to be low. As such, Cape Verde should be in a strong position to meet or exceed the target of a 4.0 rating in 2010.

INDICATOR 2a

Since 2002 the government has been implementing public administrative reforms that strengthen fiduciary accountability; as such, it has recently launched the *Plano Nacional da Contabilidade Pública* (PNCP). As part of the PNCP the government intends to put in place a central register of state assets and to extend new public accounting standards to a wide range of public institutions. An integrated real-time financial management system (*Sistema Integrado de Gestão Orçamental e Financeira*, or SIGOF) has been extended to all ministries. Cape Verde has an established national audit institution (*Tribunal de Contas*), however, the AER describes auditing delays due to a lack of technical and financial capacity.

INDICATOR 2b

A numerical score for Indicator 2b (an assessment of the quality of the procurement system) is not currently available. The AER reports that the government is developing a national code for procurement, to be operationalised through an e-procurement system. This should provide a legal framework for procurement within which donors could harmonise their procedures in the future.

INDICATOR 3
Table 9.1

Are government budget estimates comprehensive and realistic?

	Government's budget estimates of aid flows for FY05 (USD m) a	Aid disbursed by donors for government sector in FY05 (USD m) b	Baseline ratio* (%) c=a/b	c=b/a
Austria	1	2	48%	
European Commission	12	12	98%	
France	2	2		96%
Luxembourg	13	14	95%	
Netherlands	14	14		99%
OPEC Fund	0	1	1%	
Portugal	18	59	31%	
Spain	3	3		91%
United Nations	5	4		66%
World Bank	25	0		0%
Total	**95**	**111**	**85%**	

* Baseline ratio is c = a / b except where government's budget estimates are greater than disbursements (c = b /a).

ALIGNING AID FLOWS ON NATIONAL PRIORITIES

The DECRP provides a framework for external partners to align their support with Cape Verde's development plans and priorities. The AER commends the fact that the major external assistance partners have all aligned their assistance plans with DECRP priorities.

The Directorate General for International Cooperation within the Ministry of Foreign Affairs co-ordinates international development assistance, together with the Ministry of Finance and Planning (responsible for co-ordination of financial multilateral agencies) and the Ministry of Foreign Affairs (responsible for bilateral and multilateral partners). While sectoral co-ordination is the responsibility of line ministries with some support from the General Directorate for Planning, the AER sees potential for improvement through the creation of sectoral working groups. Consultation meetings between the government and external partners take place approximately every three years.

Indicator 3 is a proxy for measuring the alignment of aid flows with national priorities: it measures the extent to which donors' aid disbursements are accurately reflected in the national budget for the year in question. Where planned aid disbursements are accurately reflected in the budget approved by the legislature, this points to accurate and timely information flow between the government and its donors, as well as a high level of budget realism.

The table provides government's budget estimates of aid flows for fiscal year 2005 (numerator) as a percentage of aid disbursed by donors for the government sector for the same period (denominator). This ratio tells us the degree to which there is a discrepancy between budget estimates and actual disbursements. The discrepancy can be in two directions: indeed budget estimates can be either higher or lower than disbursements. In order to have a single measure of discrepancy that is always less than 100%, the ratio is flipped when budget estimates are higher than disbursements. The baseline value for Indicator 3 in Cape Verde is 85%. Achieving the target agreed in Paris of 93% (halving the gap) for this indicator will require concerted efforts by donors and government.

According to the survey, the budget gap for Cape Verde was 15%. This result reflects some variances between the government's budgeted figures for aid and the actual disbursements reported by donors. Variances may be due to lack of harmonised criteria for accounting ODA (the survey calls for a better harmonisation of ODA criteria among the donors, to avoid such discrepancies), and the exclusion of funds channelled through outside mechanisms. The AER reports that disbursements for stand-alone projects are often not integrated into the budget.

For example, the AER reports that the General Directorate for Planning is tasked with consolidating information on the activities of all donors, but that donor reporting delays mean this information is not sufficiently comprehensive or up-to-date. Finally, the budget may itself reflect inaccuracies or lack of realism in the estimation of the rate of programme implementation progress, upon which disbursements usually depend.

The line-by-line variances suggest that information flow between donors and government in relation to planned aid disbursements could be improved, and that links between the budgeting process and sectoral assistance plans need to be strengthened. The new budget process, which is expected to inform the budget prepared in 2007, should reflect greater co-ordination between sectoral and global spending plans; this may generate more accurate reporting of aid on budget. Donors and government will need to make a serious commitment if they are to gradually close this gap over time and reach the target.

CO-ORDINATING SUPPORT TO STRENGTHEN CAPACITY

Capacity constraints significantly undermine the ability of country systems to capture and co-ordinate aid flows more effectively. The Paris Declaration commits donors to providing more co-ordinated support to capacity development under country leadership, with a target of 50% provided in this form by 2010. The survey indicates that currently 93% of reported technical assistance to Cape Verde is considered to be co-ordinated.

INDICATOR 4
Table 9.2

How much technical assistance is co-ordinated with country programmes?

	Co-ordinated technical co-operation (USD m) a	Total technical co-operation (USD m) b	Baseline ratio (%) c=a/b
Austria	0	1	8%
European Commission	--	0	--
France	--	1	--
Luxembourg	--	--	--
Netherlands	--	--	--
OPEC Fund	--	--	--
Portugal	38	38	100%
Spain	2	3	74%
United Nations	--	--	--
World Bank	--	--	--
Total	**40**	**43**	**93%**

This is a very encouraging result. However, inspection of the line-by-line data shows considerable variation among donors, as well as gaps in the data for several major donors (it was difficult to identify the right sense of this question due to the ambiguity of this indicator). The very large sums reported for co-ordinated technical support by Portugal in comparison with all other donors also raises the question of whether donors may have been employing differing interpretations of the term "co-ordinated technical co-operation" – a problem which also featured in other country survey returns. Accordingly, a more complete set of information from all major donors might lead to a lower result for this indicator in the next survey. The survey return reports that capacity building is integrated into all of Cape Verde's sectoral development plans and programmes, and that donors integrate aspects of technical co-operation into the majority of projects that they finance. However, as yet no co-ordinated national capacity-building programme exists, which means that interventions remain fragmented to some extent.

INDICATOR 5
Table 9.3

How much aid for the government sectors uses country systems?

	Aid disbursed by donors for government sector (USD m) a	Public financial management				Procurement	
		Budget execution (USD m) b	Financial reporting (USD m) c	Auditing (USD m) d	Baseline ratio (%) avg (b,c,d) / a	Procurement systems (USD m) e	Baseline ratio (%) e /a
Austria	2	1	--	1	--	1	41%
European Commission	12	6	6	--	--	--	--
France	2	--	--	--	--	--	--
Luxembourg	14	--	--	--	--	--	--
Netherlands	14	8	8	8	60%	--	--
OPEC Fund	1	--	--	--	--	--	--
Portugal	59	59	58	58	99%	59	100%
Spain	3	0	0	0	0%	0	0%
United Nations	4	--	--	--	--	--	--
World Bank	0	--	--	--	--	--	--
Total	**111**	**74**	**73**	**67**	**64%**	**60**	**53%**

USING COUNTRY SYSTEMS

Indicator 5a is a measure of the use of three components of country public financial management systems by donors. According to the survey data, the average rate of utilisation across the three components is 64%. It should be noted that the data from the country survey for this indicator is incomplete for several of the major donors, making it difficult to draw strong conclusions regarding the use of PFM systems in Cape Verde. The overall result also reflects high variance among donors, with two in particular, the Netherlands and Portugal, reporting that almost all of the aid they disburse to the government sector uses PFM systems, while the figure for the other donors for which data is presented here is much lower.

The survey reports that following the recommendations made in the Country Financial Accountability Assessment, the government of Cape Verde has taken measures to implement public finance reform. In spite of this, the majority of donors do not use national PFM systems. However, the survey reports that "the Integrated System for Budgetary and Financial Management (SIGOF) is used by the budget support donors and also by the US within the framework of the Millennium Challenge Account. The use of SIGOF by donors is enabling better monitoring of donor aid disbursements and their financial execution."

The World Bank reports in its Aid Effectiveness Review that external partners are moving towards providing the majority of their assistance through budget support. The European Commission, the Netherlands and the World Bank signed a Memorandum of Understanding with the government in support of the co-ordination and harmonisation of budget support, while the African Development Bank, Spain and Austria have also agreed to provide their budget support within this joint framework. Increased use of budget support should result in improved performance for this indicator.

According to the survey results, 53% of aid for the government sector made use of Cape Verde's procurement system. Lack of data for several donors and large variances among donors make it difficult to draw strong conclusions in relation to this figure, and it seems likely that the overall percentage of aid using government procurement systems is lower than this. The qualitative survey return reports that "the majority of donors do not use national procurement systems because they have their own procedures which are based on internationally recognised procurement practices". On the heels of the Country Procurement Assessment Review, Cape Verde is now implementing reforms to procurement by setting up a new national code on procurement. Cape Verde should see clear progress on this indicator by 2010.

AVOIDING PARALLEL IMPLEMENTATION STRUCTURES

The Paris Declaration calls for a substantial reduction in the number of project implementation units (PIUs) that are parallel, where appointment decisions and accounting relationships involve the donor alone. The current baseline figure for Cape Verde is given as 10 such structures, a relatively low number which reflects both the level of aid flows to Cape Verde as well as the fact that many donors do not have offices in Cape Verde itself. The government envisages progressive elimination of the remaining PIUs as national institutions develop the requisite capacities for implementation.

The survey return suggests that the majority of donors have already moved towards using implementation units that have been integrated into partnership with local institutions. The AER points to donor efforts to move to the use of integrated PIUs. This includes efforts to use a single integrated PIU to co-ordinate the implementation of multiple projects; for example a PIU has been created within the Ministry of Finance and Planning to co-ordinate four different externally funded projects. It is unclear from the data to what extent these integrated PIUs retain the problematic characteristics typical of external PIUs (such as primary accountability to donors, staff appointed by the donor, staff salaries and benefits exceeding those of civil servants), and to what extent the integration process is profound enough to enable government institutions to assume full ownership of these programmes.

PROVIDING MORE PREDICTABLE AID

In the Paris Declaration, donors pledged to provide reliable commitments of aid over a multi-year framework and to increase the timeliness and predictability of aid disbursements. More predictable aid enables better programme planning and financial management by recipient countries. Indicator 7 is intended to provide a measure of aid predictability, by assessing both the extent to which actual donor aid disbursements reflect scheduled aid, and the government's ability to record aid disbursements in its accounting system for the appropriate year.

INDICATOR 6
Table 9.4

How many PIUs are parallel to country structures?

	Parallel PIUs (units)
Austria	--
European Commission	3
France	--
Luxembourg	1
Netherlands	0
OPEC Fund	4
Portugal	1
Spain	1
United Nations	--
World Bank	--
Total	**10**

INDICATOR 7
Table 9.5

Are disbursements on schedule and recorded by government?

	Disbursements recorded by government in FY05 (USD m) a	Aid scheduled by donors for disbursement in FY05 (USD m) b	Aid actually disbursed by donors in FY05 (USD m) FOR REFERENCE ONLY	Baseline ratio* (%) c=a/b	c=b/a
Austria	1	--	2		
European Commission	12	11	12		93%
France	2	2	2		95%
Luxembourg	13	14	14	94%	
Netherlands	14	14	14		99%
OPEC Fund	--	2	1		
Portugal	18	60	59	30%	
Spain	3	--	3		
United Nations	5	0	4		0%
World Bank	25	0	0		0%
Total	**95**	**103**	**111**	**92%**	

* Baseline ratio is c = a / b except where disbursements recorded by government are greater than aid scheduled for disbursement (c = b /a).

Like Indicator 3 (aid on budget), there are two measures for Indicator 7. The first is based on a ratio and provides a good indication as to whether government disbursement records are less (ratio under 100%) or more (ratio over 100%) than what was initially scheduled by each donor. The second is based on measuring the gap between the two, regardless of the direction of variance.

Actual disbursements as reported by donors totalled 92% of scheduled disbursements, in other words, reported donor performance was reasonably close to what had been predicted. It is possible to observe in this indicator the high grade of predictability for the aid in the case of Cape Verde, which reveals the strength of the engagement between the donors and the government.

The qualitative survey return considers that there has been significant progress in relation to aid predictability, pointing to the fact that donors developed instruments for co-operation with clearly delimited time scales, as well as a Memorandum of Understanding signed between the government and the Budget Support Group, and an Indicative Cooperation Programme signed with some donors. Nonetheless, constraints on the part of both government and donors continue to reduce aid predictability, according to the survey: "Weak absorption of resources and lack of financial reporting on the part of the country can cause delays in disbursements. On the part of donors, strict and bureaucratic procedures can also cause delays."

UNTYING AID

INDICATOR 8

According to OECD data covering 87% of 2004 aid commitments, 22% of aid to Cape Verde is untied. The AER reports that the government is in the process of setting up a system for monitoring levels of tied versus untied aid at the country level.

HARMONISATION

WHILE SOME IMPORTANT STEPS HAVE BEEN TAKEN towards donor harmonisation in Cape Verde, the survey results indicate that there is still room for progress. A particular challenge for a small state like Cape Verde is the fact that donors often manage programmes at a distance, something which may undermine donor harmonisation in some respects – although it might also create the conditions for greater co-operation among donors, for example through delegation. Most importantly, the survey shows that a degree of harmonisation is now developing around budget support, and this should extend as more donors join the Budget Support Group.

INDICATOR 9
Table 9.6

How much aid is programme based?

	Budget support (USD m) a	Other PBAs (USD m) b	Total (USD m) c=a+b	Total disbursed (USD m) d	Baseline ratio (%) e=c/d
Austria	--	--	--	2	--
European Commission	6	5	11	12	91%
France	--	--	--	2	--
Luxembourg	--	14	14	15	95%
Netherlands	8	6	14	10	145%
OPEC Fund	0	--	0	1	9%
Portugal	--	1	1	59	2%
Spain	0	0	0	4	0%
United Nations	0	0	0	4	0%
World Bank	0	0	0	--	--
Total	**15**	**26**	**40**	**110**	**37%**

USING COMMON ARRANGEMENTS

The proportion of government sector aid using common arrangements is 37%, somewhat below the average of 43% reported for all the countries surveyed. Of this proportion, approximately 40% is allocated to direct budget support and 60% to other programme-based approaches. The AER reports that several donors are co-ordinating approaches with each other. In particular, the Budget Support Group donors (the EC, the

Netherlands, the World Bank, the African Development Bank, Spain and Austria) are relying on joint reviews, joint indicators and a joint policy matrix to guide their budget support and assess implementation of the DECRP.

The government is also fostering a move to sector-wide approaches to support sectoral strategies, but it appears that sectoral co-operation is still quite limited in some respects.

This observation, combined with the very wide variances reported for donors (several donors report almost 100% use of programme-based approaches, while others report none or close to none), implies that donors may have employed widely differing definitions of "programme-based approaches" for the purposes of the survey.

CONDUCTING JOINT MISSIONS AND SHARING ANALYSIS

The baseline figure for co-ordination of donor missions is rather low at only 11%. The continued reliance on unilateral missions may in part reflect the fact that several of Cape Verde's aid partners do not maintain an office in-country and accordingly rely more heavily on external missions to support their programmes. However, the government has requested that external partners step up co-ordination of their missions. The AER for 2006 reports that emerging partnerships among external partners – in particular, among the Budget Support Group partners – are increasingly facilitating joint missions.

INDICATOR 10a
Table 9.7

How many donor missions are co-ordinated?

	Co-ordinated donor missions (missions) a	Total donor missions (missions) b	Baseline ratio (%) c=a/b
Austria	--	22	--
European Commission	4	20	20%
France	2	10	20%
Luxembourg	--	--	--
Netherlands	5	15	33%
OPEC Fund	--	--	--
Portugal	--	3	--
Spain	1	4	25%
United Nations	--	--	--
World Bank	--	--	--
Total (discounted*)	**8**	**74**	**11%**

* The total of co-ordinated missions has been adjusted to avoid double counting. A discount factor of 35% has been applied.

INDICATOR 10b
Table 9.8

How much country analysis is co-ordinated?

	Co-ordinated donor analytical work (units) a	Total donor analytical work (units) b	Baseline ratio (%) c=a/b
Austria	--	--	--
European Commission	3	10	30%
France	4	4	100%
Luxembourg	--	--	--
Netherlands	2	2	100%
OPEC Fund	--	1	--
Portugal	--	3	--
Spain	1	2	50%
United Nations	--	--	--
World Bank	--	--	--
Total (discounted*)	**8**	**22**	**34%**

* The total of co-ordinated analysis has been adjusted to avoid double counting. A discount factor of 25% has been applied.

The survey reported that donors had undertaken 22 country analyses in 2005, of which 8, or 34%, were co-ordinated. The AER recognises that the move towards co-ordinated budget support has been strongly underpinned by joint analytical work. For example, since 2003 the European Commission, Netherlands and the World Bank have jointly conducted a Country Financial Accountability Assessment, a Country Procurement Review and sectoral Public Expenditure Reviews. Given the continued move towards budget support in Cape Verde, and the relatively small number of total analyses and donors in question, the target of 66% of analysis to be conducted jointly by 2010 should be achievable.

MANAGING FOR RESULTS

INDICATOR 11

THE PARIS DECLARATION urges partner countries and donors to work together to manage resources for the achievement of development results, and to use information on results to improve decision making. Indicator 11 assesses one component of this effort: the establishment of cost-effective results-oriented performance assessment frameworks.

Cape Verde scored a D rating in the World Bank's 2005 Comprehensive Development Framework Progress Report, which means that it was considered to have – or possibly be putting in place – some elements of a performance assessment framework. This judgement was based on assessment of three key areas: the quality of available development-related information, the degree to which stakeholders have access to such information, and the extent of co-ordinated monitoring and evaluation of the country's development efforts.

The survey response, however, contends that Cape Verde has good quality development-related data available, and that the information is well diffused by the National Statistics Institute and Cape Verde Central Bank, as both institutions have websites. All ministries provide reporting and statistic data.

The AER for 2006 describes steps to strengthen the quality and coverage of poverty-related data. The National Statistics Institute conducted a census and a population and housing survey in 2000, then a household survey in 2002, which formed the basis for the poverty baselines in the DECRP. The Institute is finalising a questionnaire on basic social indicators which is expected to provide data to support monitoring of DECRP implementation. The government is preparing a national statistical development strategy, although as yet there is no firm commitment by donors to fully fund it when complete. Several donors provide co-ordinated and stand-alone support for statistical capacity.

The AER reports that development-related information is becoming more widely available to stakeholders, at least to those with Internet access. The Ministry of Finance manages a website where the DECRP and the Grand Options of the Plan are posted, as well as information on budget preparation and execution. The National Statistics Institute also gives access to poverty and household survey information via its website. The government has conducted a public information campaign around the DECRP.

As yet, a unified national monitoring and evaluation system does not exist. However, the AER reports that the *Secretariado Técnico de Apoio ao Desenvolvimento* (STAD) is doing the groundwork for a system to monitor DECRP implementation, based on 37 indicators and 28 baselines. Insufficient resources within STAD, particularly a lack of qualified staff, have slowed progress. In addition, although the government has requested that donors use the DECRP indicators as their monitoring framework, the AER reports that donors have integrated only a few of these indicators into their programmes to date. The issue of lack of progress on the monitoring and evaluation system for the DECRP was raised as part of the Budget Support Group evaluation in October 2005, where improvements to the system were suggested. The survey return notes that "Given the crucial role of monitoring and evaluation in the success of DECRP implementation, particularly in the production of reports for sectors benefiting from budget support, it is essential that the government ensures that resources are obtained through a plan based on actual needs and potential donors."

A second project aims to integrate the national financial management system, SIGOF, with a national database on policies and projects. Several ministries are now feeding data into this system. By building clear linkages between these two projects, and ensuring sufficient resourcing and capacity for them to be effective, these two initiatives could form the basis of a national monitoring and evaluation system.

MUTUAL ACCOUNTABILITY

INDICATOR 12

THE PARIS DECLARATION calls for donors and partner countries to be accountable to each other and to their respective publics for the use of development resources. Indicator 12 seeks to establish whether there is a country-level mechanism permitting joint assessment of progress in implementing agreed commitments on aid effectiveness, including those in the Declaration itself.

The AER reports that there is no formal, independently monitored mutual accountability framework in place to assess government and donor performance in strengthening aid effectiveness in Cape Verde. However, the AER suggests that joint budget support is emerging as an important forum for donors and government to assess performance jointly. The survey response describes how the Budget Support Group and the government launched a joint evaluation of progress in October 2005. The meeting was used for reviewing DECRP progress, and planning and revising budget support objectives. It also generated some proposals for improving the effectiveness of budget support, for example, the use of a joint matrix containing three indicators.

The Budget Support Group experience shows that both the government and key donors are open to undertaking mutual evaluation. As more donors undertake joint budget support in Cape Verde, this forum could potentially form the basis of a more formal framework for mutual accountability.

BASELINES AND TARGETS

THE TABLE BELOW presents the 2005 baselines and the indicative targets for 2010 for Cape Verde. The baseline values are taken from the discussion above, which draws on various sources of information. The main source is the baseline survey undertaken in Cape Verde under the aegis of the National Co-ordinator and Deputy National Co-ordinator (Miryan Vieira and Marco Antonio Ortega).

Table 9.9 Baselines and targets

INDICATORS		2005 BASELINE	2010 TARGET
1	Ownership – Operational PRS	C	B or A
2a	Quality of PFM systems	3.5	4.0
2b	Quality procurement systems	Not available	Not applicable
3	Aid reported on budget	85%	93%
4	Co-ordinated capacity development	93%	50%
5a	Use of country PFM systems (aid flows)	64%	76%
5b	Use of country procurement systems (aid flows)	53%	Not applicable
6	Parallel PIUs	10	3
7	In-year predictability	92%	96%
8	Untied aid	22%	More than 22%
9	Use of programme-based approaches	37%	66%
10a	Co-ordinated missions	11%	40%
10b	Co-ordinated country analytical work	34%	66%
11	Sound performance assessment framework	D	B or A
12	Reviews of mutual accountability	No	Yes

ACRONYMS

AER	Aid Effectiveness Review
CDF	Comprehensive Development Framework
DECRP	*Documento de Estratégia de Crescimento e de Redução da Pobreza* (Poverty Reduction Strategy)
GNI	gross national income
MDG	Millennium Development Goal
MTEF	Medium-Term Expenditure Framework
ODA	official development assistance
PIU	project implementation unit
PNCP	*Plano Nacional da Contabilidade Pública* (Public Accountability Plan)
SIGOF	*Sistema Integrado de Gestão Orçamental e Financeira* (Integrated System for Budgetary and Financial Management)
STAD	*Secretariado Técnico de Apoio ao Desenvolvimento*

10 DEMOCRATIC REPUBLIC OF CONGO

THE DEMOCRATIC REPUBLIC OF CONGO (DRC) has a per capita gross national income (GNI) of USD 120. About 75% of its 55 million population falls under the dollar-a-day international poverty line. DRC has endorsed the Paris Declaration. Large, very poor and conflict-affected, it is a country where the effectiveness of aid is a matter of high international concern. This chapter is based on information provided by the government and 10 donors that contributed around 86% of the aid provided to DRC.

Because of the conflicts that, until quite recently, have severely affected the normal processes of government in DRC, the country is not yet familiar with all of the dimensions of change targeted by the Paris Declaration. Achievements will no doubt be modest for some time ahead, especially in effective country leadership of development policies and co-ordination of development actions. Those partner commitments that depend on changes in country practices will be difficult to achieve if the political will is not present. However, by the same token, there should be scope to make rapid progress in those areas where being a newcomer is an advantage (because ineffective practices are less entrenched), and where improved donor practices do not depend on progress in country policies and systems. Taking this context into account, the findings from the 2006 baseline survey suggest some key achievements and bottlenecks of Paris Declaration implementation in DRC. These are summarised in Box 10.1.

OVERVIEW Box 10.1 Challenges and priority actions

DIMENSIONS	BASELINE	CHALLENGES	PRIORITY ACTIONS
Ownership	Low	Absence of an operational national development strategy.	Finalise and operationalise national development strategy.
Alignment	Moderate	Budget does not accurately capture many aid flows.	Donors to notify government of aid flows more comprehensively. Government to capture aid flows in budget. Set up a system for communicating aid statistics.
Harmonisation	Moderate	Absence of programme-based approaches.	Establish a common framework for programming and budgeting. Reinforce joint country analysis. Promote joint missions.
Managing for results	Low	Lack of common system for monitoring results.	Strengthen local capacity so that DRC can establish results-based management. Set up system for monitoring and evaluating progress. Prepare a Medium-Term Expenditure Framework.
Mutual accountability	Low	Absence of mechanisms for joint evaluation of aid effectiveness.	Revive the Committee for the Co-ordination of External Resources.

OWNERSHIP

THE CURRENT PEACE IN DRC is tenuous and the capacity of state remains fragile. This places unusual handicaps on the country's ability to exercise effective leadership of its development policies. This applies particularly to all those public policies that go beyond the management of central macro-economic variables and call for the presence of provincial governmental authorities on the ground within the regions. The government is, as a consequence, in an unusually weak position to take a lead in co-ordinating aid to the country. The commitment of donors to respecting country leadership and helping to strengthen the capacity to exercise it needs to be understood, therefore, as a commitment to nurture at any cost the first shoots of what will likely remain a delicate plant.

In this context, Paris Declaration Indicator 1 – whether the country has an operational development strategy and how well-developed this is according to the World Bank's Comprehensive Development Framework – provides one entry point for assessing the general position on "ownership". Other dimensions are also covered by the Aid Effectiveness Review (AER), which therefore provides a broader (if still incomplete) overview of what has been done and remains to be done to establish country ownership of the development agenda in DRC.

OPERATIONAL DEVELOPMENT STRATEGY

INDICATOR 1

Along with 91% of the countries covered by the Comprehensive Development Framework, DRC does not have an operational development strategy – that is, a coherent long-term vision and a medium-term strategy derived from it; specific targets serving a holistic, balanced and well-sequenced development strategy; and capacity and resources for its implementation. In fact, DRC finds itself in category D of a descending A-E scale. This describes the position in 2005. However, the government has been taking steps to provide some of the necessary building blocks, including a medium-term strategy in the form of a full Poverty Reduction Strategy Paper (PRSP).

A Growth and Poverty Reduction Strategy Paper (*Document de stratégie de croissance et de réduction de la pauvreté*, or DSCRP) embedding a long-term vision was due to be finalised in July 2006. This builds on a short-term programme for transition and recovery (*Programme minimum de partenariat pour la transition et la relance*, or PMPTR) prepared with assistance from the World Bank and UNDP, then adopted by a Consultative Group meeting in 2004. It also draws on strategies that have been developed by sector working groups for health, education and rural development, and on provincial medium-term strategies formulated on the basis of participatory consultations in the provinces.

In setting targets, the DRC's strategy does not work directly from the Millennium Development Goals (MDGs), which the government considers to be very ambitious objectives for the medium term. Instead, it focuses principally on the restoration of macro-economic stability, maintaining peace, fighting corruption and improving public service delivery benefiting the poor. In this sense, it represents a continuation of the PMPTR, which placed a strong emphasis on consolidating political reconciliation and creating conditions for a sustainable economic recovery. UNDP's offer to assist the government to undertake a MDG-based needs assessment may lead to some moderation of this stance. However, the DRC government is committed to using the DSCRP to attain the Millennium Development Goals by 2030.

Providing resources for the implementation of the DSCRP is proving to be a major challenge, given the high priority still given to military and security expenditures. Links from the strategy to the national budget are in the form of targets for pro-poor public expenditure in relation to gross domestic product; these targets have yet to be met. The Aid Effectiveness Review suggests that the Medium-Term Expenditure Framework (MTEF) and associated budget reforms will bring increased pro-poor allocations and outturns, if and only if there is political support for an overall reallocation of resources.

Outside the Ministries of Planning, Finance and Budget and the central bank, there is a need for strengthening policy-making and programme-implementation capacity across government. The sector working groups that have been formulating strategies are essentially made up of donors and beneficiaries. As elsewhere in the region, but to a more marked degree, capacity constraints are due to weak performance incentives as well as shortage of technical skills, recognised by the government. These factors are compounded by an extremely weak infrastructure that hinders implementation and poses security problems.

OTHER ASPECTS OF OWNERSHIP

The preparation of the DSCRP and the arrangements for its implementation and monitoring are assigned to an inter-ministerial committee, a technical committee and a technical unit within the Ministry of Planning. However, as elsewhere, the formal arrangements do not provide direct evidence of the degree to which the strategy reflects the true priorities of political leadership of the country, or whether inter-ministerial co-ordination is effective. There are similar difficulties in gauging the degree of high-level political interest in co-ordinating aid to the country. The Aid Effectiveness Review describes how the government is working to overcome its limited experience and capacity to lead the co-ordination of development assistance. The government co-chairs Consultative Group meetings and adopts a leadership role. On the other hand, the Committee for the Co-ordination of External Resources in the Ministry of Planning is not operational, and government staff are hampered by lack of knowledge of donor procedures. Sectoral and thematic working groups are generally chaired by external partners, with the government sometimes invited to participate.

ALIGNMENT

DRC AND ITS DONORS have a considerable way to go before the alignment of aid to country policies and systems will reach the standards found in a number of the country's neighbours. The immediate obstacles to be overcome include the weaknesses in policy ownership noted above and corresponding weaknesses in country systems, discussed below. However, in a number of areas, there seems to be scope for donors to respond constructively to imperfections in country systems along the lines of the Paris Declaration's section on effective aid in fragile states.

BUILDING RELIABLE COUNTRY SYSTEMS

INDICATOR 2a

DRC's systems for public financial management (PFM) are currently undergoing an ambitious set of technical and administrative reforms, following years of neglect. The reforms include a revision of expenditure classifications in line with international standards, computerisation of information exchange between the Treasury and central bank, and efforts to reintroduce timely and accurate reporting on budget execution. The national audit authority (*Cour des Comptes*) has been reinforced, and in 2004 its reports resulted in some action against ministers and heads of companies on grounds of mismanagement of public assets. A new code on procurement is due to be formulated along with its principal application decrees by the end of 2006. The World Bank's Country Policy and Institutional Assessment scale measuring the quality of budgetary and financial management places DRC at 2.5 on a scale of 1-6, well below the average of 3.2 for all International Development Association (IDA) borrowers.

INDICATOR 2b

Even without the more ambitious PFM reforms being considered (MTEFs, programme budgeting), this represents a challenging programme of work. Progress will be watched closely, while recognising that equivalent technical and administrative improvements do not have a strong record of success in low-income countries unless there is a substantial and consistent drive, with high-level political backing, to improve the substance of PFM – that is to ensure that money is increasingly spent on meeting public objectives, and subject to decreasing degrees of private appropriation or "leakage". At present, DRC receives a score of 2.1 out of 10 in Transparency International's Corruption Perception Index, indicating that corruption is perceived to be widespread.

ALIGNING AID FLOWS ON NATIONAL PRIORITIES

Very little aid to DRC may be said to be aligned with partner strategies. The government recognises that this is partly due to the fact that national priorities are not yet very clearly defined and that key government bodies are not operational. This may change now that a national PRSP has been finalised. Most of the larger donors maintain that their assistance strategies are in line with the I-PRSP, PMPTR and/or DSCRP, and there is an initiative led by the World Bank and the UN to undertake joint country assistance programming in line with the DSCRP.

However, achieving broad consistency between country assistance strategies and a national strategy document is recognised to be only a first step. Seen from the government side, it remains

INDICATOR 3
Table 10.1

Are government budget estimates comprehensive and realistic?

	Government's budget estimates of aid flows for FY05 (USD m) a	Aid disbursed by donors for government sector in FY05 (USD m) b	Baseline ratio* (%) c=a/b	c=b/a
African Dev. Bank	57	23		41%
Belgium	12	24	51%	
Canada	9	7		80%
European Commission	162	74		46%
France	19	14		76%
GAVI Alliance	0	8	0%	
Germany	8	34	25%	
Global Fund	--	0		
IMF	0	--		
Italy	1	6	10%	
Japan	0	22	0%	
Sweden	0	12	0%	
United Kingdom	9	1		10%
United Nations	0	6	0%	
United States	0	0		
World Bank	529	420		79%
Total	**804**	**651**	**81%**	

* Baseline ratio is c = a / b except where government's budget estimates are greater than disbursements (c = b /a).

the case that national stakeholders are insufficiently involved in the identification, commissioning and implementation of aid-funded projects; information is provided by donors in a form that is not compatible with DRC budget classifications; and project implementation units are not only parallel to government systems but do not communicate information easily.

The table provides government's budget estimates of aid flows for fiscal year 2005 (numerator) as a percentage of aid disbursed by donors for the government sector for the same period (denominator). This ratio tells us the degree to which there is a discrepancy between budget estimates and actual disbursements. The discrepancy can be in two directions: indeed budget estimates can be either higher or lower than disbursements. In order to have a single measure of discrepancy that is always less than 100%, the ratio is flipped when budget estimates are higher than disbursements.

The measure of alignment used by the baseline survey is the proportion of aid to the government sector that is reported in the national budget (Indicator 3). The targeted minimum of 90% for this indicator calls for a high level of budget realism on the part of the country authorities and a high degree of willingness and ability of donors to provide information in a timely fashion and in a suitable form. The number generated by the survey for this indicator is 81%. However, this is very likely the combined result of a relatively high level of over-estimation of likely disbursements on the part of the government and a failure by some donors to report their planned disbursements on time in a suitable form. Both problems need to be addressed.

In general, the gap may be due to: differences in exchange rates, as Special Drawing Rights are calculated in U.S. dollars; the fact that many countries have not integrated special funds for elections; the fact that donors may not have adequately defined the specific scope of the government sector; and that donors often have different fiscal year calendars (the African Development Bank is an example here).

CO-ORDINATING SUPPORT TO STRENGTHEN CAPACITY

The survey findings suggest that as little as 11% of support to capacity development is provided by means of co-ordinated programmes. There is just one co-ordinated general programme under the *Secrétariat national pour le renforcement des capacités* (supported by UNDP, the African Development Bank and the African Capacity Building Foundation), designed to strengthen the co-ordination of donor capacity-development initiatives. Apart from joint support to specific activities around the poverty reduction strategy, fragmented capacity development is the norm. Government and donors will need to make a substantial and concerted effort if DRC is to achieve the target for Indicator 4 of 50% of co-ordinated technical co-operation by 2010.

INDICATOR 4
Table 10.2

How much technical assistance is co-ordinated with country programmes?

	Co-ordinated technical co-operation (USD m) a	Total technical co-operation (USD m) b	Baseline ratio (%) c=a/b
African Dev. Bank	2	2	82%
Belgium	0	24	0%
Canada	0	14	0%
European Commission	0	18	2%
France	3	3	100%
GAVI Alliance	0	0	--
Germany	0	7	0%
Global Fund	0	0	--
IMF	0	1	0%
Italy	0	4	11%
Japan	0	19	0%
Sweden	0	5	0%
United Kingdom	3	5	53%
United Nations	4	6	61%
United States	0	0	--
World Bank	0	0	--
Total	**12**	**109**	**11%**

INDICATOR 5
Table 10.3

How much aid for the government sectors uses country systems?

	Aid disbursed by donors for government sector (USD m) a	Public financial management: Budget execution (USD m) b	Public financial management: Financial reporting (USD m) c	Public financial management: Auditing (USD m) d	Public financial management: Baseline ratio (%) avg (b,c,d) / a	Procurement: Procurement systems (USD m) e	Procurement: Baseline ratio (%) e /a
African Dev. Bank	23	21	21	21	90%	21	90%
Belgium	24	0	0	0	0%	0	0%
Canada	7	0	0	0	0%	0	0%
European Commission	74	0	0	0	0%	0	0%
France	14	0	0	0	0%	0	0%
GAVI Alliance	8	0	0	8	33%	0	0%
Germany	34	0	0	0	0%	0	0%
Global Fund	0	--	--	--	--	--	--
IMF	--	0	0	0	--	0	--
Italy	6	0	0	0	0%	0	0%
Japan	22	1	1	1	5%	1	5%
Sweden	12	0	0	0	0%	0	0%
United Kingdom	1	0	0	0	0%	0	0%
United Nations	6	0	0	0	0%	0	0%
United States	0	0	0	0	--	0	--
World Bank	420	178	0	0	14%	178	42%
Total	**651**	**200**	**22**	**30**	**13%**	**200**	**31%**

USING COUNTRY SYSTEMS

Indicator 5a is a measure of the use of three components of country public financial management systems by donors. The average utilisation across the three components is 13%.

There are initiatives in the social sectors that may result in greater use of country systems in due course. However, there are major obstacles to be overcome on both sides of the aid relationship. Improvements in budget execution are occurring slowly, providing some justification for the frequent use by donors of parallel executing agencies with special bank accounts and the ability to disburse directly to beneficiaries. At best, and in fact only for a few of the larger executing agencies, project aid data are incorporated as an afterthought in the country's financial reports. Although the national audit system is being strengthened, for the time being this mainly affects the use of domestic resources. External resources are audited by the donors themselves.

The African Development Bank and some other donors report that they use the country procurement systems to some degree. In aggregate, this involves 31% of aid to the government sector according to the survey returns. As noted above, procurement reforms are under way. However, at this point the government sees itself as very little involved in procurement decisions.

AVOIDING PARALLEL IMPLEMENTATION STRUCTURES

The baseline survey provides a list of 36 parallel project implementation units (PIUs), apparently several times the number of which the government is fully aware. All partners recognise that the use of parallel structures is a response to shortcomings in capacity and methods of working, in ministries and departments. For this reason, a substantial reduction in the number of dedicated PIUs may not be possible in the short term. On the other hand, steps are being taken by some donors to reduce the number of such units that are parallel in the sense of being entirely outside

the institutional structures of the country, with appointment decisions and accounting relationships to the donor alone. The location of a small unit within the Ministry of Planning to manage the Emergency Economic and Social Reunification Support Project, financed by the World Bank, is an example.

Steps by other donors to phase out parallel units and phase in such embedded units ought to result in a progressive reduction in the current total of parallel PIUs over the coming years. A small unit of four consultants (two international) has been set up in the Ministry of Planning to oversee the Multi-sectoral Institutional Support Project, funded by the African Development Bank. This is an excellent example of improving relations between the unit and the ministry or agency, especially concerning human relations and training.

However, it is recognised that there are substantial obstacles to fully embedding such structures within a poorly paid and under-motivated civil service, including the material and non-material advantages enjoyed by PIU employees.

PROVIDING MORE PREDICTABLE AID

Improving the predictability of support is a challenge, and so is the measurement of performance in this regard. Indicator 7 focuses on the government's ability to record disbursements in its accounting system for the appropriate year (see table).

These differences come from a lack of: a coherent national development strategy for funders; attention to national priorities; involvement of the national party in the identification and implementation of projects; co-ordinated donor action (the Committee for the Co-ordination of External Resources was not operationalised and the national party is unfamiliar with donor procedures); donor information compatible with DRC budget language (making it difficult to distinguish public-sector aid from total aid); and information flow from PIUs (making it difficult to adapt information for budget purposes). These are compounded by the gap between information provided by donors and that included in the budget, as discussed earlier.

INDICATOR 6
Table 10.4

How many PIUs are parallel to country structures?

	Parallel PIUs (units)
African Dev. Bank	0
Belgium	11
Canada	8
European Commission	5
France	0
GAVI Alliance	0
Germany	0
Global Fund	1
IMF	0
Italy	0
Japan	0
Sweden	0
United Kingdom	0
United Nations	0
United States	0
World Bank	9
Total	**34**

The table looks at predictability from two different angles. The first angle is donors' and government's combined ability to disburse aid on schedule. In Congo, donors scheduled USD 622 million for disbursement in 2005 and actually disbursed – according to their own records – slightly more than expected (USD 651 million). The discrepancy varies considerably among donors and is mainly due to late disbursements carried over to 2005 and to delays in implementing programmes. The second angle is donors' and government's ability to record comprehensively disbursements made by donors for the government sector. In Congo, government systems recorded USD 516 million out of the USD 651 million notified as disbursed by donors (79%), indicating that a significant proportion of disbursements were not captured, either because they were not appropriately notified by donors or because they were inaccurately recorded by government.

INDICATOR 7
Table 10.5

Are disbursements on schedule and recorded by government?

	Disbursements recorded by government in FY05 (USD m) a	Aid scheduled by donors for disbursement in FY05 (USD m) b	Aid actually disbursed by donors in FY05 (USD m) FOR REFERENCE ONLY	Baseline ratio* (%) c=a/b	c=b/a
African Dev. Bank	31	30	23		95%
Belgium	12	30	24	40%	
Canada	9	7	7		80%
European Commission	108	0	74		0%
France	5	13	14	36%	
GAVI Alliance	0	9	8	0%	
Germany	8	4	34		51%
Global Fund	--	--	0		
IMF	0	0	--		
Italy	1	0	6		0%
Japan	0	22	22	0%	
Sweden	0	0	12		
United Kingdom	10	1	1		9%
United Nations	0	7	6	0%	
United States	0	0	0		
World Bank	333	500	420	67%	
Total	**516**	**622**	**651**	**83%**	

* Baseline ratio is c = a / b except where disbursements recorded by government are greater than aid scheduled for disbursement (c = b /a).

Indicator 7 on predictability has been designed to encourage progress against both of these angles so as to gradually close the predictability gap by half by 2010. In other words, it seeks to improve not only the predictability of actual disbursements but also the accuracy of how they are recorded in government systems – an important feature of ownership, accountability and transparency. In Congo, this combined predictability gap amounts to USD 106 million (17% of aid scheduled for disbursement). Closing this predictability gap will require donors and government to work increasingly together on various fronts at the same time. They might work at improving:

- the realism of predictions on volume and timing of expected disbursements;
- the way donors notify their disbursements to government;
- the comprehensiveness of government's records of disbursements made by donors.

The Aid Effectiveness Review reports that budget support donors (providing around 13% of the budget) are making efforts to align decisions with the annual budget cycle, and thereby enhance predictability. This is welcome, but it will not rectify the forms of unpredictability that arise from conditionality that has not been met.

UNTYING AID

INDICATOR 8

According to OECD data for 2004 commitments, 90% of aid to DRC is untied, with less than 1% reported as tied, and 9% unreported. This is a relatively encouraging proportion, especially in view of the Aid Effectiveness Review's assessment that untied aid to DRC is "not substantial". The future challenge will be to at least maintain this level of untying.

HARMONISATION

IN A NUMBER OF RESPECTS, the DRC picture is one of significant and possibly growing harmonisation despite very limited alignment, reflecting in part the weakness of government ownership of a development agenda. This applies, at least, to the use of programme-based approaches (PBAs) and sharing of missions and analytical work. To the extent it is accurate, it should provide a platform for actions to reduce aid fragmentation though specialisation and delegation, and to improve internal incentives to collaborative behaviour, both important Paris Declaration commitments not directly covered by the survey.

USING COMMON ARRANGEMENTS

With as much as 54% of the reported aid using programme-based approaches and a substantial proportion of this consisting of direct budget support, the use of common procedures among donors is comparatively advanced. As already noted, joint sector working groups have made significant headway. Neither the procedures nor the working groups benefit from significant inputs from the government, however.

INDICATOR 9
Table 10.6

How much aid is programme based?

	Budget support (USD m) a	Other PBAs (USD m) b	Total (USD m) c=a+b	Total disbursed (USD m) d	Baseline ratio (%) e=c/d
African Dev. Bank	21	2	23	23	100%
Belgium	0	0	0	26	0%
Canada	0	0	0	14	0%
European Commission	0	0	0	104	0%
France	6	6	13	16	78%
GAVI Alliance	0	4	4	8	51%
Germany	0	10	10	42	24%
Global Fund	--	--	--	38	--
IMF	0	0	0	0	--
Italy	0	0	0	7	0%
Japan	0	0	0	22	0%
Sweden	0	0	0	12	0%
United Kingdom	0	25	25	75	34%
United Nations	0	5	5	15	32%
United States	0	3	3	112	2%
World Bank	178	242	420	420	100%
Total	**206**	**297**	**503**	**934**	**54%**

INDICATOR 10a
Table 10.7

How many donor missions are co-ordinated?

	Co-ordinated donor missions (missions) a	Total donor missions (missions) b	Baseline ratio (%) c=a/b
African Dev. Bank	2	7	29%
Belgium	0	7	0%
Canada	0	13	0%
European Commission	75	88	85%
France	0	0	--
GAVI Alliance	0	0	--
Germany	1	1	100%
Global Fund	0	2	0%
IMF	0	14	0%
Italy	1	1	100%
Japan	0	1	0%
Sweden	0	0	--
United Kingdom	3	10	30%
United Nations	1	3	33%
United States	0	6	0%
World Bank	40	55	73%
Total (discounted*)	**80**	**208**	**38%**

* The total of co-ordinated missions has been adjusted to avoid double counting. A discount factor of 35% has been applied.

INDICATOR 10b
Table 10.8

How much country analysis is co-ordinated?

	Co-ordinated donor analytical work (units) a	Total donor analytical work (units) b	Baseline ratio (%) c=a/b
African Dev. Bank	1	2	50%
Belgium	1	7	14%
Canada	0	6	0%
European Commission	40	100	40%
France	15	15	100%
GAVI Alliance	0	0	--
Germany	1	1	100%
Global Fund	0	0	--
IMF	0	4	0%
Italy	0	0	--
Japan	0	0	--
Sweden	0	0	--
United Kingdom	2	2	100%
United Nations	2	3	67%
United States	0	1	0%
World Bank	8	8	100%
Total (discounted*)	**53**	**149**	**35%**

* The total of co-ordinated analysis has been adjusted to avoid double counting. A discount factor of 25% has been applied.

CONDUCTING JOINT MISSIONS AND SHARING ANALYSIS

The AER reports that some missions are being conducted jointly, but estimates that the decentralisation of donor offices to the country is not yet helping noticeably to reduce the number of missions. The World Bank and European Commission report especially high proportions.

The position is similar with respect to joint analytical work. The indicator of 35% is encouraging, although the government notes that this implies that a majority of donors appear to insist on working alone.

MANAGING FOR RESULTS

INDICATOR 11

THE PARIS DECLARATION calls for partner countries and donors to work together to manage resources on the basis of desired results and use information to improve decision making. This means both strengthening the capacity to undertake such management and helping to increase the demand for a focus on results. Indicator 11 focuses on one component of this effort: the establishment of cost-effective results-oriented reporting and assessment systems by the country.

DRC is not among the very few countries judged to have a largely developed results monitoring system according to the Comprehensive Development Framework. In fact, it falls in category D of this assessment along with the 54% of the sample that have only the most basic elements of such a system.

This reflects in particular the inadequacy of the survey data for measuring poverty impacts and related outcomes. This is now beginning to be addressed, with household surveys taking place since 2004 in those parts of the country accessible to the National Statistical Institute, a first Poverty Assessment drafted in 2005 and a census now under way with South African support. The Aid Effectiveness Review focuses on surveys and censuses, although the DSCRP includes a select list of intermediate progress indicators. It has to be assumed that administrative reporting of intermediate measures of policy implementation is in a poor state, paralleling the recognised weakness of reporting on budget execution.

Stakeholder access to and interest in the available data may influence to some degree the demand for results. The PRSP preparation process has been publicised with poster and media campaigns, and the press are becoming more interested in the budget, as reporting on execution is in the early stages. Since 2005, the government has been making efforts to disseminate information on health sector budget allocation information to the provinces to improve local knowledge about available resources.

In these and other respects, few elements of a co-ordinated country monitoring and evaluation system are in place. Judging by the rate of progress elsewhere within the region, stakeholders should prepare for a long, slow process of building up simultaneously local demand and capacity to deliver and analyse relevant data. Cost-effective measures and quick wins in a results-oriented spirit will need to be prioritised over sophisticated practices at least in the medium term.

MUTUAL ACCOUNTABILITY

INDICATOR 12

THE PARIS DECLARATION invites donors and partner countries to be accountable to each other for the use of development resources, and in a way that tends to strengthen public support for national policies and development assistance. This in turn requires governments to take steps to improve country accountability systems and donors to help by being transparent about their own contributions. The specific indicator looks at whether there is a country-level mechanism permitting joint assessment of progress in implementing agreed commitments on aid effectiveness, including those in the Declaration itself.

Such a mechanism does not yet exist in DRC. The survey report emphasises the limited degree to which project evaluations and reviews involve the government side, a different although obviously related issue. This may be about to change, however. The Ministry of Planning and a donor group (including the World Bank and UNDP) have opened discussions about the formulation of a Harmonisation and Alignment Action Plan. The workshop organised by the National Co-ordinator of the 2006 baseline survey has contributed to a process that should eventually lead to some form of joint monitoring, focused on a suitably localised version of the Paris Declaration commitments and targets.

BASELINES AND TARGETS

THE TABLE BELOW presents the 2005 baselines and the targets for DRC. The baseline values are taken from the discussion above, which draws on various sources of information. The main source is the baseline survey undertaken in DRC under the aegis of the National Co-ordinator (Benjamin Bonge Gibende).

Table 10.9 Baselines and targets

INDICATORS		2005 BASELINE	2010 TARGET
1	Ownership – Operational PRS	D	B or A
2a	Quality of PFM systems	2.5	3.0
2b	Quality procurement systems	Not available	Not applicable
3	Aid reported on budget	81%	90%
4	Co-ordinated capacity development	11%	50%
5a	Use of country PFM systems (aid flows)	13%	No target
5b	Use of country procurement systems (aid flows)	31%	Not applicable
6	Parallel PIUs	34	11
7	In-year predictability	83%	91%
8	Untied aid	90%	More than 90%
9	Use of programme-based approaches	54%	66%
10a	Co-ordinated missions	38%	40%
10b	Co-ordinated country analytic work	35%	66%
11	Sound performance assessment framework	D	B or A
12	Reviews of mutual accountability	No	Yes

ACRONYMS

AER Aid Effectiveness Review
DRC Democratic Republic of Congo
DSCRP *Document de stratégie de croissance et de réduction de la pauvreté* (Growth and Poverty Reduction Strategy Paper)
GNI gross national income
IDA International Development Association
MDG Millennium Development Goal
MTEF Medium-Term Expenditure Framework
PBA programme-based approach
PFM public financial management
PIU project implementation unit
PMPTR *Programme minimum de partenariat pour la transition et la relance* (short-term programme for transition and recovery)
PRSP Poverty Reduction Strategy Paper

11 DOMINICAN REPUBLIC

WITH A POPULATION OF AROUND 9 MILLION, the Dominican Republic has the gross national income (GNI) per capita of a middle-income country (USD 2 080 in 2004). National income is quite unequally distributed, however, and social conditions remain uneven. The Dominican Republic has endorsed the Paris Declaration and is concerned that its middle-income status should not lead the international community to underestimate its need for well-aligned assistance to its poverty reduction efforts. Although aid harmonisation and alignment have not been prominent issues in the country until lately, the dialogue on the Paris Declaration commitments is now high on the agenda. The country is not dependent on aid: net official development assistance (ODA) in 2004 was USD 87 million, which represented only 0.5% of GNI. A total of eight donors responded to the 2006 baseline survey, representing at least 84% of official aid flows to the Dominican Republic.

OVERVIEW Box 11.1 Challenges and priority actions

DIMENSIONS	BASELINE	CHALLENGES	PRIORITY ACTIONS
Ownership	Moderate	General guidelines on public and externally financed investment projects exist, but the Poverty Reduction Strategy needs to be updated.	Complete the updating of the Poverty Reduction Strategy.
Alignment	Low	The budget both over-reports and under-reports aid flows. Very low utilisation of government systems by donors.	Craft a joint government-donor effort to improve the capture of aid information in the budget. Address country- and donor-side obstacles to greater utilisation
Harmonisation	Low	Programme-based approaches, particularly those calling for common procedures, are rare.	Set an appropriate target for improvement.
Managing for results	Moderate	Improvements to project implementation are needed.	Adopt a more explicit aid management policy.
Mutual accountability	Low	No mechanism currently exists.	Build on the recent initiatives to increase government oversight of aid.

OWNERSHIP

OWNERSHIP IS A CENTRAL CONCEPT in the Paris Declaration, considered critical to achieving development results in circumstances of low as well as high aid dependency. Ownership has been defined as a country's ability to exercise effective leadership over its development policies and strategies. In these terms, ownership has several dimensions and cannot be measured by a single indicator. For donors, it implies a commitment to supporting countries' leadership, policies, institutions and systems. This is commonly referred to as "alignment" (see below). Donors are in a better position to do this when governments set out clear priorities and operational strategies – the main focus of Indicator 1 of the Paris Declaration.

For countries eligible for assistance from the International Development Association (IDA), the baseline data for Indicator 1 are being drawn from the World Bank's Comprehensive Development Framework Progress Report. This provides an assessment and numerical score covering the degree to which a country has a well-articulated medium-term development plan, with priorities and targets, and the extent to which this governs the allocation of resources through the national budget and a medium-term expenditure framework. An equivalent assessment is not available for the Dominican Republic.

However, the government has a number of relevant policies and policy guidelines. These include the *Lineamientos Generales para una Estrategia de Desarrollo y el Financiamiento Internacional*, prepared by the Technical Secretariat of the Presidency. This document sets out priority areas for international co-operation and provides guidance on negotiation, management and monitoring of externally financed operations. To guide the national budget, the National Planning Office is responsible for a *Plan Nacional Plurianual de Inversión Pública* that prioritises among investment projects, and within the budget there are protected lines for priority social programmes. An existing national Poverty Reduction Strategy is currently being overhauled in order to provide fuller guidance to social investments and targeted interventions. Meanwhile, the government is focusing on co-ordination of international co-operation and linking it with sectoral authorities by means of a series of sectoral *mesas* (working groups).

ALIGNMENT

THE PARIS DECLARATION commits country governments and donors jointly to an effort to align assistance with country policy objectives and deliver aid as much as possible through country institutions and systems. Both donors and country authorities are urged to tackle any weaknesses in country systems that are viewed as obstacles to the use of country systems.

BUILDING RELIABLE COUNTRY SYSTEMS

For IDA-eligible countries, the baseline survey includes an assessment of the country's public financial management systems that draws on the quantified ratings included in the World Bank's Country Policy and Institutional Assessment (CPIA). The ratings measure the extent to which a country has:

- a comprehensive and credible budget linked to policy priorities;
- effective management of budget expenditure and budget revenues;
- timely and accurate fiscal reporting; and
- clear and balanced assignment of expenditures and revenues.

The survey return indicates that the Dominican Republic has launched institutional reforms designed to strengthen public financial management (PFM). The government has reassigned responsibilities for budget preparation, and introduced a technical instrument, the *Sistema Integrado de Gestión Financiera.* These measures are expected to give the country a budgetary planning and control system with sufficient transparency, effectiveness and flexibility to enable it to meet the challenges of a constantly changing environment for development.

The Paris Declaration calls for donors to substantially increase their use of country financial management systems, where these are at least moderately strong. It expects countries to improve their CPIA rating by at least half a point on a scale running from 1 to 6 by the target year of 2010. An equivalent rate of improvement over the current level might reasonably be expected of the Dominican Republic.

INDICATOR 3
Table 11.1

Are government budget estimates comprehensive and realistic?

	Government's budget estimates of aid flows for FY05 (USD m) a	Aid disbursed by donors for government sector in FY05 (USD m) b	Baseline ratio* (%) c=a/b	c=b/a
European Commission	42	34		82%
France	0	1	0%	
IDB	0	1	5%	
Japan	2	10	23%	
Spain	2	4	45%	
United Nations	0	1	26%	
United States	10	0		0%
World Bank	1	40	1%	
Total	**57**	**92**	**62%**	

* Baseline ratio is c = a / b except where government's budget estimates are greater than disbursements (c = b /a).

A similar approach is being taken to national procurement systems. However, assessments of countries' baseline position with respect to the quality of procurement legislation, institutions and practices are not yet available even for the IDA countries.

ALIGNING AID FLOWS ON NATIONAL PRIORITIES

While use of country systems is easy to measure (see below), the alignment of aid flows with national policy priorities is difficult to assess in an objective way. Indicator 3 of the Paris Declaration attempts to remedy this problem. It aims to provide a quantitative baseline for overall aid alignment by examining specifically the degree to which donor financial commitments are reflected fully and accurately in the national budget. The general target for this indicator set by the Paris Declaration (85%) depends upon accomplishments by governments and donors: a high level of budget realism on the part of the country authorities, and a high degree of willingness and ability of donors to provide information in a timely fashion and in a suitable form.

The table provides government's budget estimates of aid flows for fiscal year 2005 (numerator) as a percentage of aid disbursed by donors for the government sector for the same period (denominator). This ratio tells us the degree to which there is a discrepancy between budget estimates and actual disbursements. The discrepancy can be in two directions: indeed budget estimates can be either higher or lower than disbursements. In order to have a single measure of discrepancy that is always less than 100%, the ratio is flipped when budget estimates are higher than disbursements.

The baseline figure for the Dominican Republic from the survey is 62%. However, this reflects some sizeable discrepancies in both directions between the aid reported by donors as disbursed to the government sector and that recorded in the budget. It seems clear that the realism of the budget in respect of donor funding will be in need of serious attention during the coming years.

INDICATOR 4
Table 11.2

How much technical assistance is co-ordinated with country programmes?

	Co-ordinated technical co-operation (USD m) a	Total technical co-operation (USD m) b	Baseline ratio (%) c=a/b
European Commission	0	29	0%
France	0	0	0%
IDB	8	34	25%
Japan	0	10	0%
Spain	0	4	0%
United Nations	0	0	96%
United States	23	23	100%
World Bank	8	8	100%
Total	**40**	**108**	**37%**

CO-ORDINATING SUPPORT TO STRENGTHEN CAPACITY

The Paris Declaration invites countries to aspire to greater co-ordination of external assistance to capacity development under government leadership. The government of the Dominican Republic has identified the weakness of state institutional capacity as one of the principal obstacles to the development of the country. In many low-income countries, capacity deficits are a major obstacle to country ownership of the development agenda, and poorly delivered technical assistance is considered a major dimension of aid misalignment. In the Dominican Republic, capacity limitations affecting the conduct of government arise fundamentally from the absence of a professionalised permanent public administration, the ensuing frequent rotation of public officials, and the difficulties thereby created by the accumulation of the strains on institutional capacities. Although this is a problem that concerns donors, it is not to any significant degree the result of ill-coordinated aid, nor likely to improve through better co-ordination of external support. In these respects, Indicator 4 has a different significance than in most survey countries.

The government has pinpointed a number of areas where it needs enhanced technical capacities to improve the country's competitiveness and potential for economic growth in the context of the upcoming free trade agreement with the United States. Efforts to include capacity development components in donor-financed programmes should be fostered by the new partnership between the *Subsecretaría para la Cooperación Internacional* and the National Planning Office. The numbers in Table 11.2 reflect the results of these efforts. They include all technical co-operation and capacity development components of externally financed projects and programmes that contribute to national development strategies, according to the government. This reflects quite an inclusive understanding of "co-ordinated capacity development". The Paris Declaration commits donors to supporting a comprehensive effort to tackle the main sources of capacity weakness in the public sector under government leadership. Participants in discussions on international co-operation in the Dominican Republic will need to determine whether the current focus on filling specific gaps in technical capacity is a sufficiently ambitious tack, in view of the general underlying factors affecting public-sector capacity in the country.

INDICATOR 5
Table 11.3

How much aid for the government sectors uses country systems?

	Aid disbursed by donors for government sector (USD m) a	Public financial management				Procurement	
		Budget execution (USD m) b	Financial reporting (USD m) c	Auditing (USD m) d	Baseline ratio (%) avg (b,c,d) / a	Procurement systems (USD m) e	Baseline ratio (%) e /a
European Commission	34	0	0	0	0%	0	0%
France	1	0	0	0	0%	1	89%
IDB	1	0	0	0	0%	0	0%
Japan	10	0	0	0	0%	0	0%
Spain	4	0	0	3	29%	3	88%
United Nations	1	3	0	0	83%	0	0%
United States	0	0	0	0	--	0	--
World Bank	40	0	0	0	0%	0	0%
Total	**92**	**3**	**0**	**4**	**2%**	**5**	**5%**

USING COUNTRY SYSTEMS

Indicator 5a is a measure of the use of three components of country public financial management systems by donors. The average utilisation across the three components is 2%. In view of the lack of a published CPIA score for budgetary and public financial management, there is no formal target for increased use of country public financial management systems by donors. Nonetheless, the number of external agencies making any use of these systems is extremely low by international standards. This would seem to deserve serious joint attention from the government and donors.

According to the survey results, 5% of the aid from reporting donors made use of the country's procurement system. The pattern has been for each donor to use its own procurement procedures, and for the country to adapt to these. This may now change. A new *Ley de Compra y Contrataciones* has been drafted by the State Secretariat for Finance, and once this has been approved, the government will be seeking the agreement of donors to work within the framework it provides. The targets for use of country procurement systems depend on an authoritative assessment of the quality of the country system, which is not currently available.

INDICATOR 6
Table 11.4

How many PIUs are parallel to country structures?

	Parallel PIUs (units)
European Commission	9
France	0
IDB	29
Japan	0
Spain	1
United Nations	3
United States	5
World Bank	3
Total	**50**

AVOIDING PARALLEL IMPLEMENTATION STRUCTURES

The Paris Declaration calls for a substantial reduction in the number of project implementation units (PIUs) that are parallel in the sense that appointment decisions and accounting relationships involve the donor alone. In the Dominican Republic, it has been the norm for donors, especially multilaterals, to organise PIUs that follow their own procedures. The survey results confirm this. It is recognised that the creation of parallel units is partly a response to weaknesses in the government's capacity to manage and execute projects. However, government policy is to discourage the setting up of PIUs outside the executing authority. In fact, government departments have been instructed to establish their own PIUs in cases where special units are required.

The Paris Declaration target is to reduce the stock of parallel PIUs by two-thirds, meaning a 2010 number of just 17 in the Dominican Republic.

INDICATOR 7
Table 11.5

Are disbursements on schedule and recorded by government?

	Disbursements recorded by government in FY05 (USD m) a	Aid scheduled by donors for disbursement in FY05 (USD m) b	Aid actually disbursed by donors in FY05 (USD m) FOR REFERENCE ONLY	Baseline ratio* (%) c=a/b	c=b/a
European Commission	4	38	34	11%	
France	0	2	1	0%	
IDB	1	1	1		96%
Japan	1	10	10	15%	
Spain	6	3	4		55%
United Nations	0	8	1	0%	
United States	0	0	0		0%
World Bank	1	65	40	1%	
Total	**14**	**127**	**92**	**11%**	

* Baseline ratio is c = a / b except where disbursements recorded by government are greater than aid scheduled for disbursement (c = b /a).

PROVIDING MORE PREDICTABLE AID

It is a major challenge to improve the predictability of support and measure performance in this regard. In the case of the Dominican Republic, tackling this challenge is encumbered by particular issues.

The table looks at predictability from two different angles. The first angle is donors' and government's combined ability to disburse aid on schedule. In the Dominican Republic, donors scheduled USD 127 million for disbursement in 2005 and actually disbursed – according to their own records – significantly less than expected (USD 92 million). The discrepancy varies considerably among donors and is mainly due to late disbursements carried over to 2005 and to delays in implementing programmes. The second angle is donors' and government's ability to record comprehensively disbursements made by donors for the government sector. In the Dominican Republic, government systems recorded USD 14 million out of the USD 92 million notified as disbursed by donors (15%), indicating that a significant proportion of disbursements were not captured, either because they were not appropriately notified by donors or because they were inaccurately recorded by government.

Indicator 7 on predictability has been designed to encourage progress against both of these angles so as to gradually close the predictability gap by half by 2010. In other words, it seeks to improve not only the predictability of actual disbursements but also the accuracy of how they are recorded in government systems – an important feature of ownership, accountability and transparency. In the Dominican Republic, this combined predictability gap amounts to USD 119 million (93% of aid scheduled for disbursement). Closing this predictability gap will require donors and government to work increasingly together on various fronts at the same time. They might work at improving:

- the realism of predictions on volume and timing of expected disbursements;
- the way donors notify their disbursements to government; and
- the comprehensiveness of government's records of disbursements made by donors.

This may become easier as the proportion of budget support increases, as one of the reasons given for the current discrepancies is that disbursement of project funds is highly dependent on progress in implementation. On the other hand, the use of variable tranches based on performance is likely to remain a factor in the predictability of budget support. Finally, whatever the choice of aid modalities by donors, it is clear that a vigorous effort will be called for to carry out the measures discussed at recent Consultative Group meetings for improving the level of information capture by the government's systems.

UNTYING AID

INDICATOR 8

According to OECD data covering 46% of 2004 commitments, 28% of aid to the Dominican Republic is untied. The low proportion of reported untying combined with the low coverage of the data suggests that the tying of aid remains a major limitation on aid quality in the country. The Paris Declaration commits donors to making progress year by year on the proportion of their aid that is tied.

HARMONISATION

The discussion here confirms that much remains to be done to bring about a greater degree of alignment of aid with country policies and systems in the Dominican Republic. This does not appear to be considered a matter of very high priority either among donors or in government, although perhaps it is a growing concern. The same seems to be true of aid harmonisation – which refers to forms of co-ordination among donors that reduce the transaction costs for the country. This applies clearly to the use of common procedures, one of the three particular dimensions of harmonisation that are the focus of agreed Paris Declaration indicators.

USING COMMON ARRANGEMENTS

The proportion of government-sector aid using programme-based approaches (PBAs) is reported as 5%. However, this may well overestimate the percentage of donor flows meeting the definition of a PBA provided in the survey guidance, in which the use of common arrangements under recipient country leadership is a principal criterion. The survey return adopted a definition that included as programmes all those interventions based on the *Lineamientos Generales* document which sets out the government's strategic framework for international co-operation. The suggested Paris Declaration target of 66% of aid flows using PBAs by 2010 is based on the principle that donors should use common arrangements because of lower transaction costs to the recipient. Government and donors in the Dominican Republic may examine whether the transaction cost issue is a relevant and important one to monitor in the country.

INDICATOR 9
Table 11.6

How much aid is programme based?

	Budget support (USD m) a	Other PBAs (USD m) b	Total (USD m) c=a+b	Total disbursed (USD m) d	Baseline ratio (%) e=c/d
European Commission	0	0	0	36	0%
France	0	0	0	2	7%
IDB	0	0	0	1	0%
Japan	0	0	0	11	0%
Spain	0	3	3	40	9%
United Nations	--	--	--	--	--
United States	0	0	0	23	0%
World Bank	0	0	0	40	0%
Total	**4**	**4**	**8**	**156**	**5%**

INDICATOR 10a
Table 11.7

How many donor missions are co-ordinated?

	Co-ordinated donor missions (missions) a	Total donor missions (missions) b	Baseline ratio (%) c=a/b
European Commission	0	3	0%
France	0	0	--
IDB	2	47	4%
Japan	0	8	0%
Spain	0	0	--
United Nations	0	3	0%
United States	--	--	--
World Bank	24	24	100%
Total (discounted*)	**17**	**85**	**20%**

* The total of co-ordinated missions has been adjusted to avoid double counting. A discount factor of 35% has been applied.

INDICATOR 10b
Table 11.8

How much country analysis is co-ordinated?

	Co-ordinated donor analytical work (units) a	Total donor analytical work (units) b	Baseline ratio (%) c=a/b
European Commission	0	3	0%
France	0	0	--
IDB	3	10	30%
Japan	0	0	--
Spain	1	1	100%
United Nations	8	8	100%
United States	7	7	100%
World Bank	0	1	0%
Total (discounted*)	**14**	**30**	**48%**

* The total of co-ordinated analysis has been adjusted to avoid double counting. A discount factor of 25% has been applied.

CONDUCTING JOINT MISSIONS AND SHARING ANALYSIS

The baseline figure for co-ordination of donor missions is 20%, compared with the Paris Declaration target of 40%. However, a large proportion of the joint missions is accounted for by one large multilateral, and otherwise single agency missions remain the norm. The government is working to promote widespread use of joint missions.

Jointly conducted analytical work is apparently becoming more common, with a baseline proportion as high as 48% and several donors claiming to undertake all of their analytical work jointly. This comes close to the general Paris Declaration target of 60%.

MANAGING FOR RESULTS

The Paris Declaration calls for partner countries and donors to work together to manage resources on the basis of desired results and use information to improve decision making. This means both strengthening the capacity to undertake such management and helping to increase the demand for a focus on results. Indicator 11 looks at one component of this effort: the establishment of cost-effective results-oriented reporting and assessment systems by the country.

For this indicator, the baseline survey draws on the World Bank's Comprehensive Development Framework Progress Report, which covers IDA-eligible countries only. For this reason, no quantitative baseline can be set for the Dominican Republic. However, as well as adopting a more explicit aid management policy, as discussed earlier, the government is strengthening results-oriented monitoring of all public investment projects under the *Sistema de Seguimiento de la Cartera de Proyectos* of the *Oficina Nacional de Planificación*. This is geared to improve project implementation and provide for greater policy learning in the spirit of results-based management. The degree to which these measures are successful will be of considerable interest in future rounds of Paris Declaration monitoring in the Dominican Republic.

MUTUAL ACCOUNTABILITY

THE PARIS DECLARATION calls for donors and partner countries to be accountable to each other for the use of development resources, and in a way that tends to strengthen public support for national policies and development assistance. Governments must therefore take steps to improve country accountability systems and donors must be transparent about their own contributions. This indicator looks at monitoring to determine whether there is a country-level mechanism permitting joint assessment of progress in implementing commitments on aid effectiveness, including those in the Declaration itself.

Such a mechanism does not yet exist in the Dominican Republic, although some of the necessary guidelines on good practice may be provided by the *Lineamientos Generales*. The general approach to aid management is, however, being strengthened, and the government is taking as the basis for its policy the commitments contained in the Paris Declaration.

BASELINES AND TARGETS

THE TABLE BELOW presents the 2005 baselines and the targets for the Dominican Republic. The baseline values summarise the discussion above, which draws on various sources of information. The main source is the baseline survey undertaken in the Dominican Republic under the aegis of the National Co-ordinator (América Bastidas).

Table 11.9 Baselines and targets

INDICATORS		2005 BASELINE	2010 TARGET
1	Ownership – Operational PRS	Not available	B or A
2a	Quality of PFM systems	Not available	3.5
2b	Quality Procurement systems	Not available	Not applicable
3	Aid reported on budget	62%	85%
4	Co-ordinated capacity development	37%	50%
5a	Use of country PFM systems (aid flows)	2%	No target
5b	Use of country procurement systems (aid flows)	5%	Not applicable
6	Parallel PIUs	50	17
7	In-year predictability	11%	56%
8	Untied aid	28%	More than 28%
9	Use of programme-based approaches	5%	66%
10a	Co-ordinated missions	20%	40%
10b	Co-ordinated country analytical work	48%	66%
11	Sound performance assessment framework	Not available	B or A
12	Reviews of mutual accountability	No	Yes

ACRONYMS

CPIA Country Policy and Institutional Assessment
GNI gross national income
IDA International Development Association
ODA official development assistance
PBA programme-based approach
PFM public financial management
PIU project implementation unit

12 EGYPT

EGYPT IS A COUNTRY OF 69 MILLION PEOPLE, with an average annual income of USD 1 310 per person (gross national income per capita, 2004). According to the latest survey, conducted in 1999-2000, 3% of the population lived below the dollar-a-day international poverty line, with 44% falling below the two-dollars-a-day threshold. In 2004, net official development assistance (ODA) was USD 1 458 million, a volume of aid that amounted to 1.9% of gross national income (GNI). Egypt has endorsed the Paris Declaration on Aid Effectiveness. Fourteen donors have responded to the 2006 baseline survey; together, they provided at least 79% of the country's ODA in 2005.

OVERVIEW Box 12.1 Challenges and priority actions

DIMENSIONS	BASELINE	CHALLENGES	PRIORITY ACTIONS
Ownership	Moderate	Lack of clarity about relationship between long-term vision and medium-term strategies.	Improve processes for budget preparation and implementation.
Alignment	Low	Donors do not regard public financial management and procurement systems as reliable.	Donors need to phase out tied aid. Government needs to strengthen country systems.
Harmonisation	Moderate	Low proportion of donor missions are co-ordinated.	Donors should improve co-ordination of their missions.
Managing for results	Low	Lack of poverty-related data, and monitoring and evaluation systems.	Refine all elements of managing for results.
Mutual accountability	Low	Joint assessment framework is not in place.	Establish joint assessment framework and conduct mutual assessment.

OWNERSHIP

OWNERSHIP IS CRUCIAL TO AID EFFECTIVENESS and good development results, and is central to the Paris Declaration. It has been defined in terms of a country's ability to exercise effective leadership over its development policies and strategies. Achieving this is not a simple undertaking, especially in countries that rely heavily on aid to finance their development. Nor of course, can it be measured by a single indicator. Indicator 1 provides an entry point to the issue of ownership, focusing in particular on whether or not a country has an operational development strategy so that donors can align their development assistance.

OPERATIONAL DEVELOPMENT STRATEGY

INDICATOR 1

The World Bank's review of the Comprehensive Development Framework, carried out in 2005, gives Egypt's development strategy a rating of D, along with 31% of the sampled countries. This assessment is made on the basis of a range of criteria: whether the country has a long-term vision, with a medium-term strategy derived from that vision; whether there are country-specific development targets with a holistic, balanced and well-sequenced strategy; and whether there are the capacity and resources for implementation.

The World Bank's Aid Effectiveness Review (AER) for 2006 sheds light on the extent to which Egypt has an operational development strategy. Egypt's long-term vision is called "Vision for Egypt's Development by 2022". Its two main goals are to achieve high and sustainable growth, and to reduce poverty and income disparity. The country's medium-term strategy is set out in the fifth Five-Year Plan for Socio-Economic Development, which covers the period 2002-07. This is the main tool to guide expenditure planning. The government has set up a programme of structural reforms and economic liberalisation, in line with the Five-Year Plan.

Given the World Bank criteria for ratings, and considering the progress reported by Egypt and the World Bank, the D rating does not do credit to Egypt's current development status. In terms of Parliament's impact on finances, currently the draft budget is tabled with the Budget Committee of Parliament and is usually subject to intensive debate by members, with the Minister of Finance appearing before the committee to respond to questions. Then, the budget goes to Parliament for further discussion and approval.

A series of National Democratic Party policy papers provides a more detailed framework for the reform agenda: sector strategies and initiatives describe how goals set out in the Five-Year Plan will be met in the areas of health, environmental issues and education. The AER applauds the fact that the Five-Year Plan provides a broad framework for achieving the Millennium Development Goals (MDGs).

In terms of capacity and resources for implementing the country's development plans and strategies, the AER reports that the annual budget is geared to reaching the goals of the Five-Year Plan, with annual plans bringing the broader goals to life and guiding annual budget allocations. This, says the AER, ensures alignment between the Five-Year Plan and the annual budget. The government is making concerted efforts to improve budget preparation and implementation, and has completed a pilot initiative aimed at establishing a performance-based budgeting system in the education and health sectors.

OTHER ASPECTS OF OWNERSHIP

The World Bank's Aid Effectiveness Review describes how the government, through the Ministry of International Cooperation, takes the lead in co-ordinating development assistance.

In examining participation by other stakeholders, the picture is mixed. Mechanisms have been established for private-sector consultation, but the AER makes no mention of civil-society engagement. The survey response concurs that more needs to be done to engage civil society in consultations about development priorities. As for Parliament, although it debates and approves the Five-Year Plan, there is room for greater impact on budget allocations.

The government recently established a National Council for Planning, bringing together the ministries of Finance, Economic Development and International Cooperation to define development priorities and set up operational development plans. A meeting of donors and government representatives recommended the establishment of a national forum that includes representatives of civil society, private sector and legislative bodies to review national priorities. These important efforts will need to be sustained if Egypt is to reach the 2010 target of a B rating for its operational development strategy.

ALIGNMENT

FOR AID TO BE EFFECTIVE, it must be aligned with national development strategies and plans. Indicators 2 to 8 of the Paris Declaration examine a number of dimensions in assessing the degree of alignment attained. Egypt's ratings for alignment reveal that serious effort is needed across the board if the 2010 targets for alignment are to be met.

BUILDING RELIABLE COUNTRY SYSTEMS

INDICATOR 2a

Egypt receives a rating of 3.0 for the quality of its public financial management (PFM) systems, marginally below the average of 3.2 for all countries rated in the World Bank's Country Policy and Institutional Assessment. The 2010 target for Egypt is to attain a score of 3.5 for its PFM systems.

The World Bank's Aid Effectiveness Review lauds the significant advances in improving public financial management since mid-2004, as rationalising public expenditure has been a priority in the government's reform agenda. Egypt has proven its ability to enhance budget transparency and implement elements of the government's Financial Management Information System.

INDICATOR 2b

Egypt's procurement systems are not rated, and therefore no 2010 target is set. While donors and government agree that the procurement system is well designed, they are exploring a series of measures to improve application and minimise variations among ministries, including the publication of procurement guidelines. Egypt ranked 70th out of 159 countries in the Transparency International Corruption Perceptions Index for 2005; the government has signalled its intolerance for corruption and is working hard to tackle it.

ALIGNING AID FLOWS ON NATIONAL PRIORITIES

INDICATOR 3
Table 12.1

Indicator 3 seeks to assess the degree to which aid flows are aligned with national priorities, using the proportion of aid which is recorded in the budget as a proxy. The baseline survey for Egypt shows 58% of aid as recorded in the national budget.

The table above provides government's budget estimates of aid flows for fiscal year 2005 (FY05/06) numerator as a percentage of aid disbursed by donors for the government sector for the same period (denominator). This ratio tells us the degree to which there is a discrepancy between budget estimates and actual disbursements. The discrepancy can be in two directions: indeed budget estimates can be either higher or lower than disbursements. In order to have a single measure of discrepancy that is always less than 100%, the ratio is flipped when budget estimates are higher than

Are government budget estimates comprehensive and realistic?

	Government's budget estimates of aid flows for FY05 (USD m) a	Aid disbursed by donors for government sector in FY05 (USD m) b	Baseline ratio* (%) c=a/b	c=b/a
African Dev. Bank	11	13	89%	
Canada	4	13	31%	
Denmark	0	11	2%	
European Commission	49	201	24%	
Finland	1	3	25%	
Germany	44	102	44%	
Global Fund	--	1		
Italy	1	52	2%	
Japan	22	75	30%	
Netherlands	5	7	71%	
Switzerland	3	10	34%	
United Nations	6	27	24%	
United States	374	350		94%
World Bank	54	133	41%	
(Unallocated donors)	5	--		
Total	**581**	**998**	**58%**	

* Baseline ratio is c = a / b except where government's budget estimates are greater than disbursements (c = b /a).

disbursements. The baseline value for Indicator 3 in Egypt is 58%. Achieving the target agreed in Paris of 79% (halving the gap) for this indicator will require concerted efforts by donors and government.

The qualitative response to the baseline survey provides a number of reasons which might explain the gap between disbursements reported by donors and aid recorded in the budget. These include: differences in fiscal years used by donors and government; differences in reporting systems and methods; the fact that conditionalities may not have been met in time to allow disbursement; the tendency of some donors – despite government requests – to release aid directly to non-governmental organisations (NGOs) or the private sector rather than through the budget; and the inclusion of in-kind assistance and technical co-operation in donor statistics. For these reasons, it is not realistic to expect a very high value of this indicator as the only means of showing good alignment of ODA with national priorities.

INDICATOR 4
Table 12.2

How much technical assistance is co-ordinated with country programmes?

	Co-ordinated technical co-operation (USD m) a	Total technical co-operation (USD m) b	Baseline ratio (%) c=a/b
African Dev. Bank	0	0	0%
Canada	0	11	0%
Denmark	2	2	100%
European Commission	27	54	50%
Finland	0	3	0%
Germany	8	11	68%
Global Fund	0	0	--
Italy	2	2	97%
Japan	1	8	10%
Netherlands	1	1	100%
Switzerland	0	2	9%
United Nations	19	23	80%
United States	186	191	97%
World Bank	0	13	0%
Total	**245**	**321**	**76%**

As a result of recent consultations with key sources of information on ODA in Egypt, a committee has been set up to identify causes of disparity and narrow the gap by reviewing definitions, procedures and time frames. Meanwhile, the Minister of International Cooperation has written to all donors asking them to notify the government of all ODA disbursed, including funds destined to NGOs directly. This will allow the national ODA figures to be more inclusive and more accurate.

Efforts to improve aid alignment, by classifying ODA-funded projects according to national development priorities, are welcome. However, to make progress in terms of this indicator, donors should – as Italy's response to the survey emphasised – provide more timely, transparent and comprehensive information on aid flows, while national authorities should establish more credible annual budget estimates that accurately reflect aid flows. This advice will help participants to come closer to the 2010 target of 79% of aid being reported in the national budget.

CO-ORDINATING SUPPORT TO STRENGTHEN CAPACITY

Under the Paris Declaration, donors are committed to providing a greater proportion of their technical assistance in a manner that is co-ordinated with country programmes. For Egypt, the baseline survey reports that 76% of technical assistance is co-ordinated with country programmes. Such a figure is well in excess of the 2010 target of 50% and – if an accurate reflection of realities on the ground – would put Egypt far ahead of the vast majority of aid recipients on this count. But, as the response to the baseline survey notes, there may be a real difference between the inclusion of technical co-operation in signed agreements, and the operationalising of such co-operation. Respondents also underlined that, while co-ordinating technical assistance is important, the impact and sustainability of such assistance is equally important.

INDICATOR 5
Table 12.3

How much aid for the government sectors uses country systems?

	Aid disbursed by donors for government sector (USD m) a	Public financial management				Procurement	
		Budget execution (USD m) b	Financial reporting (USD m) c	Auditing (USD m) d	Baseline ratio (%) avg (b,c,d) / a	Procurement systems (USD m) e	Baseline ratio (%) e /a
African Dev. Bank	13	0	0	0	0%	0	0%
Canada	13	0	0	0	0%	0	1%
Denmark	11	10	0	0	29%	0	0%
European Commission	201	144	144	144	72%	144	72%
Finland	3	0	0	0	0%	0	0%
Germany	102	95	95	95	93%	--	--
Global Fund	1	0	0	0	0%	1	100%
Italy	52	0	32	0	20%	27	52%
Japan	75	18	18	18	24%	15	20%
Netherlands	7	4	0	0	20%	4	57%
Switzerland	10	9	9	9	90%	9	90%
United Nations	27	4	0	0	5%	1	2%
United States	350	0	0	0	0%	33	9%
World Bank	133	0	0	0	0%	15	11%
Total	**998**	**283**	**297**	**265**	**28%**	**249**	**25%**

The World Bank's Aid Effectiveness Review for 2006 notes that "a coherent national capacity building strategy is not in place", a statement that brings into question the extent to which technical assistance really is aligned with Egypt's capacity-building needs. Strengthening capacity is a major concern and priority of the government, with substantial needs in human, organisational and broader institutional capacity.

The figure in the table seems to overestimate the percentage of co-ordinated technical assistance. Donors and government agree that the mere inclusion of technical assistance in agreements signed by both sides does not *per se* constitute effective co-ordination. More consultations between donors and government are necessary to translate the intended co-ordinated technical assistance into an operational mode.

USING COUNTRY SYSTEMS

The Paris Declaration encourages donors to make increasing use of country systems for public financial management and for procurement, where these are of sufficient quality to merit their use. The baseline survey for Egypt reports that 28% of aid makes use of PFM systems, averaged across the three components. For procurement, 25% of aid makes use of country systems. No targets are set for 2010, for the use of either PFM or procurement systems, because the quality of Egypt's national systems has not been rated.

Donors want to know how the budget is formed, where the money goes and how it is spent. In response, the government – with the support of the International Monetary Fund, USAID, the European Union and the World Bank – has launched an initiative to reform its PFM systems, designed to narrow the gap between the country's systems and international best practice. Steps have been taken to improve the budget process and more are being planned to meet international standards. For example, hundreds of treasury accounts have been unified into a single account as part of a streamlining process. If these efforts are successful, then donors should be more willing and able to make use of the country's systems.

AVOIDING PARALLEL IMPLEMENTATION STRUCTURES

The Paris Declaration calls for a substantial reduction in the number of project implementation units (PIUs) that are parallel in the sense that appointment decisions and accounting relationships involve the donor alone. According to the baseline survey, donors have established 100 parallel PIUs in Egypt. Multilateral agencies account for the majority of these.

The persistence of PIUs may be due to a perception held by some donors that country capacity to implement projects is limited. Such perceptions are sometimes held particularly firmly by donors' headquarters. (Egypt's largest ODA source, USAID, considers itself an implementing agency that works closely with various government ministries and hence should not be regarded as a parallel PIU, since "government has a say in service delivery, choice of contractors and other operational matters".)

Nevertheless, national capacity to implement projects does require strengthening. A more concerted effort on the part of government to create the conditions in which parallel PIUs can be phased out is expected. Donors can contribute by providing more specific and effective capacity building. Consultation will make it easier to reach a common understanding and definition of what constitutes a parallel PIU, and to agree on a plan to reduce PIUs within the next few years. Egypt and its partners have far to go if they are to meet the 2010 target of a maximum of 33 parallel PIUs.

INDICATOR 6
Table 12.4

How many PIUs are parallel to country structures?

	Parallel PIUs (units)
African Dev. Bank	9
Canada	3
Denmark	0
European Commission	14
Finland	0
Germany	0
Global Fund	0
Italy	9
Japan	0
Netherlands	5
Switzerland	0
United Nations	47
United States	0
World Bank	13
Total	**100**

PROVIDING MORE PREDICTABLE AID

If aid is provided in a predictable manner, then recipient countries are better able to plan and make effective use of aid. Indicator 7 seeks to assess the in-year predictability of aid, measuring the proportion of planned disbursements (as reported by donors) recorded by government in the national accounting system as having been disbursed.

The table looks at predictability from two different angles. The first angle is donors' and government's combined ability to disburse aid on schedule. In Egypt, donors scheduled USD 1420 million for disbursement in 2005 and actually disbursed – according to their own records – significantly less than expected (USD 998 million). The discrepancy varies considerably among donors and is mainly due to late disbursements carried over to 2005 and to delays in implementing programmes. The second angle is donors' and government's ability to record comprehensively disbursements made by donors for the government sector.

In Egypt, the Ministry of Finance, which is mainly concerned with having complete accounting data on ODA loans (non-complete data for grants) has recorded USD 415 million out of the USD 998 million notified as disbursed by donors (42%). In Egypt, the Ministry of International Cooperation is responsible for monitoring all ODA to Egypt. For fiscal year 2005, it has documented disbursements of USD 936 million, which is closer to and consistent with donor-reported disbursements. The ODA information committee that has recently been formed is looking into ways that would help ensure that the Ministry of Finance also keeps complete data on grant disbursements, through the Ministry of International Cooperation.

INDICATOR 7
Table 12.5

Are disbursements on schedule and recorded by government?

	Disbursements recorded by government in FY05 (USD m) a	Aid scheduled by donors for disbursement in FY05 (USD m) b	Aid actually disbursed by donors in FY05 (USD m) FOR REFERENCE ONLY	Baseline ratio* (%) c=a/b	c=b/a
African Dev. Bank	1	--	13		
Canada	--	0	13		
Denmark	--	13	11		
European Commission	191	234	201	82%	
Finland	--	5	3		
Germany	82	104	102	79%	
Global Fund	--	2	1		
Italy	7	--	52		
Japan	7	75	75	10%	
Netherlands	--	7	7		
Switzerland	3	10	10	30%	
United Nations	--	47	27		
United States	123	722	350	17%	
World Bank	--	200	133		
Total	**415**	**1 420**	**998**		**29%**

* Baseline ratio is c = a / b except where disbursements recorded by government are greater than aid scheduled for disbursement (c = b /a).

Indicator 7 on predictability has been designed to encourage progress against both of these angles so as to gradually close the predictability gap by half by 2010. In other words, it seeks to improve not only the predictability of actual disbursements but also the accuracy of how they are recorded in government systems – an important feature of ownership, accountability and transparency. In Egypt, this combined predictability gap amounts to USD 1005 million (70% of aid scheduled for disbursement). Closing this predictability gap will require donors and government to work increasingly together on various fronts at the same time. They might work at improving:

- the realism of predictions on volume and timing of expected disbursements;
- the way donors notify their disbursements to government;
- the comprehensiveness of government's records of disbursements made by donors.

Against this backdrop, aid predictability in Egypt is made difficult by the lengthy process of obtaining approvals from both donor and recipient country authorities, as confirmed during the recent donor/government meeting. Some donors pointed out that changes in plans and priorities make predictability a challenge. They also explained how Egypt's limited absorption capacity and delays in implementation limit their ability to disburse according to plan. Some UN agencies rely on outside funding to carry out projects included in the overall framework, but such funding is not easily predictable.

As for unscheduled disbursements that are actually made, these can occur when both sides agree on a new project for which no funding was originally set aside, but a donor has managed to secure funding later on. On the other hand, a donor might change priorities. For example, USAID had earmarked USD 200 million in budget support for a private-sector oriented programme but subsequently reallocated the money to another programme, as it felt that the private sector was doing well. Egypt would definitely welcome greater predictability but it is understood that a limited measure of flexibility is also important to meet changing priorities.

UNTYING AID

INDICATOR 8

According to OECD data covering 37% of 2004 commitments, 47% of aid to Egypt is untied. (And in fact, some "untied" aid ends up being tied because of donor country procurement practices.) Such a figure demonstrates that there is much room for improvement. Development partners need to revise their practices. For example, donors should provide more transparency regarding details of agreements covering consultants' fees and Cairo office budgets. A mutually agreed target for untied aid within a given time frame would provide needed impetus to the process.

HARMONISATION

Donor fragmentation imposes transaction costs on recipient countries. Indicators 9 and 10 of the baseline survey seek to assess various elements of harmonisation. In Egypt – leaving aside differences of view as to what constitutes a programme-based approach – the picture on harmonisation is somewhat encouraging. There is however room for progress, especially in terms of the co-ordination of donor missions.

USING COMMON ARRANGEMENTS

If donors use common arrangements for the management and delivery of their aid, this can enhance aid effectiveness. Indicator 9 of the Paris Declaration assesses the use of common arrangements, measuring the proportion of aid delivered through programme-based approaches (PBAs).

In the case of Egypt – while there were some differences of opinion between government and donors as to the definition of a PBA – the figures show that an encouraging 61% of aid makes use of PBAs, with sector support accounting for all of this. This puts the 2010 target of 66% well within reach. It is also worth noting that there are other ways in which donors use common arrangements or procedures, and work towards greater harmonisation, in addition to PBAs.

Donors and government agreed to distinguish three forms: PBAs, non-PBAs and semi-PBAs (in transition to full PBAs). They considered that many of the reported PBAs were likely to be semi-PBAs at best.

INDICATOR 9
Table 12.6

How much aid is programme based?

	Budget support (USD m) a	Other PBAs (USD m) b	Total (USD m) c=a+b	Total disbursed (USD m) d	Baseline ratio (%) e=c/d
African Development Bank	0	1	1	13	8%
Canada	0	0	0	13	0%
Denmark	0	9	9	11	81%
European Commission	144	57	201	201	100%
Finland	0	0	0	4	0%
Germany	0	0	0	105	0%
Global Fund	0	1	1	1	100%
Italy	0	44	44	58	76%
Japan	0	1	1	75	1%
Netherlands	0	3	3	8	40%
Switzerland	0	0	0	10	3%
United Nations	0	20	20	43	45%
United States	0	350	350	355	99%
World Bank	0	0	0	133	0%
Total	**144**	**487**	**630**	**1030**	**61%**

CONDUCTING JOINT MISSIONS AND SHARING ANALYSIS

The baseline survey for Egypt reports that 18% of donor missions were co-ordinated, out of a total of 381 missions. This is some way short of the 2010 target of 40%. More than three-quarters of donor missions were conducted by multilateral donors

Despite donor effort in recent years to co-ordinate their missions, there is still much room for improvement. In addition, resident missions – conducted by donors with a substantial field presence – while often not reported as donor missions, also entail costs for the Egyptian authorities.

Donors perform considerably better when it comes to co-ordinating their country analysis, with a baseline figure of 40% that comes close to the 2010 target of 60%. A praiseworthy example of co-ordinating analysis is provided by the UN's Common Country Assessment. Twenty-three pieces of joint analysis have been posted on *www.countryanalyticwork.net*

INDICATOR 10a
Table 12.7

How many donor missions are co-ordinated?

	Co-ordinated donor missions (missions) a	Total donor missions (missions) b	Baseline ratio (%) c=a/b
African Dev. Bank	12	27	44%
Canada	6	15	40%
Denmark	0	2	0%
European Commission	--	--	--
Finland	0	0	--
Germany	18	33	55%
Global Fund	4	4	100%
Italy	0	6	0%
Japan	2	18	11%
Netherlands	0	0	--
Switzerland	2	5	40%
United Nations	42	161	26%
United States	0	0	--
World Bank	20	110	18%
Total (discounted)*	**69**	**381**	**18%**

* The total of co-ordinated missions has been adjusted to avoid double counting. A discount factor of 35% has been applied.

INDICATOR 10b
Table 12.8

How much country analysis is co-ordinated?

	Co-ordinated donor analytical work (units) a	Total donor analytical work (units) b	Baseline ratio (%) c=a/b
African Dev. Bank	2	2	100%
Canada	5	6	83%
Denmark	2	2	100%
European Commission	0	15	0%
Finland	0	0	--
Germany	1	2	50%
Global Fund	0	0	--
Italy	0	0	--
Japan	0	0	--
Netherlands	0	0	--
Switzerland	1	3	33%
United Nations	44	66	67%
United States	0	0	--
World Bank	0	7	0%
Total (discounted)*	**41**	**103**	**40%**

* The total of co-ordinated analysis has been adjusted to avoid double counting. A discount factor of 25% has been applied.

MANAGING FOR RESULTS

THE PARIS DECLARATION recommends that partner countries and donors work together to manage resources on the basis of desired results and use information to improve decision making. This means both strengthening the capacity to undertake such management and helping to increase the demand for a focus on results. Indicator 11 looks at one component of this effort: the establishment of a cost-effective results-oriented reporting and assessment system by the country.

Egypt, along with 54% of the countries assessed, received a rating of D for its reporting and assessment system, as part of the World Bank's 2005 review of the Comprehensive Development Framework. The rating is based on three criteria: the quality of development information, the degree to which stakeholders have access to it, and the extent to which there is a co-ordinated monitoring and evaluation of the country's development efforts.

The World Bank's Aid Effectiveness Review describes the quality and availability of poverty-related data in Egypt as "somewhat weak". However, this description may be tempered by the fact that it did not take into account a recent household survey and the data available in the country's Human Development Reports. In its analysis of stakeholder access to information, the Aid Effectiveness Review underlines that the Five-Year Plan is "available to the public and widely noted". Finally, a co-ordinated country level monitoring and evaluation system is under development.

If Egypt is to attain the ambitious 2010 target of at least a B rating, progress will be needed across the board.

MUTUAL ACCOUNTABILITY

THE PARIS DECLARATION calls for donors and partner countries to be accountable to each other for the use of development resources, and in a way that strengthens public support for national policies and development assistance. As such, governments need to take steps to improve country accountability systems and donors need to be transparent about their own contributions. This indicator looks at whether there is a country-level mechanism permitting joint assessment of progress in implementing agreed commitments on aid effectiveness, including those in the Declaration itself.

Egypt describes how such mutual assessment of progress has taken place. The Minister of International Cooperation conducts reviews with heads of agencies in Egypt, based on reports received from staff and on changes in national priorities, etc. In addition, review meetings with the Donor Assistance Group and its thematic groups are conducted; these are likely to become more regular and to be strengthened thanks to more government participation. Meanwhile, the Centre for Project Evaluation and Macroeconomic Analysis has been carrying out impact evaluation assignments since it was established in 2003, and has recently started to help selected line ministries to develop monitoring and evaluation skills. The Centre welcomes joint evaluations: it participated in a Canadian International Development Agency mid-term evaluation of the small and medium enterprise programme last year, and is about to commence joint evaluation with an Italian team to review the environmental support programme.

But, according to the World Bank's Aid Effectiveness Review for 2006, while Egypt has endorsed the Paris Declaration, a joint framework to assess government and donor performance on aid effectiveness is not in place.

BASELINES AND TARGETS

THE TABLE BELOW presents the 2005 baselines and the targets for Egypt. The baseline values are taken from the discussion above, which draws on various sources of information. The main source is the baseline survey undertaken in Egypt under the aegis of the National Co-ordinator (Fayza Aboulnaga).

Table 12.9 Baselines and targets

INDICATORS		2005 BASELINE	2010 TARGET
1	Ownership – Operational PRS	D	B or A
2a	Quality of PFM systems	3.0	3.5
2b	Quality procurement systems	Not available	Not applicable
3	Aid reported on budget	58%	79%
4	Co-ordinated capacity development	76%	50%
5a	Use of country PFM systems (aid flows)	28%	No target
5b	Use of country procurement systems (aid flows)	25%	Not applicable
6	Parallel PIUs	100	33
7	In-year predictability	29%	65%
8	Untied aid	47%	More than 47%
9	Use of programme-based approaches	61%	66%
10a	Co-ordinated missions	18%	40%
10b	Co-ordinated country analytical work	40%	66%
11	Sound performance assessment framework	D	B or A
12	Reviews of mutual accountability	Yes	Yes

ACRONYMS

AER Aid Effectiveness Review
GNI gross national income
MDG Millennium Development Goal
NGO non-governmental organisation
ODA official development assistance
PBA programme-based approach
PFM public financial management
PIU project implementation unit

13 ETHIOPIA

ETHIOPIA HAS A RAPIDLY INCREASING POPULATION currently at around 70 million. In 2004, the income per capita was USD 110 (gross national income). According to the figures produced in 1999-2000, 23% of the population falls below the dollar-a-day poverty line, and fully 77.8% falls below the two-dollars-a-day poverty line. In 2004, net official development assistance (ODA) to Ethiopia totalled USD 1 823 million, which amounted to 22.8% of the national income. In recent years, Ethiopia's aid receipts have been on a rapid upward trajectory. However, following the tensions that erupted around the disputed election in 2005, some donors stopped providing budget support, although new aid modalities have allowed aid to keep flowing for basic services.

Responses to the 2006 survey in Ethiopia accounted for around 89% of ODA received in 2005. The survey responses, taken together with the World Bank desk reviews which form the basis for the baselines and targets for some of the indicators, point to some real challenges for the Ethiopian government and its donors in implementing the Paris Declaration. Challenges and priority actions are summarized in the table below.

OVERVIEW Box 13.1 Challenges and priority actions

DIMENSIONS	BASELINE	CHALLENGES	PRIORITY ACTIONS
Ownership	Moderate	Complex system for planning.	Integrate Poverty Reduction Strategy with five-year plans.
Alignment	Moderate	Unreliable systems at sub-national level. New aid instruments may be less aligned than the previous budget support.	Continue capacity building at regional/district level. Adapt new aid instruments to better use country systems.
Harmonisation	Moderate	Donor practices may be less aligned following the suspension of budget support.	Joint Budget Support donors should continue harmonisation efforts despite recent problems.
Managing for results	Moderate	Limited integration of national and sub-national monitoring and evaluation activities.	Continue capacity building at regional/district level.
Mutual accountability	Moderate	Recent tensions over governance between government and donors.	Finalise Joint Declaration on Harmonisation, Alignment and Aid Effectiveness.

OWNERSHIP

INDICATOR 1

OWNERSHIP IS CRITICAL to achieving development results and is central to the Paris Declaration. It has been defined as a country's ability to exercise effective leadership over its development policies and strategies. Achieving this – especially in countries that rely heavily on aid to fund their development – is not a simple undertaking. Nor, of course, can it be measured by a single indicator. For donors it means supporting countries' leadership, policies, institutions and systems. This is commonly referred to as "alignment" (see below). Donors are in a better position to do this when governments set out clear priorities and operational strategies – this is the main

focus of Indicator 1 of the Paris Declaration. The Ethiopian government has a long history of effective leadership, particularly with respect to the content and form of its development strategy and management of its aid.

Ethiopia's long-term vision of growth and transformation is set out in the Agricultural Development-Led Industrialisation (ADLI) strategy. The strategy, established in 1992, sees agriculture as the key to Ethiopia's development. Long-term Sectoral Development Programmes (SDPs) in sectors including education, health and roads, complement the long-term vision. In its 2005 Comprehensive Development Framework (CDF) assessment, the World Bank judged Ethiopia's long-term vision to be "largely developed".

Since 2002, Ethiopia's medium-term strategy has centred on the government's Sustainable Development and Poverty Reduction Programme (SDPRP), Ethiopia's Poverty Reduction Strategy (PRS). The PRS is informed by the long-term Sectoral Development Programmes and linked to the ADLI. The government has completed a first draft of Ethiopia's second PRS: the Plan for Accelerated and Sustained Development to End Poverty (PASDEP) will run from 2005-10. The government will need to make sure that the PRS is integrated with its constitutionally-mandated five-year plans in order to ensure that its development strategy is clear, and also provides a consistent basis for local development planning. The new PRS is designed to accelerate progress towards the Millennium Development Goals (MDGs) by linking policy actions with MDG-based targets. The strategy also takes a broad view of development – it emphasises public-sector institutions and democratic governance, as well as growth and human development outcomes. The World Bank judges Ethiopia's medium-term strategy to be "largely developed", but more will need to be done to establish connections with clear development targets.

The government of Ethiopia has worked to develop the links between the budget process and its development strategy. The 2004-07 Macroeconomic and Fiscal Framework emphasises pro-poor sectors, and both federal and regional budgets have been consistent with the PRS since 2002. The 2005/06 budget committed 56% of total spending to pro-poor programmes. Although tensions surrounding the 2005 elections caused interruptions to aid flows, pro-poor sectors have been relatively unaffected as donors established alternative instruments to ensure that services could continue.

Ethiopia received a C rating in the World Bank's 2005 Comprehensive Development Framework assessment, which provides the baseline for Indicator 1. This puts it within reach of the target of achieving an A or a B rating by 2010. In order to progress towards the target, Ethiopia will need to focus on integrating its various medium-term planning instruments with its long-term strategy, and on linking them to clear and monitorable development targets. Ethiopia's budget process is being revamped, including through the piloting of performance-related budget instruments. The government and its donors will need to work together to ensure that recent political tensions do not threaten this progress.

ALIGNMENT

DONORS AND GOVERNMENT in Ethiopia have a strong record of working together to increase the effectiveness of aid, including programme-based aid and budget support. Recent political tensions have raised serious questions about the ways in which donors relate to the government, and have threatened some of the progress which has been made on the alignment agenda. This only serves to underline the importance of government and donors working together to advance alignment.

BUILDING RELIABLE COUNTRY SYSTEMS

INDICATOR 2a

Indicator 2a provides an indication on the quality of Ethiopia's public financial management (PFM) systems. The score is based on the World Bank's Country Policy and Institutional Assessment (CPIA Indicator 13). In 2005, Ethiopia's rating was 3.5 on a six-point scale that ranges from 1 (lowest score) to 6 (highest score).

The World Bank judges Ethiopia to have made "significant progress" in strengthening public financial management. An Expenditure Management and Control Programme, which has been in place since 1995/96, allows for the federal government to monitor and co-ordinate reforms. Fiscal responsibility in Ethiopia is significantly decentralised to both regions and districts, which now have most of the responsibility for poverty reduction expenditure. The Office of the Federal Auditor General (which is independent of the executive) makes regular reports to the President and to Parliament, and has succeeded in reducing the audit backlog.

Although the government has updated systems at the sub-national level, capacity at regional/district level remains a major limitation on effective public financial management. It is at this level that efforts will need to be concentrated if Ethiopia is to meet the target of achieving a score of at least 4.0 on this indicator by 2010.

INDICATOR 2b

No score is currently available for Indicator 2b on the quality of Ethiopia's procurement systems. The World Bank's Aid Effectiveness Review (AER) describes how the Parliament adopted a new Procurement Law in 2005 (consistent with international standards) and three regions have adopted similar laws. Efforts are now ongoing to build capacity in the federal procurement agency and in line ministries' tender units.

ALIGNING AID FLOWS ON NATIONAL PRIORITIES

Ensuring that donor aid flows are properly reflected in the partner's national budget is a first step towards ensuring that aid flows are aligned with national priorities. Indicator 3 is a proxy for measuring alignment. It actually measures the proportion of aid reported in Ethiopia's budget. If Ethiopia is to meet the target of 87% for this indicator, the government needs to set realistic budgets that take into account the amount of aid it expects to receive. For their part, donors need to provide the government with timely and accurate information about planned disbursements to allow effective budgets to be set, and report a greater proportion of their aid to the government for inclusion in the budget.

INDICATOR 3
Table 13.1

Are government budget estimates comprehensive and realistic?

	Government's budget estimates of aid flows for FY05 (USD m) a	Aid disbursed by donors for government sector in FY05 (USD m) b	Baseline ratio* (%) c=a/b	c=b/a
African Dev. Bank	124	139	89%	
Canada	0	24	2%	
European Commission	157	159	99%	
Finland	3	7	37%	
France	8	9	81%	
Germany	14	37	38%	
Global Fund	--	55		
Ireland	8	27	28%	
Italy	34	0		0%
Japan	0	29	0%	
Netherlands	--	7		
Norway	2	5	40%	
Sweden	25	42	59%	
United Kingdom	55	111	50%	
United Nations	24	22		90%
United States	0	2	15%	
World Bank	326	373	87%	
Total	**779**	**1 048**	**74%**	

* Baseline ratio is c = a / b except where government's budget estimates are greater than disbursements (c = b /a).

Aid reported on budget was 74% of aid disbursed by donors in Ethiopia in 2005. Major donors aligned their strategies with the government's strategy, but the events surrounding the 2005 election have brought about some changes in donors' approaches, and even halted some aid to the government sector. While aid now flowing to Ethiopia through, for example, the Protection of Basic Services programme may still be aligned with the government's poverty reduction priorities, a smaller proportion of it is flowing through the budget. It remains unclear how donors' strategies will change in this regard up to 2010. The challenge for both government and donors in meeting the target of 87% of aid reported on budget will be to develop modalities to strengthen the accountability of the budget process while meeting the concerns of donors.

INDICATOR 4
Table 13.2

How much technical assistance is co-ordinated with country programmes?

	Co-ordinated technical co-operation (USD m) a	Total technical co-operation (USD m) b	Baseline ratio (%) c=a/b
African Dev. Bank	5	5	100%
Canada	0	2	3%
European Commission	1	4	22%
Finland	7	10	69%
France	0	5	0%
Germany	13	15	84%
Global Fund	0	0	--
Ireland	0	0	--
Italy	0	3	13%
Japan	11	11	100%
Netherlands	1	2	35%
Norway	0	7	0%
Sweden	4	4	89%
United Kingdom	0	3	14%
United Nations	0	22	0%
United States	1	84	2%
World Bank	8	11	75%
Total	**51**	**189**	**27%**

CO-ORDINATING SUPPORT TO STRENGTHEN CAPACITY

The Ethiopian government has been making significant efforts to ensure that the technical assistance it receives from donors builds capacity in priority areas, in accordance with its National Capacity Building Strategy. These efforts have been co-ordinated by the Ministry of Capacity Building since 2001.

Only 27% of technical assistance to Ethiopia in 2005 was provided through co-ordinated programmes that strengthened national capacity. This co-ordinated technical assistance was provided via three main programmes. The Public Sector Capacity Building Programme (PSCAP, operational since March 2005) focuses on six core capacity-building priorities, developed and sequenced in line with national and local priorities. PSCAP is supported by a number of donors through a variety of common arrangements. The monitoring and evaluation system for the new PRS builds on a number of existing programmes, and is funded by a group of donors under the aegis of a joint Memorandum of Understanding. In addition, UNDP administers a pooled capacity-building programme.

Although these co-ordinated programmes provide a strong foundation for further developing capacity building in Ethiopia, the country has some way to go to reach the target of 50% of technical assistance provided in this way by 2010. The government has to set out a clear capacity-building strategy, and donors will need to ensure that their technical assistance supports this strategy and delivered in a co-ordinated manner wherever possible.

INDICATOR 5
Table 13.3

How much aid for the government sectors uses country systems?

	Aid disbursed by donors for government sector (USD m) a	Public financial management: Budget execution (USD m) b	Public financial management: Financial reporting (USD m) c	Public financial management: Auditing (USD m) d	Public financial management: Baseline ratio (%) avg (b,c,d) / a	Procurement: Procurement systems (USD m) e	Procurement: Baseline ratio (%) e /a
African Dev. Bank	139	139	0	0	33%	89	64%
Canada	24	20	20	20	84%	20	84%
European Commission	159	17	17	17	10%	17	10%
Finland	7	0	6	0	31%	6	93%
France	9	0	13	0	45%	4	42%
Germany	37	15	15	15	40%	15	40%
Global Fund	55	55	55	0	67%	0	0%
Ireland	27	27	27	27	100%	27	100%
Italy	0	0	0	0	--	0	--
Japan	29	5	5	5	16%	5	16%
Netherlands	7	4	1	0	25%	1	15%
Norway	5	0	0	0	0%	4	80%
Sweden	42	27	13	13	43%	15	36%
United Kingdom	111	117	117	109	100%	111	100%
United Nations	22	0	0	0	0%	2	11%
United States	2	0	0	0	4%	0	0%
World Bank	373	183	183	132	45%	132	35%
Total	**1 048**	**609**	**473**	**338**	**45%**	**449**	**43%**

USING COUNTRY SYSTEMS

The Paris Declaration encourages donors to make increasing use of country's systems where these provide assurance that aid will be provided for agreed purposes. As outlined above, Ethiopia has improved both its public financial management and procurement systems, which are the focus of Indicator 5.

Despite this progress, Table 13.3 shows that, on average, only 45% uses one or more of the country systems. Given that Ethiopia scores 3.5 on Indicator 2a, the targets for 2010 on Indicator 5a are that 63% of aid makes use of national systems (on average across the three systems in question), and that 90% of donors make use of all three systems for at least some projects/programmes.

Between 2002 and 2004, the percentage of aid to Ethiopia given as budget support (and thus using all country PFM systems) rose rapidly from 10% to 30%, but budget support has been largely suspended since November 2005 due to the governance concerns discussed above. However, the instrument developed by donors to replace budget support (the Protection of Basic Services programme) continues to make use of Ethiopian PFM systems. This demonstrates a positive commitment on the part of the donors to making use of Ethiopian systems. That said, much more progress will be needed by 2010 to meet the targets for Indicator 5a. The national capacity-building programme discussed above will help to build PFM capacity, especially at regional and district level, but donors will need to be willing to increase their use of Ethiopian PFM systems if the targets are to be met.

Only 43% of aid uses Ethiopian procurement systems. Without data on Indicator 2b, no target can currently be set for Indicator 5b, but both donors and government will need to adopt measures that increase the use of Ethiopian procurement systems. The government believes that the steps it has taken to improve procurement systems (see above) resolve most of the issues identified in the 2002 Procurement Assessment Report, and expects to see donors step up their use of country systems.

INDICATOR 6
Table 13.4

How many PIUs are parallel to country structures?

	Parallel PIUs (units)
African Dev. Bank	1
Canada	6
European Commission	1
Finland	1
France	4
Germany	4
Global Fund	0
Ireland	0
Italy	8
Japan	0
Netherlands	0
Norway	0
Sweden	1
United Kingdom	0
United Nations	0
United States	62
World Bank	15
Total	**103**

AVOIDING PARALLEL IMPLEMENTATION STRUCTURES

The Paris Declaration invites donors to "avoid to the maximum extent possible, creating dedicated structures for day-to-day management and implementation of aid-financed projects and programmes". There are 103 parallel project implementation units (PIUs) in operation in Ethiopia. If the target of a two-thirds reduction in the number of parallel PIUs is to be met in Ethiopia, this number must be reduced to just 34.

A significant proportion of aid (especially bilateral aid) to Ethiopia continues to be provided via parallel PIUs, although the government points out that a number of these are in fact well integrated into the government system. Some PIUs simply reflect past agreements between donors and government, and the government hopes that these can be eliminated as agreements come up for renewal. However, a change of attitude on the part of some donors will be required if this target is to be met in Ethiopia. The government's ultimate aim is to phase out parallel PIUs altogether as national capacity improves.

INDICATOR 7
Table 13.5

Are disbursements on schedule and recorded by government?

	Disbursements recorded by government in FY05 (USD m) a	Aid scheduled by donors for disbursement in FY05 (USD m) b	Aid actually disbursed by donors in FY05 (USD m) FOR REFERENCE ONLY	Baseline ratio* (%) c=a/b	c=b/a
African Development Bank	138	139	139	99%	
Canada	24	24	24		98%
European Commission	82	171	159	48%	
Finland	6	6	7	96%	
France	11	9	9		87%
Germany	18	34	37	53%	
Global Fund	--	55	55		
Ireland	23	27	27	84%	
Italy	10	4	0		38%
Japan	16	29	29	56%	
Netherlands	12	7	7		59%
Norway	2	5	5	43%	
Sweden	49	53	42	92%	
United Kingdom	112	111	111		99%
United Nations	100	6	22		6%
United States	32	2	2		6%
World Bank	377	373	373		99%
Total	**1 012**	**1 055**	**1 048**	**96%**	

* Baseline ratio is c = a / b except where disbursements recorded by government are greater than aid scheduled for disbursement (c = b /a).

PROVIDING MORE PREDICTABLE AID

As discussed above, 2005 has seen some uncharacteristic interruptions of aid flows in Ethiopia.

The table above looks at predictability from two different angles. The first angle is donors' and government's combined ability to disburse aid on schedule. In Ethiopia, donors scheduled USD 1 055 million for disbursement in 2005 and actually disbursed – according to their own records –slightly less than expected (USD 1 048 million). The discrepancy varies considerably among donors. The second angle is donors' and government's ability to record comprehensively disbursements made by donors for the government sector. In Ethiopia, government systems recorded USD 1 012 million out of the USD 1 048 million notified as disbursed by donors (96%) indicating that a small proportion of disbursements were not captured either because they were not appropriately notified by donors or because they were inaccurately recorded by government.

Indicator 7 on predictability has been designed to encourage progress against both of these angles so as to gradually close the predictability gap by half by 2010. In other words , it seeks to improve not only the predictability of actual disbursements but also the accuracy of how they are recorded in government systems – an important feature of ownership, accountability and transparency. In Ethiopia, this combined predictability gap amounts to USD 50 million (less than 1% of aid scheduled). Closing this remaining predictability gap will require donors and government to work increasingly together on various fronts at the same time. They might work to improve:

- the realism of predictions on volume and timing of expected disbursements;
- the way donors notify their disbursements to government; and
- the comprehensiveness of government's records of disbursements made by donors.

UNTYING AID

INDICATOR 8

DAC data based on 2004 commitments shows that 39% of aid to Ethiopia is untied. However, only 57% of aid to Ethiopia was reported in this data, which probably means that this understates the current amount of tying. The government reports that 30% of aid to Ethiopia in 2004-05 came in the form of untied budget support, but this figure may no longer be representative. As with many of the indicators discussed above, progress in this area has been hampered by the tensions of November 2005.

INDICATOR 9
Table 13.6

How much aid is programme based?

	Budget support (USD m) a	Other PBAs (USD m) b	Total (USD m) c=a+b	Total disbursed (USD m) d	Baseline ratio (%) e=c/d
African Development Bank	89	0	89	139	64%
Canada	20	2	22	36	61%
European Commission	15	37	52	170	31%
Finland	0	3	3	10	33%
France	0	0	0	13	0%
Germany	7	0	7	42	16%
Global Fund	0	55	55	55	100%
Ireland	7	0	7	35	22%
Italy	0	1	1	5	14%
Japan	0	0	0	32	0%
Netherlands	0	18	18	26	68%
Norway	0	0	0	40	0%
Sweden	27	0	27	50	55%
United Kingdom	58	64	122	122	100%
United Nations	0	22	22	22	100%
United States	0	30	30	120	25%
World Bank	132	89	222	373	59%
Total	**356**	**322**	**678**	**1 288**	**53%**

HARMONISATION

DONORS HAVE DEVELOPED EFFECTIVE HARMONISATION MECHANISMS in Ethiopia over time, especially via the use of budget support. A key challenge will be to maintain these mechanisms despite the recent disruption of budget support.

USING COMMON ARRANGEMENTS

Common procedures by donors reduce administrative burdens of aid for recipients. Indicator 9 measures programme-based approaches (an effective way to harmonise procedures), in which the aid funds of several donors are pooled or their approaches to a sector are harmonised. Programme-based approaches also support alignment with country priorities and systems.

53% of aid disbursed in Ethiopia in 2005 was in the form of programme-based approaches. Of this, around 57% was direct budget support. This meant that Ethiopia received more of its aid in the form of programme-based approaches than almost any other country in the world. The formation of the Joint Budget Support (JBS) group among donors in Ethiopia contributed to the use of common procedures (e.g. a Joint Aid Budget Review), but much of this arrangement has been discontinued following the withdrawal of budget support in November 2005. This means that the figures given in Table 13.6 may overstate the current use of programme-based approaches in Ethiopia. It is not yet clear the extent to which new aid instruments in Ethiopia will make use of common procedures, but substantial progress will be needed if the target of 66% of aid provided through programme-based approaches is to be met by 2010, given the current position.

CONDUCTING JOINT MISSIONS AND SHARING ANALYSIS

27% of donor missions to Ethiopia and 50% of country analytical work were conducted jointly, coming close to the 2010 targets of 40% and 66% respectively. These strong results are thanks to the efforts of the JBS group, and steps will need to be taken to ensure that this continues despite the suspension of budget support.

INDICATOR 10a
Table 13.7

Table 40.7: How many donor missions are co-ordinated?

	Co-ordinated donor missions (missions) a	Total donor missions (missions) b	Baseline ratio (%) c=a/b
African Development Bank	4	26	15%
Canada	13	21	62%
European Commission	8	12	67%
Finland	1	6	17%
France	0	7	0%
Germany	2	3	67%
Global Fund	1	4	25%
Ireland	3	12	25%
Italy	1	3	33%
Japan	0	12	0%
Netherlands	6	11	55%
Norway	5	5	100%
Sweden	2	9	22%
United Kingdom	17	20	85%
United Nations	1	1	100%
United States	4	8	50%
World Bank	17	47	36%
Total (discounted*)	**55**	**207**	**27%**

* The total of co-ordinated missions has been adjusted to avoid double counting. A discount factor of 35% has been applied.

INDICATOR 10b
Table 13.8

How much country analysis is co-ordinated?

	Co-ordinated donor analytical work * (units) a	Total donor analytical work (units) b	Baseline ratio (%) c=a/b
African Development Bank	0	1	0%
Canada	9	12	75%
European Commission	1	1	100%
Finland	0	0	--
France	0	0	--
Germany	1	1	100%
Global Fund	0	0	--
Ireland	0	0	--
Italy	0	0	--
Japan	1	2	50%
Netherlands	3	3	100%
Norway	1	2	50%
Sweden	--	--	--
United Kingdom	12	16	75%
United Nations	2	2	100%
United States	0	0	--
World Bank	5	13	38%
Total (discounted*)	**26**	**53**	**50%**

* The total of co-ordinated analysis has been adjusted to avoid double counting. A discount factor of 25% has been applied.

MANAGING FOR RESULTS

INDICATOR 11

MANAGING FOR RESULTS IS KEY to enhancing aid effectiveness. The Paris Declaration calls on donors to work alongside partner countries to manage resources on the basis of desired results, and to use information effectively to improve decision making. Indicator 11 focuses on one component of managing for results: the establishment by the partner country of a cost-effective, transparent and monitorable performance and assessment framework. Ethiopia scored a C rating in the World Bank's 2005 CDF assessment, which provides the baseline for this indicator, putting it within reach of the 2010 target to achieve a B or an A rating.

According to the World Bank's Aid Effectiveness Review, Ethiopia has made strides in improving the quality of its development information. The Central Statistical Agency leads data collection efforts, in accordance with the Medium-Term National Statistical Programme for 2003-2008. A 2005 Poverty Assessment has contributed to the government's new poverty reduction strategy. Public awareness has been improved through consultations and data/policy publication. Although data collection has improved significantly, more will need to be done to improve data management/ dissemination if Ethiopia is to reap the benefits of more effective policy making and implementation.

The government has also taken steps to improve monitoring and evaluation of poverty reduction policies. The Monitoring and Evaluation Action Plan is overseen by the Ministry of Finance and Economic Development, and is supported by a co-ordinated technical cooperation programme (see above). The main challenge for Ethiopia now is to integrate local and regional monitoring and evaluation activities with the national plan, given the high degree of decentralisation of policy implementation.

MUTUAL ACCOUNTABILITY

INDICATOR 12

THE PARIS DECLARATION calls for donors and partner countries to be accountable to each other for the use of development resources, and in a way that tends to strengthen public support for national policies and development assistance. This in turn requires governments to take steps to improve country accountability systems and donors to help by being transparent about their own contributions.

Indicator 12 measures one important aspect of mutual accountability: whether country-level mutual assessments of progress in implementing agreed commitments take place. In 2005, the Ethiopian government and its donors drafted a Joint Declaration on Harmonisation, Alignment and Aid Effectiveness, inspired by the Paris Declaration. This plan contains indicators and targets of both government and donor performance. The plan has not yet been finalised (due to the events surrounding the 2005 election) but is expected to be signed by the end of 2006. The Joint Declaration meets the criteria for a mutual assessment of progress under Indicator 12 – once it is signed, Ethiopia will no doubt be judged to have achieved the target for mutual accountability.

BASELINES AND TARGETS

THE TABLE BELOW presents the 2005 baselines and targets for Ethiopia. The information is discussed in detail in the above chapter and draws from various sources of information. The main source is the baseline survey undertaken in Ethiopia under the aegis of the National Co-ordinator (Hailemichael Kinfu).

Table 13.9 Baselines and targets

INDICATORS		2005 BASELINE	2010 TARGET
1	Ownership – Operational PRS	C	B or A
2a	Quality of PFM systems	3.5	4.0
2b	Quality procurement systems	Not available	Not applicable
3	Aid reported on budget	74%	87%
4	Co-ordinated capacity development	27%	50%
5a	Use of country PFM systems (aid flows)	45%	63%
5b	Use of country procurement systems (aid flows)	43%	Not applicable
6	Parallel PIUs	103	34
7	In-year predictability	96%	98%
8	Untied aid	39%	More than 39%
9	Use of programme-based approaches	53%	66%
10a	Co-ordinated missions	27%	40%
10b	Co-ordinated country analytical work	50%	66%
11	Sound performance assessment framework	C	B or A
12	Reviews of mutual accountability	Yes	Yes

ACRONYMS

ADLI	Agricultural Development-Led Industrialisation'
AER	Aid Effectiveness Review
CDF	Comprehensive Development Framework
CPIA	Country Policy and Institutional Assessment
JBS	Joint Budget Support
MDG	Millennium Development Goals
PASDEP	Plan for Accelerated and Sustained Development to End Poverty
PBA	programme-based approaches
PFM	public financial management
PIU	project implementation units
PRS	Poverty Reduction Strategy
PSCAP	Public Sector Capacity Building Programme
SDP	Sectoral Development Programmes
SDPRP	Sustainable Development and Poverty Reduction Programme (SDPRP)

14 GHANA

GHANA'S PEOPLE, NUMBERING AROUND 21 MILLION, subsist on an average annual income per head of just USD 380 (gross national income in 2004). At the time of the last household survey in 1998-99, some 45% of the national population fell below the dollar-a-day international poverty line. Ghana has endorsed the Paris Declaration; it is a country where the effectiveness of aid is of the highest concern to both the government and the donor community. Net official development assistance (ODA) to Ghana in 2004 was USD 1 358, representing 16% of gross national income. A total of 15 donors responded to the 2006 baseline survey, accounting for 89% of official aid flows to Ghana.

OVERVIEW Box 14.1 Challenges and priority actions

DIMENSIONS	BASELINE	CHALLENGES	PRIORITY ACTIONS
Ownership	Moderate	Operationalisation of the Poverty Reduction Strategy is incomplete, with activities not monitored.	Improve budget execution and reporting.
Alignment	Moderate	Government lead and information capture is weak in some areas.	Prepare a government initiative on capacity development. Improve reporting and accounting for aid.
Harmonisation	Low	Harmonisation is uneven across sectors and donors, with some major areas of weakness.	Adopt programme-based approaches with common procedures in more sectors.
Managing for results	Moderate	Good poverty data is not matched by good data on budget execution/ activities.	Improve budget execution and reporting.
Mutual accountability	Moderate	The aid effectiveness matrix is only a first step.	Demonstrate that monitoring commitments can change behaviour.

OWNERSHIP

INDICATOR 1

OWNERSHIP IS CRITICAL TO ACHIEVING DEVELOPMENT RESULTS and is central to the Paris Declaration. It has been defined as a country's ability to exercise effective leadership over its development policies and strategies. Achieving this – especially in countries that rely heavily on aid to finance their development – is not a simple undertaking. Nor, of course, can it be measured by a single indicator. For donors, it means supporting countries' leadership, policies, institutions and systems. This is commonly referred to as "alignment" (see below). Donors are in a better position to do this when governments set out clear priorities and operational strategies (the main focus of Indicator 1 of the Paris Declaration).

According to the World Bank's Aid Effectiveness Review (AER), the government of Ghana takes overall leadership in co-ordinating development assistance. Specifically, the Ministry of Finance and Economic Planning – whose role has been enhanced by the multi-donor budget support initiative – oversees the work of 18 sector partner groups. Some of these are better established than others, and the government role in them varies. Over half are convened by ministries and meet regularly, but there are some that meet infrequently or consist only of donor representatives. Since 1999, when Ghana was one of the pilot countries for the Comprehensive Development Framework (CDF), Consultative Group (CG) meetings have been held in the country. Since 2006, annual CG meetings are timed to align with the country's budget cycle.

Indicator 1 of the Paris Declaration measures the extent to which a country has an operational development strategy to guide the aid co-ordination effort and the country's overall development. The score for Indicator 1 is based on the World Bank's 2005 Comprehensive Development Framework Progress Report. In the CDF's terms, an operational strategy calls for a coherent long-term vision and a medium-term strategy derived from it; specific targets serving a holistic, balanced and well-sequenced development strategy; and capacity and resources for its implementation. Ghana is considered to have some of these elements and not others, and is consequently placed, along with 58% of the countries covered, in category C of the CDF descending scale running from A to E. Only countries in categories A or B are considered to have an operational strategy.

Ghana's policy framework is strong on vision and medium-term objective setting. Despite recent progress, however, it remains weaker on operationalisation and the provision of resources needed for implementation by means of functioning linkages to the national budget process. Since the mid-1990s, Ghana's National Development Planning Commission has been responsible for preparing both long-term and medium-term national plans. These planning processes, and equivalent exercises down to the district level, are constitutional requirements. Although their form and content has changed under the different administrations of Presidents Rawlings and Kufuor, a constant factor is that the government of Ghana believes it provides the basic framework for the country's development policies. Two successive Ghana Poverty Reduction Strategies (GPRS I and GPRS II) have been prepared within that context.

Whereas GPRS I was affected by a presidential change, GPRS II has benefited from the continuity provided by Kufuor's election for a second term. It has, for example, more comprehensive linkages with a range of carefully prepared sector strategies. The second Poverty Reduction Strategy (PRS) sharpens the emphasis of the first on economic growth and infrastructure (and policies to promote them), while maintaining a focus on social investment. However, the document has some limitations as a holistic, balanced and well-sequenced strategy. As the AER notes, there are significant gaps in its coverage of factors seen as key to long-term growth, such as public sector reform. Government activities are not yet fully prioritised, and a framework for tracking implementation and results has not been completed.

The GPRS's lack of prioritisation at the activity level has undermined its use as a guide to resource allocation. Some costing of targets has been done, however, and since 2002 allocations to PRS priority sectors have been increasing as a share of the budget. PRS annual progress reports are highlighting budgetary implications, and efforts are now being made in the annual budget hearings to ensure that the budget estimates from each ministry and public agency draw on these reports. These are important steps towards an efficient allocation of available resources that enable implementation of the strategy. However, for this objective to be achieved, it will also be necessary to make headway on budget execution, so that agreed resources are delivered and applied in a reliable way for the agreed purposes (see country systems below).

ALIGNMENT

ALTHOUGH GHANA AND ITS DONORS have put in place a number of the elements necessary to align aid with country policies and systems, this process remains incomplete in some important respects. On the one hand, country systems still fall short of providing a robust framework into which aid can be easily integrated. On the other hand, donors will need to step up their efforts if the Paris Declaration commitments on alignment are to be fully realised in Ghana.

BUILDING RELIABLE COUNTRY SYSTEMS

INDICATOR 2a

The World Bank's Country Policy and Institutional Assessment (CPIA) gives Ghana a current score of 3.5 for the quality of budgetary and public financial management, which is barely above the average for International Development Association (IDA) countries. The AER reports that although public financial management is improving, significant obstacles persist. While budget estimates are increasingly linked to the government's objectives, they must be translated fully into appropriations, expenditure authorisations and cash releases if implementing agencies are to plan on a reliable basis. The Ministry of Finance and Economic Planning needs more staff to oversee and check up on the budget submissions and utilisation of funds by line ministries and agencies. The AER calls on the government to conduct regular internal and external audits, and to clear a major backlog of audit reports. The government plans to use the results of a recent public expenditure and financial accountability review to address this and a number of other deficiencies in fiduciary arrangements.

INDICATOR 2b

Procurement is a particular area of concern, although a numerical score for Indicator 2b (an assessment of the quality of the procurement system) is not currently available. In 2003, the government introduced new rules governing procurement as well as a competitive bidding law governing the procurement of goods, services and works (Public Procurement Act 663). These changes will usher in greater trust of external partners in the country systems in Ghana.

ALIGNING AID FLOWS ON NATIONAL PRIORITIES

Ghana's Poverty Reduction Strategy provides a basis for external partners to align their support in a general way with the country's policies. With few exceptions, major donors have affirmed their commitment to the strategy and base their planning on it. The Ghana Partnership Strategy (agreed at the November 2005 CG) also reinforces alignment. It includes a results matrix that spells out how external partners' activities are aligned with the GPRS. Building on this, work is being done on the preparation of a Ghana Joint Assistance Strategy (G-JAS) for 2007-10.

INDICATOR 3
Table 14.1

Are government budget estimates comprehensive and realistic?

	Government's budget estimates of aid flows for FY05 (USD m) a	Aid disbursed by donors for government sector in FY05 (USD m) b	Baseline ratio* (%) c=a/b	c=b/a
African Dev. Bank	53	67	79%	
Canada	34	37	93%	
Denmark	41	45	92%	
European Commission	158	35		22%
France	13	31	40%	
Germany	77	58		74%
Global Fund	0	21	0%	
Japan	0	43	0%	
Netherlands	94	55		58%
Spain	21	15		72%
Switzerland	7	8	84%	
United Kingdom	79	103	76%	
United Nations	8	31	26%	
United States	62	65	95%	
World Bank	337	331		98%
Total	**985**	**946**	**96%**	

* Baseline ratio is c = a / b except where government's budget estimates are greater than disbursements (c = b /a).

The World Bank, European Commission, African Development Bank, United Kingdom and Netherlands intend to integrate their development co-operation country strategies fully with the Joint Assistance Strategy, while Canada, France, Germany, Switzerland, United States and Japan, as well as the UN agencies, with different programming cycles, expect to be closely associated with it.

One of the obstacles hindering joint country programming in Ghana is the difficulty of reflecting donor financial commitments fully and accurately in the national budget. This is the aspect of alignment measured by Indicator 3 of the baseline survey. The objective of Indicator 3 is to increase the credibility of the budget as a mechanism for governing actual allocation and utilisation of development resources – an important criterion for making alignment a reality rather than a loose principle. To this end, it seeks to encourage a reasonable degree of congruence between how much aid is reported in the budget and how much aid is actually disbursed. In doing so, it recognised that the formulation of the budget is a central feature of the formal policy process. So the degree to which donor financial contributions are fully and accurately reflected in the budget provides a relevant indicator of the degree to which there is a serious effort to align aid with country policies and policy processes and to be transparent.

The table provides government's budget estimates of aid flows for fiscal year 2005 (numerator) as a percentage of aid disbursed by donors for the government sector for the same period (denominator). This ratio tells us the degree to which there is a discrepancy between budget estimates and actual disbursements. The discrepancy can be in two directions: indeed budget estimates can be either higher or lower than disbursements. In order to have a single measure of discrepancy that is always less than 100%, the ratio is flipped when budget estimates are higher than disbursements. The baseline value for Indicator 3 in Ghana is 96%. Achieving the target agreed in Paris of 98% (halving the gap) for this indicator will require efforts by donors and government.

According to the survey return, the possible reasons for these discrepancies include insufficient reporting to the Aid and Debt Management Unit of the Ministry of Finance and Economic Planning (in the case of the major discrepancies) and the use of different exchange rates (in the case of some of the smaller variations). In addition, disbursements for projects do not always occur within the year for which they were intended. As one donor notes, "Disbursements rely on implementation progress which mainly depends on government partners in charge of the project." Furthermore, direct budget support is not always fully disbursed within the fiscal year. It seems clear, however, that stakeholders will need to look closely at the realism of the budget and its reporting of donor funding.

CO-ORDINATING SUPPORT TO STRENGTHEN CAPACITY

Capacity constraints significantly undermine the ability of country systems to capture and co-ordinate aid flows more effectively. The Paris Declaration commits donors to providing more co-ordinated support to capacity development under country leadership, with a target of 50% provided in this form by 2010. The survey indicates that currently 40% of reported technical assistance is considered co-ordinated in this sense, which would imply quite a small gap to close during the years to 2010.

This result poses an important question for the implementation of the Paris Declaration in Ghana. As the survey return notes, in answering this question donors made their own interpretation of the meaning of the phrase "co-ordinated programme under government leadership". At one extreme, some interpreted it

INDICATOR 4
Table 14.2

How much technical assistance is co-ordinated with country programmes?

	Co-ordinated technical co-operation (USD m) a	Total technical co-operation (USD m) b	Baseline ratio (%) c=a/b
African Development Bank	0	2	0%
Canada	1	5	29%
Denmark	0	1	0%
European Commission	0	11	0%
France	0	4	0%
Germany	2	13	18%
Global Fund	0	0	--
Japan	15	15	100%
Netherlands	0	18	0%
Spain	0	0	--
Switzerland	1	1	38%
United Kingdom	1	3	27%
United Nations	7	14	46%
United States	32	63	51%
World Bank	12	23	50%
Total	**70**	**174**	**40%**

as including any technical assistance agreed with government, while others followed the rigorous definition suggested by the survey guidance materials, which focuses on the extent to which there are government-initiated programmes that donors can support. It seems clear from the survey report that, in these more rigorous terms, the bulk of the capacity development work in Ghana remains uncoordinated. The technical assistance component of the health and roads sector-wide approaches (SWAps) are the most likely exceptions, and the comprehensive programme for capacity building in economic management now in preparation may prove to be an exception in the future.

In keeping with the survey's emphasis on the development of country-specific criteria, GTZ (the German international co-operation organisation) and the UNDP have initiated a discussion within the local donor community of possible appropriate criteria for Ghana. The GTZ and UNDP discussion paper says in part that almost every technical co-operation effort by donors is linked to the GPRS, and that this means that the criterion of government leadership is not a good distinguishing feature. However, this would only be true if the GPRS incorporated a fully developed component on public sector capacity development, which is not yet the case. The re-launching of Ghana's Public Sector Reform Programme may in due course help guide government policy in this area, but the scope of this initiative is not yet clear. Ghana and its partners need to have further and more focused discussion if the Paris Declaration target on co-ordinated capacity development is to be reached.

USING COUNTRY SYSTEMS

Indicator 5a is a measure of the use of three components of country public financial management systems by donors. According to the survey data, the average rate of utilisation across the three components is 62%. Given Ghana's moderately high Country Policy and Institutional Assessment (CPIA) score for public budgetary and financial management, the average should rise to 75% by 2010.

INDICATOR 5
Table 14.3

How much aid for the government sectors uses country systems?

	Aid disbursed by donors for government sector (USD m) a	Public financial management: Budget execution (USD m) b	Public financial management: Financial reporting (USD m) c	Public financial management: Auditing (USD m) d	Public financial management: Baseline ratio (%) avg (b,c,d) / a	Procurement: Procurement systems (USD m) e	Procurement: Baseline ratio (%) e /a
African Dev. Bank	67	22	22	22	33%	22	33%
Canada	37	32	29	29	81%	34	90%
Denmark	45	4	25	25	40%	25	56%
European Commission	35	35	35	35	100%	35	100%
France	31	10	8	8	28%	28	89%
Germany	58	40	40	40	70%	40	70%
Global Fund	21	21	21	0	67%	21	100%
Japan	43	4	4	4	8%	4	8%
Netherlands	55	53	53	53	96%	53	96%
Spain	15	0	0	0	0%	0	0%
Switzerland	8	7	7	7	86%	7	86%
United Kingdom	103	95	77	45	70%	93	90%
United Nations	31	1	8	2	12%	2	8%
United States	65	2	2	2	4%	2	4%
World Bank	331	328	249	256	84%	123	37%
Total	**946**	**653**	**581**	**530**	**62%**	**491**	**52%**

In Ghana, project funding does not use the national budget execution system. After the signature of credit agreement or financing agreement, a stand-alone account is opened in any commercial bank with government-authorised signatories. The Controller and Accountant general usually requests that the Bank of Ghana open the account. The project management unit operates the account. After a draw-down of revolving funds which are credited to the account, they make direct request for replenishment. The account is not linked to the consolidated fund and therefore the funds are captured outside the budget framework and controlled between the project management unit and the donor supporting the project.

Ghana's promising performance is in part a reflection of the growing role of multi-donor budget support (MDBS) in the donors' portfolio. The MDBS programme was initiated by a Memorandum of Understanding signed by the 14 bilateral and multilateral agencies in 2003. The Netherlands channels approximately 70% of its development assistance through sectoral and general budget support, while the United Kingdom disburses about 50% as general budget support and 25% through sector-wide approaches. The World Bank now provides approximately 40% of its new lending as budget support. These modalities point to an intensive use of country budget execution and financial reporting systems and, to a lesser extent, country audit systems as well.

According to the survey results, 52% of aid for the government sector made use of Ghana's procurement system. This may reflect a positive trend initiated with the 2003 procurement law in which external partners increasingly rely on procurement systems. It also underlines the importance of direct budget support; all MDBS funds are subject to national procurement rules. Although no specific target for further improvement can be set at this stage, the Paris Declaration suggests that donors need to make continued efforts to use reformed systems so that they can be tested and strengthened.

AVOIDING PARALLEL IMPLEMENTATION STRUCTURES

The Paris Declaration calls for a substantial reduction in the number of project implementation units (PIUs) that are parallel, where appointment decisions and accounting relationships involve the donor alone. The current baseline figure for Ghana is given as 45 such structures. However, the survey return suggests that this number does not reflect the true extent of parallel PIUs in the country. The general pattern is that PIUs may have offices that are physically located within ministries or agencies, and their staff may be formally appointed by the government under an agreement with the donor, but that accountability is not primarily to the government. Staff salaries are above civil-service levels and appointments end with the project.

Some donors are integrating PIUs progressively into the structures of ministries and agencies. The World Bank reports that it is consolidating and progressively integrating the 9 out of its 18 funded projects that have PIUs. In the education sector, a unit consolidating the management of a number of externally financed projects is being integrated in the structure of the ministry. The Ministry of Local Government and Rural Development has created a single Project Coordinating Unit staffed with civil servants. For this momentum to be sustained, the government departments that will assume an increased role in project execution will need to be strengthened. Further study would identify the full extent of parallel implementation structures, while draft guidelines would help mainstream and support government structures.

PROVIDING MORE PREDICTABLE AID

There is a need to improve the predictability of support and the measurement of performance in this regard. Indicator 7 focuses on the government's ability to record disbursements in its accounting system for the appropriate year. The table looks at predictability from two different angles. The first angle is donors' and government's combined ability to disburse aid on schedule. In Ghana, donors scheduled USD 887 million for disbursement in 2005 and actually disbursed – according to their own records – significantly more than expected (USD 946 million). The discrepancy varies considerably between donors and is mainly due to late disbursements carried over to 2006 and to delays in implementing programmes. The second angle is donors' and government's ability to record comprehensively disbursements made by donors for the government sector. In Ghana, government systems recorded USD 968 million compared to USD 946 million notified as disbursed by donors(92%), indicating that a proportion of disbursements were not captured, either because they were not appropriately notified by donors or because they were inaccurately recorded by government.

Indicator 7 on predictability has been designed to encourage progress against both of these angles so as to gradually close the predictability gap by half by 2010. In other words, it seeks to improve not only the predictability of actual disbursements but also the accuracy of how they are recorded in

INDICATOR 6
Table 14.4

How many PIUs are parallel to country structures?

	Parallel PIUs (units)
African Development Bank	21
Canada	0
Denmark	0
European Commission	4
France	5
Germany	1
Global Fund	0
Japan	1
Netherlands	0
Spain	0
Switzerland	0
United Kingdom	3
United Nations	8
United States	1
World Bank	1
Total	**45**

INDICATOR 7
Table 14.5

Are disbursements on schedule and recorded by government?

	Disbursements recorded by government in FY05 (USD m) a	Aid scheduled by donors for disbursement in FY05 (USD m) b	Aid actually disbursed by donors in FY05 (USD m) FOR REFERENCE ONLY	Baseline ratio* (%) c=a/b	c=b/a
African Development Bank	53	97	67	55%	
Canada	34	37	37	93%	
Denmark	41	45	45	92%	
European Commission	158	35	35		22%
France	13	39	31	32%	
Germany	77	17	58		22%
Global Fund	0	2	21	0%	
Japan	0	43	43	0%	
Netherlands	77	81	55	95%	
Spain	21	0	15		0%
Switzerland	7	12	8	60%	
United Kingdom	79	91	103	86%	
United Nations	8	10	31	80%	
United States	62	65	65	95%	
World Bank	337	311	331		92%
Total	**968**	**887**	**946**	**92%**	

* Baseline ratio is c = a / b except where disbursements recorded by government are greater than aid scheduled for disbursement (c = b /a).

government systems – an important feature of ownership, accountability and transparency. In Ghana, this combined predictability gap amounts to USD 81 million (8% of aid scheduled for disbursement). Closing this predictability gap will require donors and government to work increasingly together on various fronts at the same time. They might work at improving:

- the realism of predictions on volume and timing of expected disbursements;
- the way donors notify their disbursements to government;
- the comprehensiveness of government's records of disbursements made by donors.

This may become easier as the proportion of budget support increases, as one of the reasons given for the current discrepancies is that disbursement of project funds is highly dependent on progress in implementation. On the other hand, the use of variable tranches based on performance is likely to remain a factor in the predictability of budget support. Finally, whatever the choice of aid modalities by donors, it is clear that a vigorous effort will be called for to carry out the measures discussed at recent Consultative Group meetings for improving the level of information capture by the government's systems.

UNTYING AID

INDICATOR 8

According to OECD data covering 94% of 2005 commitments, 39% of aid to Ghana is untied. A study, commissioned by Canada on behalf of Ghana's Harmonisation Working Group in 2006, sought to advance the issue of the tying status of bilateral aid to Ghana through a data-gathering and analysis exercise. The study examined desk reviews, interviews and questionnaires to assess the tied/untied status of 2004 disbursements and compared this with 2004 commitments from the Creditor Reporting System database. The working group has agreed to further monitor disbursements (rather than commitments) for this indicator, as a basis for reviewing progress in Ghana.

HARMONISATION

AID IS INCREASINGLY BEING ALIGNED with country policies and systems in Ghana, and the outstanding obstacles have been clearly identified. There also seems to be an emerging donor consensus on aspects of aid harmonisation. Those providing support to the government sector are harmonising programme-based approaches (PBAs) and sharing missions and analytical work. This should provide a platform for actions to reduce aid fragmentation through specialisation and delegation, and improve internal incentives for collaborative behaviour, both important Paris Declaration commitments not directly covered by the survey.

USING COMMON ARRANGEMENTS

The proportion of reported government sector aid using PBAs and hence employing common arrangements is currently reported as 53%, reflecting almost equal volumes of direct budget support and support to joint programmes within particular sectors. However, this proportion reflects a more inclusive understanding of what constitutes a programme-based approach than the one suggested by the survey guidance. It is unclear how many of the listed programmes (other than the health sector-wide approach) include a process for harmonising donor procedures for reporting, budgeting, financial management and procurement, and efforts to increase the use of local systems, for example. The survey return points to the need for more study to determine the proportion of flows that fully meets the four specified identifiers of a PBA.

The true baseline is therefore somewhere below 53%, and reaching the Paris Declaration target for 2010 (66%) will be correspondingly harder to achieve. Encouragingly, stakeholders are taking some steps in the right direction. For example, the World Bank and the International Fund for Agricultural Development are harmonising the timing of their disbursements and the closing of their respective rural development projects. The roads strategy involves annual joint reviews. Plans are under way to merge implementation arrangements and prepare for sector-wide approaches in education and agriculture, and for the establishment of a common basket for private-sector development.

INDICATOR 9
Table 14.6

How much aid is programme based?

	Budget support (USD m) a	Other PBAs (USD m) b	Total (USD m) c=a+b	Total disbursed (USD m) d	Baseline ratio (%) e=c/d
African Development Bank	22	0	22	67	33%
Canada	32	3	35	41	87%
Denmark	4	10	14	49	28%
European Commission	31	4	35	87	41%
France	8	1	10	32	30%
Germany	8	2	10	60	17%
Global Fund	--	21	21	21	100%
Japan	0	10	10	43	23%
Netherlands	12	39	51	71	72%
Spain	0	0	0	15	0%
Switzerland	7	1	9	12	74%
United Kingdom	45	32	77	112	69%
United Nations	0	12	12	32	38%
United States	2	72	74	74	100%
World Bank	123	48	172	332	52%
Total	**296**	**256**	**552**	**1 047**	**53%**

INDICATOR 10a
Table 14.7

How many donor missions are co-ordinated?

	Co-ordinated donor missions (missions) a	Total donor missions (missions) b	Baseline ratio (%) c=a/b
African Dev. Bank	3	9	33%
Canada	1	57	2%
Denmark	5	8	63%
European Commission	9	10	90%
France	3	23	13%
Germany	3	11	27%
Global Fund	0	2	0%
Japan	0	22	0%
Netherlands	5	14	36%
Spain	0	0	--
Switzerland	3	10	30%
United Kingdom	8	11	73%
United Nations	18	37	49%
United States	0	10	0%
World Bank	44	112	39%
Total (discounted*)	**66**	**336**	**20%**

* The total of co-ordinated missions has been adjusted to avoid double counting. A discount factor of 35% has been applied.

INDICATOR 10b
Table 14.8

How much country analysis is co-ordinated?

	Co-ordinated donor analytical work (units) a	Total donor analytical work (units) b	Baseline ratio (%) c=a/b
African Dev. Bank	1	3	33%
Canada	1	5	20%
Denmark	0	0	--
European Commission	3	10	30%
France	0	0	--
Germany	0	0	--
Global Fund	0	0	--
Japan	0	0	--
Netherlands	1	1	100%
Spain	0	0	--
Switzerland	2	5	40%
United Kingdom	4	5	80%
United Nations	11	15	73%
United States	0	0	--
World Bank	2	3	67%
Total (discounted*)	**19**	**47**	**40%**

* The total of co-ordinated analysis has been adjusted to avoid double counting. A discount factor of 25% has been applied.

CONDUCTING JOINT MISSIONS AND SHARING ANALYSIS

The baseline figure for co-ordination of donor missions is 20%. The absolute numbers of missions are very large, meaning that efforts to meet or exceed the target are certainly justified. Donors in Ghana have adopted a mission-free period between 15 September and 15 November each year in an attempt to rationalise missions and reduce their disruptive effects on the regular business of government.

Joint analytical work is also becoming more common, and the baseline proportion is as high as 40%. The UN system accounts for a large proportion of joint exercises. Others include assessments of the public financial management and procurement systems using the country financial accountability assessment, the public expenditure and financial accountability assessment, and the country procurement assessment report methodologies, involving several donors in each case. The MDBS group has commissioned an evaluation of the programme, and further analytical inputs are likely to be produced collaboratively for the Joint Assistance Strategy. External partners have posted at least 23 documents on the multi-donor international website for country analytical work (www.countryanalytic-work.net). The Paris Declaration target of 66% of analytical work done jointly seems within easy reach in Ghana, even allowing for some measure of over-counting of the current level of jointness. Government and donors are exploring the opportunity of establishing a more ambitious goal against this target.

MANAGING FOR RESULTS

INDICATOR 11

THE PARIS DECLARATION urges partner countries and donors to work together to manage resources on the basis of desired results, and to use information to improve decision making. This means both strengthening the capacity to undertake such management and helping to increase the demand for a focus on results. Indicator 11 targets one component of this effort, the establishment of cost-effective results-oriented reporting and assessment systems by the country.

Ghana is not among the group of IDA countries judged to have a "largely developed" results monitoring system according to the World Bank's CDF Progress Report. It falls in category C of this assessment, along with the 42% of the sample that have some but not all of the elements of such a system. This reflects particular strengths and inadequacies in three areas: the quality of the available development information, the degree to which stakeholders have access to it, and the extent of co-ordinated monitoring and evaluation of the country's development efforts.

The AER reports that the availability and quality of poverty-related data are improving. The formulation of GPRS II was guided by the series of surveys and censuses carried out by the Ghana Statistical Service and its partners, including a new Demographic and Health Survey, and a Poverty and Social Impact Analysis. However, there is more of a problem with data on intermediate outcomes because different ministries and agencies use different data collection systems, creating inconsistencies and time lags. Reporting on a number of different sets of indicators for a number of strategies and programmes – GPRS, multi-donor budget support and the Millennium Development Goals – is straining an already weak information management system. Yet action to harmonise demands on the system through a streamlined PRS results matrix is still at an early stage. Most importantly, the inadequacies of the financial accounting system, noted above, mean that it is not possible to report on activities and outputs in relation to the objectives declared by ministries and agencies, hence it is difficult to hold them accountable for their performance.

These data limitations are reflected in the content of monitoring instruments such as the GPRS Annual Progress Reports (APRs). These reports are nonetheless quite widely disseminated by the National Development Planning Commission, with outreach activities including radio broadcasts and government vans with displays and video presentations. Members of Parliament have shown interest in debating the findings of APRs, although this has been limited by the fact that the reports have not usually been formally tabled in Parliament. Co-ordination of the country's monitoring and evaluation system will be hard to achieve for some time and stakeholders will see only limited benefits until the financial data gaps are narrowed. (However, co-ordination at the sector level has already proven possible and beneficial in the health area.)

MUTUAL ACCOUNTABILITY

INDICATOR 12

THE PARIS DECLARATION calls for donors and partner countries to be accountable to each other for the use of development resources, and in a way that strengthens public support for national policies and development assistance. This in turn requires governments to improve country accountability systems and donors to be transparent about their own contributions. Indicator 12 seeks to establish whether there is a country-level mechanism permitting joint assessment of progress in implementing agreed commitments on aid effectiveness, including those in the Declaration itself.

Such a mechanism does exist in Ghana. At the November 2005 CG meeting, the government and external partners agreed on an Aid Harmonisation and Effectiveness Matrix, which sets out country outcomes for each of the 12 Paris Declaration indicators and actions which the government and partners will undertake to achieve them. A core working group (composed of two government officials and a representative set of multilateral and bilateral donors) identified individual agencies to spearhead actions in different fields of aid effectiveness. The group meets monthly to monitor progress. In addition, the 2006 survey (which was facilitated by a local think tank, the Centre for Policy Analysis) has brought alignment and harmonisation issues to the forefront.

The government of Ghana's commitment to this process is reflected in its membership in the DAC's Joint Venture on Monitoring the Paris Declaration and its offer to host the next High-Level Forum on Aid Effectiveness in 2008.

BASELINES AND TARGETS

THE TABLE BELOW presents the 2005 baselines and the targets for Ghana. The baseline values are taken from the discussion above, which draws on various sources of information. The main source is the baseline survey undertaken in Ghana under the aegis of the National Co-ordinators (Helen Allotey and Agatha Gaisie-Nketsiah).

Table 14.9 Baselines and targets

INDICATORS		2005 BASELINE	2010 TARGET
1	Ownership – Operational PRS	C	B or A
2a	Quality of PFM systems	3.5	4.0
2b	Quality procurement systems	Not available	Not applicable
3	Aid reported on budget	96%	98%
4	Co-ordinated capacity development	40%	50%
5a	Use of country PFM systems (aid flows)	62%	75%
5b	Use of country procurement systems (aid flows)	52%	Not applicable
6	Parallel PIUs	45	15
7	In-year predictability	92%	96%
8	Untied aid	39%	More than 39%
9	Use of programme-based approaches	53%	66%
10a	Co-ordinated missions	20%	40%
10b	Co-ordinated country analytical work	40%	66%
11	Sound performance assessment framework	C	B or A
12	Reviews of mutual accountability	Yes	Yes

ACRONYMS

AER	Aid Effectiveness Review
APR	Annual Progress Report
CDF	Comprehensive Development Framework
CG	Consultative Group
CPIA	Country Policy and Institutional Assessment
G-JAS	Ghana Joint Assistance Strategy
GPRS	Ghana Poverty Reduction Strategy
IDA	International Development Association
MDBS	multi-donor budget support
ODA	official development assistance
PBA	programme-based approach
PIU	project implementation unit
PRS	Poverty Reduction Strategy
SWAp	sector-wide approach

15 HONDURAS

HONDURAS HAS A POPULATION OF AROUND 7.2 MILLION PEOPLE, subsisting on a gross domestic (DGP) of USD 1 190 per capita. In 1999, 48% of the population were reported as falling below the national poverty line. In the same year, 20.7% of the population fell below the dollar-a-day international poverty line, and 44% earned less than two dollars a day.

Honduras is a signatory to the Paris Declaration on Aid Effectiveness. There appears to be strong government commitment towards 2010 targets although constraints are still evident. In 2005, net official development assistance (ODA) was USD 681 million, up from USD 650 million in 2004 and USD 395 million in 2003. ODA as a percentage of gross national income (GNI) decreased from 9.2% in 2004 to 8.2% in 2005 (in 2003 it was at 6.0%). This chapter has been written on the basis of information provided for the survey by the government of Honduras regarding nine donors which provides at least 60% of ODA for 2005.

OVERVIEW
Box 15.1
Challenges and priority actions

DIMENSIONS	BASELINE	CHALLENGES	PRIORITY ACTIONS
Ownership	Moderate	Further strengthen government capacity for planning and implementation and work towards more effective use of financial and technical resources.	Create clearer and more articulate mechanisms for prioritising and implementing the country's Poverty Reduction Strategy (ERP).
Alignment	Low	Corruption remains a major challenge and it is not yet clear what the government's intentions are in this area.	Continue to strengthen country systems for public finance management and procurement and capacity to use the integrated financial public administration system (SIAFI), among others.
Harmonisation	Moderate	Greater co-ordination by donors under government leadership in conducting joint missions, including system of tracking donor missions.	Continued work by government and donors towards respective sector-wide approaches.
Managing for results	Moderate	Continued fragmentation of statistical capacity and lack of links to information systems within line ministries.	Continue work towards a comprehensive country-level monitoring and evaluation system.
Mutual accountability	Moderate	Strengthening results-based monitoring and evaluation, civil society participation as well as donor and government co-ordination.	Continue implementing initiatives towards mechanism of mutual accountability.

OWNERSHIP

INDICATOR 1

OWNERSHIP IS CRITICAL to achieving development results and is central to the Paris Declaration. It has been defined as a country's ability to exercise effective leadership over its development policies and strategies. Achieving this – especially in countries that rely heavily on aid to finance their development – is not a simple undertaking. Nor, of course, can it be measured by a single indicator. For donors, it means supporting countries' leadership, policies, institutions and systems. This is commonly referred to as 'alignment' (see below). Donors are in a better position to do this when governments set out clear priorities and operational strategies (the main focus of Indicator 1 of the Paris Declaration).

As part of the World Bank's 2005 review of the Comprehensive Development Framework, Honduras was rated at C, on a scale from A to E (where A is the highest). This assessment is made on the basis of a range of criteria: whether the country has a long-term vision, with a medium-term strategy derived from that vision; whether there are country-specific development targets with holistic, balanced and well- sequenced strategy; and whether there is the capacity and resources for implementation. Only countries in categories A or B are considered to have an operational strategy.

The ERP (*Estrategia para la Reducción de la Pobreza*) is the country's poverty reduction strategy with a long-term vision spanning 2001-15. The World Bank's Aid Effectiveness Review (AER) for 2006 reports that progress has been made in fostering agreement within the country around a long-term development vision. The ERP informs constitutionally mandated Government Plans identifying medium-term objectives. Focus on long-term objectives is facilitating development of strategic approaches at sectoral level, although the 2006-elected government has not yet committed to this. Objectives at the sector level will inform the government plan for 2006-10. All 298 municipalities completed their municipal development plans by 2005 and some of these are being implemented.

The ERP identifies six programmatic areas: i) equitable and sustainable growth, ii) reducing poverty in rural areas, iii) reducing poverty in urban zones, iv) investing in human capital, v) strengthening protection for vulnerable groups, and vi) guaranteeing the strategy's sustainability, with gender, environmental sustainability, social security nets and decentralisation as cross-cutting themes. The government is discussing revision around three components: i) sustainability, ii) strategic areas, and iii) cross-cutting issues. It is expected to focus implementation on five priorities through its Government Plan: i) macroeconomic stability, ii) economic growth with equity, iii) governance and reform of the state, iv) combating corruption and citizen participation, and v) human development. Goals identified for 2015 are consistent with the Millennium Development Goals (MDGs) and tailored to Honduran circumstances.

The World Bank's AER for 2006 notes that progress is being made to channel greater resources toward ERP priorities. A Medium-Term Expenditure Framework (MTEF) based on ERP sectoral priorities has informed the annual budget since 2005. Since 2004, there has been a virtual fund incorporated in the budget, tracking poverty spending by tagging specific expenditures. In 2004, poverty spending increased by 0.6%, reaching 8.4% of GDP; ERP-spending amounts to almost 40% of the 2006 budget. The government has expressed commitment to linking spending to performance of government institutions and efforts are being made to strengthen government capacity, although there are still significant bottlenecks in this area. The *Sistema de Información para la Estrategia de Reducción de la Pobreza* (SIERP) is in place to co-ordinate and track the ERP, though the government admits that it is necessary to further improve the generation of data in this area.

The World Bank AER for 2006 notes that the strategy development and implementation of the ERP is co-ordinated by the *Unidad de Apoyo Técnico* (UNAT) under the Ministry of the Presidency. The Social Cabinet, under the Minister of Culture, helps to ensure that policy and budget reflects ERP sectoral priorities. Work is under way in terms of establishing sustainable structures for stakeholder participation, through the ERP Consultative Council, which focuses on monitoring and social auditing to assess performance against social objectives. The Citizen Participation Law (2006) aims to facilitate participation at local level, although the creation of municipal and department committees and citizen consultative bodies has not yet occurred.

Civil society organisations and the private sector are involved in ERP monitoring and updating through the Consultative Council, with freedom of association respected by the government. Parliamentary involvement is also evident: the National Congress approves government development plans as outlined in the Constitution. However, past ERP quarterly progress reports were not discussed at this level, and the current government has not yet began to prepare these. The congressional budget committee oversees the budget; some conflict in this area has underlined that it is necessary to create clear and articulated mechanisms for prioritising and implementing the ERP. Congress representatives meet regularly with external partners.

ALIGNMENT

FOR AID TO BE EFFECTIVE, it must be aligned with national development strategies and plans. Indicators 2 to 8 of the Paris Declaration seek to assess the degree of alignment attained, looking at several dimensions of alignment.

Honduras has displayed some progress in terms of alignment but government and donors have some way to go before the country can meet the Paris Declaration objectives for the alignment of aid with country policies and systems. Particular effort is necessary in terms of the amount of aid using country systems and recording systems for this.

BUILDING RELIABLE COUNTRY SYSTEMS

Under the World Bank's Country Policy and Institutional Assessment (CPIA) for 2005, which assesses the quality of budgetary and financial management, Honduran Public Finance Management (PFM) systems receive a rating of 4.0. This is significantly higher than the average of 3.2 for all International Development Assistance borrowers.

INDICATOR 2a

The World Bank's AER 2006 notes that action is being taken to strengthen country fiduciary systems. An integrated financial public administration system (SIAFI) was introduced in 2003, and this has been enhanced in 2005 to improve accessibility. Progress has been made in reconciling revenue and expenditure. However, capacity within line ministries to use SIAFI is currently limited. More resources and further follow-up would also help in extending audits to a larger number of central and local government institutions.

INDICATOR 2b

The government is implementing a Program of Efficiency and Transparency in Public Procurement (PET). In 2005, the government revised its existing Procurement Law, establishing a procurement regulatory office. This is not yet fully up and running but funds are being allocated to strengthen capacity and resources for operationalisation. Corruption also remains a major challenge, despite some improvements made in this area. Improvements in resources and capacity in particular may go some way to allowing Honduras to reach its 2010 target of 4.5 for PFM.

INDICATOR 3
Table 15.1

Are government budget estimates comprehensive and realistic?

	Government's budget estimates of aid flows for FY05 (USD m) a	Aid disbursed by donors for government sector in FY05 (USD m) b	Baseline ratio* (%) c=a/b	c=b/a
CABEI	105	23		22%
Canada	5	3		60%
Cooperantes Multilaterales	19	--		
European Commission	32	55	59%	
France	--	1		
Germany	13	12		91%
Global Fund	--	0		
IDB	215	71		33%
Japan	17	19	86%	
Spain	34	2		7%
Sweden	16	8		53%
Switzerland	1	1	86%	
United Nations	22	27	81%	
United States	19	12		65%
World Bank	171	100		58%
Total	**667**	**334**	**50%**	

* Baseline ratio is c = a / b except where government's budget estimates are greater than disbursements (c = b /a).

ALIGNING AID FLOWS ON NATIONAL PRIORITIES

According to the World Bank's AER 2006, the Ministry of Finance co-ordinates the multilateral development banks and the *Secretaría Técnica de Cooperación Internacional* (SETCO) co-ordinates bilateral assistance and the United Nations. SETCO co-ordinates closely with UNAT to ensure development assistance is aligned with the ERP. The government has indicated a need to reform consultations with external partners, and this work is underway. Dialogue between external partners currently occurs by means of a co-ordinated framework known as the G-16, which also maintains relations with SETCO and UNAT. External partners have aligned their assistance with the ERP and are continuing to prioritise this area while also decentralising their operations. The government has shown interest in decentralisation through public-private partnerships.

There are problems reflecting donor financial commitments fully and accurately in the national budget. Indicator 3 seeks to assess the degree to which aid flows are aligned with national priorities, using the proportion of aid which is recorded in the budget as a proxy. The baseline survey for Honduras shows 50% of aid being recorded in the national budget. The general target for this indicator set by the Paris Declaration (86%) calls for a high level of budget realism on the part of the country authorities, accompanied by a high degree of willingness and ability of donors to provide information in a timely fashion and in a suitable form.

The table above provides two measures for Indicator 3. The first is based on the ratio between the volume of aid recorded in the budget (numerator) and the amount of aid disbursed for the government sector (denominator). This ratio tells us the degree to which there is under-inclusion of aid in the budget (ratio under 100%) or over-inclusion (ratio over 100%). For Honduras, there are discrepancies in terms of both over-inclusion and under-inclusion (to the total of 200%).

INDICATOR 4
Table 15.2

How much technical assistance is co-ordinated with country programmes?

	Co-ordinated technical co-operation (USD m) a	Total technical co-operation (USD m) b	Baseline ratio (%) c=a/b
CABEI	0	1	53%
Canada	--	1	--
Cooperantes Multilaterales	--	--	--
European Commission	2	7	23%
France	--	0	--
Germany	1	7	9%
Global Fund	0	0	--
IDB	--	3	--
Japan	9	10	86%
Spain	--	17	--
Sweden	1	3	20%
Switzerland	0	1	6%
United Nations	--	23	--
United States	46	54	84%
World Bank	12	22	56%
Total	**70**	**148**	**47%**

To give a clearer good indication of aggregate discrepancies, a measure of the 'budget recording gap' is also provided. This better reflects the degree of discrepancy between aid reported by donors as disbursed for the government sector, and that recorded in the budget. The budget recording gap in Honduras is 113%, with a 2010 target of 56%. According to the survey return, the possible reasons for these discrepancies include different fiscal years of the government and the donors; ODA data not being integrated into the national budget, particularly regarding sums disbursed directly to decentralised organisms; and lack of registration of technical co-operation. Achieving the target agreed in Paris for this indicator will mean gradually closing this large gap over time, with particular attention necessary in terms of the above problems. The government has already stated various actions to combat these issues and in general, government systems for tracking and recording aid are in place.

CO-ORDINATING SUPPORT TO STRENGTHEN CAPACITY

Capacity constraints significantly undermine the ability of country systems to capture and co-ordinate aid flows more effectively. The Paris Declaration commits donors to providing more co-ordinated support to capacity development under country leadership, with a target of 50% provided in this form by 2010. The survey indicates that currently 47% of reported technical assistance is considered co-ordinated in this sense, indicating that Honduras is already close to the 2010 target.

This result reflects good progress towards co-ordination, and the involvement of a number of donors across the board. However, it is important to note that most of this is covered by relatively few actors. At the same time, it is not entirely clear what interpretation is made of the phrase 'co-ordinated programme under government leadership'. The government notes in the survey that despite the presence of a unified government definition, there are varied understandings of the term and there are many programmes still under discussion. This impacts work towards the 2010 objective and suggests that more work is to be done to enable fully co-ordinated technical assistance.

INDICATOR 5
Table 15.3

How much aid for the government sectors uses country systems?

	Aid disbursed by donors for government sector (USD m) a	Public financial management: Budget execution (USD m) b	Public financial management: Financial reporting (USD m) c	Public financial management: Auditing (USD m) d	Public financial management: Baseline ratio (%) avg (b,c,d) / a	Procurement: Procurement systems (USD m) e	Procurement: Baseline ratio (%) e /a
CABEI	23	23	--	--	--	--	--
Canada	3	--	--	--	--	--	--
Cooperantes Multilaterales	--	--	--	--	--	--	--
European Commission	55	5	5	5	9%	5	9%
France	1	--	--	--	--	--	--
Germany	12	4	4	4	30%	4	30%
Global Fund	0	--	--	--	--	--	--
IDB	71	71	71	--	--	--	--
Japan	19	2	2	2	12%	2	12%
Spain	2	6	--	--	--	--	--
Sweden	8	7	7	7	89%	5	58%
Switzerland	1	--	0	0	--	0	14%
United Nations	27	1	--	--	--	--	--
United States	12	12	12	12	100%	2	13%
World Bank	100	--	--	--	--	--	--
Total	**334**	**131**	**101**	**30**	**26%**	**17**	**5%**

The World Bank's AER 2006 reports that there is a gradual move towards sector-wide approaches (SWAps) in some sectors, which has helped with co-ordination of capacity support. This has happened particularly in health, although some sectoral roundtables are still being reorganised. Fragmentation of capacity building support is being reduced owing to strong government leadership (with donor assistance), particularly in the financial sector and in the areas of financial management and planning. Some donors are contributing to a multi-donor fund to finance technical assistance in ERP activities; joint donor work aligned with the ERP is also going on towards capacity building in public sector and public expenditure management and in civil society organisations' participation in ERP monitoring and evaluation (M&E).

USING COUNTRY SYSTEMS

The Paris Declaration encourages donors to make increasing use of country systems for Public Financial Management (PFM) and for procurement where these are of sufficient quality to merit their use. Indicator 5a is a measure of the use of three components of country public financial management systems by donors. The baseline survey for Honduras reports that an average of 26% of aid makes use of each of the three PFM systems – for budget execution, for financial reporting, and for audit. The target for 2010 is 51%. Six donors make use of all three PFM systems, at the same time, for some of their projects or programmes (2010 target of nine out of ten donors). For procurement, 5% of aid, and six donors, make use of country systems. There are currently no targets for this for 2010. Given the relatively high CPIA score for public budgetary and financial management (4.0), Honduras should be able to work towards its targets here, although procurement represents an area of priority.

The *Ley Orgánica del Presupuesto* (2005) entails the regulation and harmonisation of public financial management. However, according to the government, problems arise in terms of the lack of registration of non-reimbursable co-operation funds; lack of medium-term expenditure planning on the part of the donors; problems of co-ordination between government and donors regarding national systems; discrepancies between planned and real expenditure; and lack of government regulation of expenditure.

According to the World Bank AER 2006, there are some external partners providing budget support, therefore using the country's fiduciary systems. Others are foreseeing this. An informal Budget Support Group works within the G-16 donor group to facilitate exchange of information and discussion on harmonisation, although the G-16 has not begun working on agreeing a common policy matrix for budget support. Most development assistance is currently channelled through projects, which means that implementation relies on the procurement and financial management systems and procedures of the external partner. Further, external partners do not yet rely on national information systems within government institutions for the sectors where SWAps are being prepared, such as education and health.

AVOIDING PARALLEL IMPLEMENTATION STRUCTURES

The Paris Declaration calls for a substantial reduction in the number of Project Implementation Units (PIUs) that are parallel in the sense that appointment decisions and accounting relationships involve the donor alone. The baseline survey for Honduras shows a total of 52 parallel PIUs in existence. The target for 2010 is significantly lower than this, at 17. However, this may not be a true representation of the situation for PIUs in Honduras. The survey notes that there is a need for a unified definition of PIUs, as different actors may see these differently.

INDICATOR 6
Table 15.4

How many PIUs are parallel to country structures?

	Parallel PIUs (units)
CABEI	--
Canada	--
Cooperantes Multilaterales	--
European Commission	21
France	--
Germany	0
Global Fund	1
IDB	--
Japan	--
Spain	8
Sweden	2
Switzerland	5
United Nations	3
United States	--
World Bank	12
Total	**52**

The World Bank's AER 2006 reports that most of 2005's projects were being implemented by PIUs or PCUs (Programme Co-ordination Units). It is clear that there is a need for more progress to reach the target number of parallel PIUs of 17 by 2010. However, there has been some effort to limit use of PIUs to administrative functions, with government institutions taking responsibility for co-ordinating externally- financed projects. The government is also proposing consolidating PIUs through a 'progressive move from project to programme approach' and integrating them into government ministries by means of Unidades Administradoras de Programas (UAPs). These aim to avoid the creation of new PIUs and to reduce the number currently in existence.

INDICATOR 7
Table 15.5

Are disbursements on schedule and recorded by government?

	Disbursements recorded by government in FY05 (USD m) a	Aid scheduled by donors for disbursement in FY05 (USD m) b	Aid actually disbursed by donors in FY05 (USD m) FOR REFERENCE ONLY	Baseline ratio* (%) c=a/b	c=b/a
CABEI	32	98	23	32%	
Canada	1	4	3	32%	
Cooperantes Multilaterales	3	--	--		
European Commission	11	--	55		
France	--	--	1		
Germany	4	11	12	33%	
Global Fund	--	--	0		
IDB	95	98	71	98%	
Japan	5	18	19	30%	
Spain	11	2	2		20%
Sweden	9	13	8	68%	
Switzerland	0	0	1		21%
United Nations	--	30	27		
United States	13	12	12		94%
World Bank	107	117	100	91%	
Total	**291**	**404**	**334**	**72%**	

* Baseline ratio is c = a / b except where disbursements recorded by government are greater than aid scheduled for disbursement (c = b /a).

PROVIDING MORE PREDICTABLE AID

If aid is provided in a predictable manner, then recipient countries are better able to plan and make effective use of aid. Indicator 7 seeks to assess the in-year predictability of aid, measuring the proportion of planned disbursements (as reported by donors), which are recorded by government in the national accounting system as having been disbursed.

The table above looks at predictability from two different angles. The first angle is donors' and government's combined ability to disburse aid on schedule. In Honduras, donors scheduled USD 404 million for disbursement in 2005 and actually disbursed — according to their own records — significantly less than expected (USD 334 million). The discrepancy varies considerably between donors and is mainly due to late disbursements carried over to FY2006 and to delays in implementing programmes. The second angle is donors' and government's ability to record comprehensively disbursements made by donors for the government sector. In Honduras, government systems recorded USD 291million out of the USD 334 million notified as disbursed by donors (72%) indicating that a significant proportion of disbursements were not captured either because they were not appropriately notified by donors or inaccurately recorded by government.

Indicator 7 on predictability has been designed to encourage progress against both of these angles so as to gradually close the predictability gap by half by 2010. In other words it seeks to improve not only the predictability of actual disbursements but also the accuracy of how they are recorded in government systems — an important feature of ownership, accountability and transparency. In Honduras, this combined predictability gap amounts to USD 113 million (28% of aid scheduled for disbursement). Closing this predictability gap will require donors and government to work increasingly together on various fronts at the same time: be more realistic on their ability to disburse on schedules, for donors to notify these disbursements to government and for governments to accurately record disbursements in their systems.

For Honduras, this target seems possible given the work being carried out on this. In general, these results are good, proving that both the government and external partners are making progress towards more predicable aid. The World Bank AER 2006 sees that the government is incorporating in the budget the total amount and execution of grants from external partners, but that disbursements follow external partners' respective budget cycles (particularly medium-term expenditure). These are not always aligned with the national budget cycle. This can impact the ability to implement national strategy according to the planned schedule. There is a need for increased action in this area from both sides.

UNTYING AID

INDICATOR 8

According to OECD data covering 74% of 2004 commitments, 74% of aid to Honduras is untied. The Paris Declaration commits countries and donors to make progress in further untying aid. The World Bank AER 2006 notes that multilateral assistance is untied. Moreover, untied aid has grown through increases in funding from bilateral partners which provide only untied aid.

HARMONISATION

Honduras is performing well on harmonisation, particularly in the evolution towards programme-based approaches (PBAs) and co-ordinated country analysis, although there is room for improvement on the donors' side with regards to the amount of joint missions conducted.

USING COMMON ARRANGEMENTS

43% of aid to Honduras is reported to use programme-based approaches (PBAs). However, this is unequally spread across the different areas of support. Around 45% of this total is accounted for by budget support, with around 55% constituting support through other PBAs.

INDICATOR 9
Table 15.6

How much aid is programme based?

	Budget support (USD m) a	Other PBAs (USD m) b	Total (USD m) c=a+b	Total disbursed (USD m) d	Baseline ratio (%) e=c/d
CABEI	--	--	--	23	--
Canada	--	2	2	6	30%
Cooperantes Multilaterales	--	--	--	--	--
European Commission	5	55	60	60	100%
France	--	--	--	2	--
Germany	--	3	3	13	21%
Global Fund	--	--	--	11	--
IDB	--	--	--	72	--
Japan	2	12	14	21	67%
Spain	--	6	6	18	33%
Sweden	--	6	6	14	46%
Switzerland	--	0	0	3	3%
United Nations	--	0	0	30	1%
United States	8	4	12	59	20%
World Bank	67	14	82	100	82%
Total	**83**	**102**	**185**	**432**	**43%**

INDICATOR 10a
Table 15.7

How many donor missions are co-ordinated?

	Co-ordinated donor missions (missions) a	Total donor missions (missions) b	Baseline ratio (%) c=a/b
CABEI	4	4	100%
Canada	2	35	6%
Cooperantes Multilaterales	--	--	--
European Commission	10	55	18%
France	--	--	--
Germany	3	15	20%
Global Fund	0	2	0%
IDB	108	108	100%
Japan	1	17	6%
Spain	--	10	--
Sweden	6	24	25%
Switzerland	2	5	40%
United Nations	16	118	14%
United States	12	12	100%
World Bank	9	116	8%
Total (discounted*)	**112**	**521**	**22%**

* The total of co-ordinated missions has been adjusted to avoid double counting. A discount factor of 35% has been applied.

INDICATOR 10b
Table 15.8

How much country analysis is co-ordinated?

	Co-ordinated donor analytical work (units) a	Total donor analytical work (units) b	Baseline ratio (%) c=a/b
CABEI	4	4	100%
Canada	3	22	14%
Cooperantes Multilaterales	--	--	--
European Commission	--	5	--
France	--	--	--
Germany	--	2	--
Global Fund	0	0	--
IDB	11	11	100%
Japan	--	--	--
Spain	--	1	--
Sweden	1	8	13%
Switzerland	2	2	100%
United Nations	21	33	64%
United States	41	50	82%
World Bank	2	3	67%
Total (discounted*)	**64**	**141**	**45%**

* The total of co-ordinated analysis has been adjusted to avoid double counting. A discount factor of 25% has been applied.

Against a 2010 target of 66% for PBAs, there is a need for further progress on harmonisation of policies and procedures, although Honduras performs relatively well here compared with other countries. The World Bank AER 2006 tells us that donors are continuing to co-ordinate support and to move towards common procedures, for example in education and health. The government also notes a move towards PBAs in terms of finance, national development strategy and national capacity building. A Memorandum of Understanding (MoU) was signed by several main donors in 2003. Donors and government are working towards respective SWAps, although progress is slow in some areas (such as water and sanitation). In some cases, donors co-ordinate parallel financing.

CONDUCTING JOINT MISSIONS AND SHARING ANALYSIS

As regards co-ordinating donor missions, the baseline survey shows a fairly low result of 22%, although this is higher than the average for the countries surveyed and represents some progress needed towards the 2010 target of 40%. Although there is a danger of inflating this indicator by counting joint missions twice, the survey return suggests that precautions were taken to avoid this. The World Bank's AER 2006 states that some donors are conducting joint review missions, such as in primary education and in the preparation of the first and second Poverty Reduction Support Credits (PRSC). In general, the numbers reported are encouraging and extend across the donors (although the vast majority of joint missions are carried out by the Inter-American Development Bank). However, there is a need for greater donor co-ordination and leadership by government, particularly in tracking missions, in order to work towards the 2010 target

of 40%. As donors start to work more towards harmonisation along PBAs, it is possible that there will be further harmonisation in this area as well. The government notes a desire to increase the amount of joint missions.

45% of country analysis was co-ordinated, according to the baseline survey; eight of the 11 donors which have conducted analyses have co-ordinated these with others. This number is relatively high, and this could lead to improvements in other areas of harmonisation. The 2010 target is for 60% of analysis being co-ordinated. There is work to be done to achieve this, but progress is so far satisfying, reflected both in the number of joint studies conducted and in the number of donors to the country co-ordinating their initiatives. For example, according to the World Bank's AER 2006, the Inter-American Development Bank (IDB), the United Kingdom, Norway and Sweden worked on a study of public expenditure management; in 2005-06, IDB and the World Bank updated its Country Financial Accountability Assessment (CFAA) from 2003 and completed a Country Procurement Assessment Report (CPAR).

MANAGING FOR RESULTS

INDICATOR 11

THE PARIS DECLARATION urges partner countries and donors to work together to manage resources on the basis of desired results, and to use information to improve decision making. This means both strengthening the capacity to undertake such management and helping to increase the demand for a focus on results. Indicator 11 targets one component of this effort, the establishment of cost-effective results-oriented reporting and assessment systems by the country.

The rating for indicator 11 is based on the World Bank's 2005 assessment of the Comprehensive Development Framework (CDF). Honduras is among the group of International Development Assistance (IDA) countries judged to have a 'largely developed' results monitoring system according to the World Bank's CDF Progress Report. It falls in category C of this assessment, along with the 42% of the sample that have some but not all of the elements of such a system. This reflects both the efforts put in by the government of Honduras and some of the problems for future consideration, including mobilisation of resources and building capacity in particular. The rating is based on three criteria: the quality of development information; the degree to which stakeholders have access to it; and, the extent to which there is a co-ordinated monitoring and evaluation of the country's development efforts.

The World Bank's AER 2006 notes improvements in the quality and availability of poverty-related data is improving: a census (2001), poverty assessment (2005) and Living Standards Measurement Study (LSMS) (2004) have been conducted. Although the government is preparing a national statistical development strategy, statistical capacity development remains fragmented.

There has been action taken to strengthen stakeholders' access to information, such as through the approval by the National Congress of a transparency law. Much information is already available on relevant websites, particularly that of SIERP, including budgetary and poverty reduction data.

A country-level monitoring and evaluation system informing policy is not yet in place, although there is work being done to achieve this, including SIERP web-based tracking of progress towards meeting the ERP objectives and a Master Plan guiding monitoring activities through 2015. UNAT conducted impact evaluations through 2006 in a number of areas. Three regional observatories have been established since 2006 monitoring progress towards the MDGs, and it is hoped that such data will feed into SIERP and SIAFI. The government also hopes later to integrate SIERP into SIAFI, but the former is not yet linked to information systems within line ministries. This hampers progress towards the identification of credible base lines for ERP indicators.

MUTUAL ACCOUNTABILITY

THE PARIS DECLARATION calls for donors and partner countries to be accountable to each other for the use of development resources, and in a way that tends to strengthen public support for national policies and development assistance. This in turn requires governments to take steps to improve country accountability systems and donors to help by being transparent about their own contributions. The indicator being monitored is whether there exists a country-level mechanism permitting joint assessment of progress in implementing agreed commitments on aid effectiveness, including those in the Declaration itself, and specifically, whether such an assessment has taken place.

The baseline survey reports that no such assessment has taken place for Honduras. However, the World Bank's AER 2006 notes that there has been some movement towards joint monitoring of mutual commitments. It looks likely that Honduras will go some way towards implementing a mechanism of mutual accountability by 2010, given that the government is putting in place initiatives along with external partners and civil society organisations. In particular, in 2005, the previous government prepared a National Plan for Harmonization; the current government plans to review this and adapt it to evolving country priorities. Revision of the ERP in 2003, 2004 and 2005 took place in co-ordination with donors, and poverty reduction policies and programmes have been evaluated jointly in the sectoral roundtables. However, the government notes a need to focus on a number of areas here, in particular strengthening of results-based monitoring and evaluation and civil society participation in ERP implementation as well as prioritisation of services and programmes benefiting the poor.

BASELINES AND TARGETS

THE TABLE BELOW presents the 2005 baselines and the targets for Honduras. The baseline values are taken from the discussion above, which draws on various sources of information. The main source is the baseline survey undertaken in Honduras under the aegis of the national co-ordinators.

Table 15.9 Baselines and targets

INDICATORS		2005 BASELINE	2010 TARGET
1	Ownership – Operational PRS	C	B or A
2a	Quality of PFM systems	4.0	4.5
2b	Quality Procurement systems	Not available	Not applicable
3	Aid reported on budget	50%	85%
4	Co-ordinated capacity development	47%	50%
5a	Use of country PFM systems (aid flows)	26%	51%
5b	Use of country procurement systems (aid flows)	5%	Not applicable
6	Parallel PIUs	52	17
7	In-year predictability	72%	86%
8	Untied aid	74%	More than 74%
9	Use of programme-based approaches	43%	66%
10a	Co-ordinated missions	22%	40%
10b	Co-ordinated country analyticalwork	45%	66%
11	Sound performance assessment framework	C	B or A
12	Reviews of mutual accountability	No	Yes

ACRONYMS

AER	Aid Effectiveness Review
CDF	Comprehensive Development Framework
CFAA	Country Financial Accountability Assessment
CPAR	Country Procurement Assessment Report
CPIA	Country Policy and Institutional Assessment
ERP	*Estrategia para la Reducción de la Pobreza*
IDA	International Development Assistance
IDB	Inter-American Development Bank
LSMS	Living Standards Measurement Study
MoU	Memorandum of Understanding
MTEF	Medium-Term Expenditure Framework
PCUs	programme co-ordination units
PET	Program of Efficiency and Transparency in Public Procurement
PIUs	project implementation units
PRSC	Poverty Reduction Support Credits
SETCO	*Secretaría Técnica de Cooperación Internacional*
SIAFI	integrated financial public administration system
SIERP	*Sistema de Información para la Estrategia de Reducción de la Pobreza*
SWAps	sector-wide approaches
UAPs	*Unidades Administradoras de Programas*
UNAT	*Unidad de Apoyo Técnico*

16 KENYA

KENYA'S POPULATION OF 32 MILLION subsist on an average annual income of USD 480 (gross national income per capita, 2004). According to the latest survey, conducted in 1997, 56% of the population live below the dollar-a-day international poverty line. In 2004, net official development assistance (ODA) to Kenya was USD 635 million, up from USD 394 million in 2002. As a percentage of gross national income (GNI), net ODA in 2004 amounted to 4.1%, up from 3.3% in 2002. With donors providing an increasing volume of aid to Kenya, it is essential that it is effective. Kenya has endorsed the Paris Declaration on Aid Effectiveness. Sixteen donors responded to the 2006 survey; together, they account for around 90% of ODA to Kenya.

OVERVIEW Box 16.1 Challenges and priority actions

DIMENSIONS	BASELINE	CHALLENGES	PRIORITY ACTIONS
Ownership	Moderate	Expenditures and budgets do not reflect Poverty Reduction Strategy priorities.	Prepare Kenya Vision 2030.
Alignment	Moderate	Country public financial management and procurement systems not trusted by donors.	Government, with support of donors, to build more reliable country systems.
Harmonisation	Moderate	Project support aid militates against the use of common procedures and joint missions.	Adopt and implement the Kenya Joint Assistance Strategy.
Managing for results	Moderate	Relatively weak statistical capacity.	Establish fully the national integrated monitoring and evaluation system.
Mutual accountability	Low	Absence of mutual assessment mechanism.	Ensure that mutual assessment is part of the Kenya Joint Assistance Strategy.

OWNERSHIP

INDICATOR 1

OWNERSHIP IS CRUCIAL TO AID EFFECTIVENESS and good development results, and is central to the Paris Declaration. It has been defined in terms of a country's ability to exercise effective leadership over its development policies and strategies. Achieving this is not a simple undertaking, especially in countries that rely heavily on aid to finance their development. Nor of course, can it be measured by a single indicator. Indicator 1 provides an entry point to the issue of ownership, focusing in particular on whether a country has an operational development strategy, with which donors can align their development assistance.

OPERATIONALISING DEVELOPMENT STRATEGIES

Along with 31% of countries in the World Bank's Comprehensive Development Framework (CDF), Kenya is placed in category D for its development strategy. As the World Bank's reporting makes clear, some elements of an operational development strategy are in place, but gaps remain in several areas. Kenya is weak on long-term vision, and capacity and resources for implementation, and relatively strong in its medium-term strategy and country-specific development targets.

Kenya has a Poverty Reduction Strategy Paper (PRSP), like other countries, that lays out a vision. It has now completed the documentation that describes the medium-term development strategies for achieving Kenya Vision 2030. The Investment Programme (IP) and Economic Recovery Strategy (ERS) for Wealth and Employment Creation constitute the government's medium-term strategy (IP-ERS). Sectoral plans guide implementation of the medium-term strategy in the areas of health, agriculture, education, AIDS, and governance, justice, law and order. At the local level, local authorities have been responsible for preparing Local Authority Service Delivery Action Plans since 2001.

Kenya is a UN Millennium Project pilot country, and the Millennium Development Goals (MDGs) play a particularly important role in Kenya. The medium-term strategies are, according to the World Bank's Aid Effectiveness Review (AER), fully in line with the MDGs and are linked to an MDG-focused results matrix. Recent assessments of what is needed to meet the eight MDGs have led to increased resource allocation towards health, water supply and agriculture.

Kenya's government is working hard to link the budget to the IP-ERS medium-term strategy. To this end, a Medium-Term Expenditure Framework was introduced in 2004, and budget planning processes have been overhauled. These reforms have begun to have an impact on public expenditure, with a greater share of resources flowing to priority sectors. However, according to the World Bank, "implementation bottlenecks still hamper effective use of resources". For instance, 10% of expenditure is funded from outside the budget, there are significant differences between ministerial budgets and actual expenditure, and in-year budget re-allocations are frequent. To address these and other issues, the government is taking action to meet the benchmarks for the Public Expenditure Management Assessment and Action Plan by 2009, and to achieve progress in terms of the Public Expenditure and Financial Accountability framework.

OTHER ASPECTS OF OWNERSHIP

The World Bank reports that some efforts are being made to enhance government leadership and co-ordination of development assistance. This, despite the fact that the Kenya Coordination Group (chaired by the Ministry of Finance and responsible for co-ordinating external assistance) has met infrequently and has not been very effective. Such efforts, along with further in-country government-chaired meetings of development forums, should result in progress.

In terms of participation (a key contributor to country ownership), institutional mechanisms for stakeholder involvement are largely developed. Recent years have seen substantial participation by civil society and the private sector, but Parliament as yet plays a less prominent role (for instance, the IP-ERS was not submitted for parliamentary approval).

ALIGNMENT

INDICATOR 2

KENYA AND ITS DONORS have put in place some of the elements needed to bring about a greater alignment of aid with country policies and systems, but according to the results of the baseline survey, much remains to be done. Government needs to establish more reliable country systems, and donors need to invest in, and make use of, these systems. There is also an urgent need to ensure that a greater proportion of aid is recorded in the national budget, an important step towards achieving alignment.

BUILDING RELIABLE COUNTRY SYSTEMS

The World Bank, in its Country Policy and Institutional Assessment for 2005, gives Kenya a rating of 3.5 for its public financial management system. This puts Kenya marginally above the average of 3.2 for all International Development Association countries.

In recent years, the government has made considerable efforts to build reliable country systems. In terms of legislation, in 2005 a new Financial Administration Bill was submitted to

Parliament, and a Procurement Bill was enacted. In terms of financial management and information, the government is developing an integrated financial management and information system. Such a system would be very useful, but if it is to be effective a number of human and technical resource constraints will need to be addressed, and national ministries' own management information systems will need to be strengthened. In terms of resources, the Office of the Controller and Auditor General is a key institution and has been provided with additional financial and technical resources to enable it to deal with a backlog of public audits.

Corruption remains a problem in Kenya, despite the fact that the country has moved marginally up Transparency International's Corruption Perceptions Index. The government has been working to raise awareness of the issue, and to employ more resources to tackle corruption, but progress has been slow.

ALIGNING AID FLOWS ON NATIONAL PRIORITIES

Indicator 3 measures the proportion of aid to the government sector which is reported in the national budget. This is a way of trying to assess the degree to which aid is aligned on national priorities. In 2005, 94% of aid disbursed for the government sector was recorded in the national budget.

The table provides government's budget estimates of aid flows for fiscal year 2005 (numerator) as a percentage of aid disbursed by donors for the government sector for the same period (denominator). This ratio tells us the degree to which there is a discrepancy between budget estimates and actual disbursements. The discrepancy can be in two directions: indeed budget estimates can be either higher or lower than disbursements. In order to have a single measure of discrepancy that is always less than 100%, the ratio is flipped when budget estimates are higher than disbursements.

INDICATOR 3
Table 16.1

Are government budget estimates comprehensive and realistic?

	Government's budget estimates of aid flows for FY05 (USD m) a	Aid disbursed by donors for government sector in FY05 (USD m) b	Baseline ratio* (%) c=a/b	c=b/a
Canada	14	16	86%	
Denmark	9	18	50%	
European Commission	67	141	47%	
Finland	1	1	61%	
France	9	5		56%
GAVI Alliance	0	14	0%	
Germany	32	42	75%	
Global Fund	28	26		93%
IMF	0	0		
Italy	2	3	57%	
Japan	11	50	22%	
Netherlands	3	2		56%
Norway	1	2	43%	
Sweden	17	19	91%	
United Kingdom	14	15	97%	
United Nations	27	36	74%	
United States	15	6		37%
World Bank	165	59		36%
Total	**415**	**456**	**91%**	

* Baseline ratio is c = a / b except where government's budget estimates are greater than disbursements (c = b /a).

INDICATOR 4
Table 16.2

How much technical assistance is co-ordinated with country programmes?

	Co-ordinated technical co-operation (USD m) a	Total technical co-operation (USD m) b	Baseline ratio (%) c=a/b
Canada	0	0	100%
Denmark	18	21	87%
European Commission	5	21	23%
Finland	1	1	100%
France	0	3	0%
GAVI Alliance	0	0	--
Germany	12	12	100%
Global Fund	0	0	--
IMF	0	1	89%
Italy	2	3	84%
Japan	29	29	100%
Netherlands	0	0	--
Norway	2	2	100%
Sweden	7	7	100%
United Kingdom	18	40	46%
United Nations	5	12	40%
United States	1	12	4%
World Bank	3	9	33%
Total	**104**	**173**	**60%**

The baseline value for Indicator 3 in Kenya is 91%. Achieving the target agreed in Paris of 95% (halving the gap) for this indicator will require concerted efforts by donors and government.

A range of factors explain the shortfall of aid recorded on budget in relation to aid disbursed to the government sector. On the government side, for many sectors clear and fully costed plans with which donors can align their assistance have not been developed. On the donor side, some donors are in the habit of spending funds directly without informing the government, and of failing to consult the budget estimates and as a result sometimes providing excessive aid to particular projects. Both practices are bound to reduce the proportion of aid to government which is reported in the budget. In addition, reporting procedures are not strictly followed, and there are inconsistencies between government and donor approaches, and mismatched fiscal years. As a result, both government and donors fail to account adequately for aid resources.

To improve matters, the government is seeking to ensure that expenditures outlined in annual project work plans are adhered to, and are reflected in the annual estimates. Donors, working alongside government, are preparing a Kenya Joint Assistance Strategy for 2007-10. Such actions should help to create an environment in which aid can be aligned with national priorities, and as a result made more effective. Reaching the target of 95% for Indicator 3 by 2010 is certainly a challenge, but with a concerted effort by government and donors it is achievable.

CO-ORDINATING SUPPORT TO STRENGTHEN CAPACITY

Donors are committed under the Paris Declaration to helping to strengthen developing countries' capacities, by providing technical co-operation through co-ordinated programmes that are consistent with partners' national development strategies. In Kenya, 60% of donors' technical assistance is provided in such a manner. According to this figure, Kenya has already met the Paris target of 50%. In line with this declaration the government is in the process of producing an External Resources Policy. It is likely to be passed by cabinet soon to help with the issues of management of external resources. However, this figure should be treated with some caution as government and donors have been unable to establish a list of co-ordinated capacity development programmes, due to differing interpretations of the meaning of "capacity development programmes", and to some donors' tendency to bundle support for capacity development with project financing.

To ensure that technical co-operation does strengthen capacity, donors should provide technical assistance in response to needs expressed by the government. For their part, the Kenyan authorities need to identify more clearly their capacity-building needs. As with aid alignment – see above – the Kenya Joint Assistance Strategy should help donors to better co-ordinate their support to capacity development.

INDICATOR 5
Table 16.3

How much aid for the government sectors uses country systems?

	Aid disbursed by donors for government sector (USD m) a	Public financial management				Procurement	
		Budget execution (USD m) b	Financial reporting (USD m) c	Auditing (USD m) d	Baseline ratio (%) avg (b,c,d) / a	Procurement systems (USD m) e	Baseline ratio (%) e /a
Canada	16	7	7	7	41%	1	4%
Denmark	18	0	0	0	0%	0	0%
European Commission	141	65	65	65	46%	65	46%
Finland	1	0	0	0	0%	0	0%
France	5	5	5	5	92%	5	92%
GAVI Alliance	14	0	0	14	33%	0	0%
Germany	42	25	25	25	58%	25	58%
Global Fund	26	0	0	0	0%	26	100%
IMF	0	0	0	0	--	0	--
Italy	3	3	3	3	79%	3	79%
Japan	50	4	4	4	7%	6	12%
Netherlands	2	0	0	0	0%	2	100%
Norway	2	2	0	0	33%	0	0%
Sweden	19	12	12	12	65%	8	40%
United Kingdom	15	18	12	12	98%	12	85%
United Nations	36	12	12	12	34%	1	2%
United States	6	6	6	6	100%	6	100%
World Bank	59	59	59	59	100%	47	79%
Total	**456**	**216**	**208**	**223**	**47%**	**204**	**45%**

USING COUNTRY SYSTEMS

Under the Paris Declaration, donors are committed to make use of country systems where those country systems are of sufficient quality to merit their use. Indicator 5a measures donors' use of country public financial management systems; Indicator 5b does the same for procurement systems.

Even in programme-based approaches, some donors do not have the confidence to use government systems, and instead rely on financial management agencies. A July 2006 Public Expenditure and Financial Accountability assessment pointed out a number of weaknesses in Kenya's public financial management (PFM) systems. In response, the government has already launched the PFM Reform Strategy.

Only 47% of aid to the government sector makes use of the country's PFM systems (averaged across the three systems). Kenya's PFM systems receive a rating of 3.5 from the World Bank. As such, the target for 2010 is that 65% of aid will make use of national systems (averaged across the three systems. The target will be set on the basis of individual agency forecasts of where the country is likely to be in 2010.

Only 45% of aid to the government sector makes use of Kenya's procurement systems. The government has sought to address many weaknesses identified, but it remains unclear whether the steps taken will provide donors with the confidence they need. As the country's procurement system has not been rated, it is not possible to state what the 2010 targets for using the country's procurement systems will be.

INDICATOR 6
Table 16.4

How many PIUs are parallel to country structures?

	Parallel PIUs (units)
Canada	3
Denmark	4
European Commission	0
Finland	1
France	0
GAVI Alliance	0
Germany	1
Global Fund	0
IMF	0
Italy	1
Japan	0
Netherlands	1
Norway	1
Sweden	1
United Kingdom	3
United Nations	8
United States	0
World Bank	5
Total	**17**

AVOIDING PARALLEL IMPLEMENTATION STRUCTURES

The Paris Declaration urges donors to avoid, to the maximum extent possible, creating dedicated structures or project implementation units (PIUs) for the day-to-day management and implementation of aid-financed projects and programmes. In the short term, parallel PIUs can compensate for governmental institutional shortcomings. However, PIUs are also likely to constrain national ownership and capacity development, and can delay reforms to government institutions that would make PIUs redundant. The baseline survey indicates that donors have established 17 parallel PIUs.

PIUs in Kenya persist because many donors include them in their project designs, there are no general rules governing their creation and they rarely include exit strategies. A reduction in the number of PIUs will require that donors adopt a longer-term perspective, rather than a short-term

INDICATOR 7
Table 16.5

Are disbursements on schedule and recorded by government?

	Disbursements recorded by government in FY05 (USD m) a	Aid scheduled by donors for disbursement in FY05 (USD m) b	Aid actually disbursed by donors in FY05 (USD m) FOR REFERENCE ONLY	Baseline ratio* (%) c=a/b	c=b/a
Canada	14	7	16		48%
Denmark	4	18	18	22%	
European Commission	48	141	141	34%	
Finland	0	1	1	0%	
France	6	22	5	26%	
GAVI Alliance	0	13	14	0%	
Germany	31	28	42		92%
Global Fund	27	30	26	89%	
IMF	0	0	0		
Italy	0	3	3	0%	
Japan	8	50	50	16%	
Netherlands	0	2	2	16%	
Norway	0	4	2	0%	
Sweden	12	19	19	61%	
United Kingdom	26	37	15	69%	
United Nations	5	41	36	13%	
United States	6	6	6		94%
World Bank	87	198	59	44%	
Total	**272**	**620**	**456**	**44%**	

* Baseline ratio is c = a / b except where disbursements recorded by government are greater than aid scheduled for disbursement (c = b /a).

focus on management processes and production outcomes. The process will be undertaken cautiously to ensure control of costs and avoid competition with the government system.

The survey provides no information about efforts being made by government or donors to reduce the number of parallel PIUs. However, as the AER notes, a move towards sector-wide approaches (SWAps) is fostering the consolidation of project management arrangements, and their integration into government institutions. If the target of 6 parallel PIUs by 2010 is to be reached, the Kenyan government will need to improve its own management systems, and the donors will have to make use of them and help to build their capacity.

PROVIDING MORE PREDICTABLE AID

Improving the predictability of development assistance is a challenge, as is measuring the level of predictability. Indicator 7 seeks to assess aid predictability by looking at the proportion of aid scheduled for disbursement in a given fiscal year which is recorded by government as having been disbursed in the same fiscal year. The survey gives a baseline figure of 44% for Kenya.

Aid predictability remains a major challenge in Kenya, not least because donor conditions for releasing funds vary. The year for which data was collected may also have been something of an exception; in 2005 a number of donors stopped planned disbursements because of concerns about governance and corruption. It is expected that the Kenya Joint Assistance Strategy, and a strengthening of the government's capacity to take charge of development assistance, will enhance aid predictability. Similarly, a further shift towards providing aid through budget support may offer benefits in terms of predictability.

The table looks at predictability from two different angles. The first angle is donors' and government's combined ability to disburse aid on schedule. In Kenya, donors scheduled USD 620 million for disbursement in 2005 and actually disbursed – according to their own records – significantly less than expected (USD 456 million). The discrepancy varies considerably among donors and is mainly due to late disbursements carried over to 2005 and to delays in implementing programmes. The second angle is donors' and government's ability to record comprehensively disbursements made by donors for the government sector. In Kenya, government systems recorded USD 272 million out of the USD 456 million notified as disbursed by donors (60%), indicating that a significant proportion of disbursements were not captured, either because they were not appropriately notified by donors or because they were inaccurately recorded by government.

Indicator 7 on predictability has been designed to encourage progress against both of these angles so as to gradually close the predictability gap by half by 2010. In other words, it seeks to improve not only the predictability of actual disbursements but also the accuracy of how they are recorded in government systems – an important feature of ownership, accountability and transparency. In Kenya, this combined predictability gap amounts to USD 367 million (59% of aid scheduled for disbursement). Closing this predictability gap will require donors and government to work increasingly together on various fronts at the same time. They might work at improving:

- the realism of predictions on volume and timing of expected disbursements;
- the way donors notify their disbursements to government;
- the comprehensiveness of government's records of disbursements made by donors.

UNTYING AID

INDICATOR 8

According to OECD data covering 66% of 2004 commitments, 78% of aid to Kenya is untied. The AER provides no information about what, if anything, external partners are doing to raise the percentage of aid which is untied.

HARMONISATION

ON HARMONISATION, a shift towards the use of SWAps and the establishment of the Joint Kenya Assistance Strategy show promise that substantial progress towards the 2010 targets might be made. However, success depends upon the adoption of common arrangements and the co-ordination of joint missions.

USING COMMON ARRANGEMENTS

45% of disbursed aid made use of programme-based approaches. Much progress will be required if the 2010 target of 66% is to be met. There are however some signs of progress. Donors are pooling funding around the Governance, Justice, Law and Order Sector Reform Programme, and the AER reports that there is a progressive move towards SWAps that will facilitate the use of common procedures. Meanwhile, some donors are unable to participate in basket funds or can only do basket funding under certain conditions, while others are unable to delegate procurement. And, more generally, the significant use of project support aid (which rarely uses national procedures) limits the use of common arrangements.

Looking ahead, strong government leadership and strengthened PFM systems will be key, backed by increased donor co-ordination and peer pressure, and the implementation of the Kenya Joint Assistance Strategy.

CONDUCTING JOINT MISSIONS AND SHARING ANALYSIS

In Kenya, the baseline for the percentage of missions that are conducted jointly – subject to some question marks about its accuracy – is 9%, a considerable way off the target of 40% by 2010. This results from the fact that while some donors – Germany, the European Commission and Sweden – conduct all of their missions jointly, a small number of other donors, conducting many country missions, conduct few of them jointly. As a result there are many parallel and frequent missions, which place a burden on the government. The stand-alone nature of many projects makes it difficult to run joint missions, and the absence of co-ordination or a mission clearing office means that long-term mission scheduling

INDICATOR 9
Table 16.6

How much aid is programme based?

	Budget support (USD m) a	Other PBAs (USD m) b	Total (USD m) c=a+b	Total disbursed (USD m) d	Baseline ratio (%) e=c/d
Canada	0	16	16	20	80%
Denmark	0	8	8	22	37%
European Commission	65	82	147	149	99%
Finland	0	2	2	2	100%
France	0	0	0	10	0%
GAVI Alliance	0	1	1	14	8%
Germany	0	24	24	50	49%
Global Fund	0	27	27	27	100%
IMF	0	0	0	0	--
Italy	0	3	3	7	38%
Japan	0	33	33	70	47%
Netherlands	0	2	2	6	29%
Norway	0	2	2	4	60%
Sweden	0	6	6	24	26%
United Kingdom	0	17	17	62	27%
United Nations	0	7	7	52	14%
United States	0	0	0	89	0%
World Bank	0	2	2	59	3%
Total	**65**	**233**	**298**	**667**	**45%**

is not effective. Joint missions are only common where donors are co-operating, for instance in the Kenya Education Sector Support Programme, and the Governance, Justice, Law and Order Sector Programme. The establishment of the Kenya Joint Assistance Strategy, and a move towards SWAps should bring more joint missions in their wake. And, the burden will be eased if donors heed the request made by government for a "quiet time" between April and June.

In terms of co-ordinating and sharing analysis, differences of interpretation mean that the data should be treated with some caution, but the figures give a baseline for Kenya of 32%. This puts the 2010 target of 66% in reach. Recent examples of joint country analytical work include the Country Integrated Fiduciary Assessment and the Public Financial Management Performance Report and Performance Indicators. Another 18 examples have been posted at *www.countryanalyticwork.net*. As is the case with other aspects of aid effectiveness, the establishment of the Kenya Joint Assistance Strategy should lead to positive results.

INDICATOR 10a
Table 16.7

How many donor missions are co-ordinated?

	Co-ordinated donor missions (missions) a	Total donor missions (missions) b	Baseline ratio (%) c=a/b
Canada	3	8	38%
Denmark	0	6	0%
European Commission	10	10	100%
Finland	0	0	--
France	3	18	17%
GAVI Alliance	0	0	--
Germany	11	11	100%
Global Fund	0	2	0%
IMF	0	4	0%
Italy	0	5	0%
Japan	0	31	0%
Netherlands	0	0	--
Norway	0	0	--
Sweden	4	4	100%
United Kingdom	1	31	3%
United Nations	42	197	21%
United States	--	--	--
World Bank	20	37	54%
Total (discounted*)	**29**	**319**	**9%**

* The total of co-ordinated missions has been adjusted to avoid double counting. A discount factor of 35% has been applied.

INDICATOR 10b
Table 16.8

How much country analysis is co-ordinated?

	Co-ordinated donor analytical work (units) a	Total donor analytical work (units) b	Baseline ratio (%) c=a/b
Canada	2	3	67%
Denmark	2	3	67%
European Commission	4	6	67%
Finland	2	2	100%
France	3	9	33%
GAVI Alliance	0	0	--
Germany	13	15	87%
Global Fund	0	0	--
IMF	1	6	17%
Italy	0	0	--
Japan	0	2	0%
Netherlands	2	2	100%
Norway	3	4	75%
Sweden	5	5	100%
United Kingdom	3	7	43%
United Nations	36	44	82%
United States	--	2	--
World Bank	2	3	67%
Total (discounted*)	**26**	**79**	**32%**

* The total of co-ordinated analysis has been adjusted to avoid double counting. A discount factor of 25% has been applied.

MANAGING FOR RESULTS

INDICATOR 11

THE PARIS DECLARATION calls on partner countries and donors to work together to manage resources on the basis of desired results and to use information to improve decision making. This means both strengthening the capacity to undertake such management and helping to increase the demand for a focus on results. Indicator 11 examines one component of this effort: the establishment of a cost-effective results-oriented reporting and assessment system by the country.

Only 4% of countries assessed as part of the World Bank's AER were judged to have an adequate results-oriented reporting and assessment system. Another 42% were rated as C, with the remainder receiving a D. Kenya scored a C. The criteria for assessment are: the quality of development information, the degree to which stakeholders have access to it, and the extent of co-ordinated monitoring and evaluation.

As regards the quality of development information, the AER notes that "action is being taken to produce timely and relevant statistical information." A Health and Demographic Census was completed in 2004 and plans are being made to conduct a census, a comprehensive poverty assessment, an integrated household budget survey and an agricultural census. These initiatives build on efforts to strengthen statistical capacity, conducted with substantial donor support. The AER reports that stakeholders have ready access to information about government policies, and that some effort is being made to make poverty-related data available to users within and outside government. Some progress has also been made on developing a National Integrated Monitoring and Evaluation System. These are encouraging signs. If the government, with the support of donors, remains committed to implementing these initiatives, then Kenya may reach the target rating of B by 2010.

MUTUAL ACCOUNTABILITY

INDICATOR 12

THE PARIS DECLARATION calls for donors and partner countries to be accountable to each other for the use of development resources, and in a way that tends to strengthen public support for national policies and development assistance. This requires governments to take steps to improve country accountability systems and donors to help by being transparent about their own contributions.

The indicator looks at whether there is a country-level mechanism permitting joint assessment of progress in implementing agreed commitments on aid effectiveness, including those in the Declaration itself. There is as yet no such mechanism in Kenya, and there has not been a mutual assessment of progress in implementing the commitments made by donors and government under the Paris Declaration. The Kenya Joint Assistance Strategy might provide an opportunity for donors and government to undertake mutual assessments of aid effectiveness.

BASELINES AND TARGETS

THE TABLE BELOW presents the 2005 baselines and the targets for Kenya. The baseline values are based on discussion above, which draws on various sources of information. The main source is the baseline survey undertaken in Kenya under the aegis of the National Co-ordinators (Jackson Kinyanjui and Bernard Masiga).

Table 16.9 Baselines and targets

INDICATORS		2005 BASELINE	2010 TARGET
1	Ownership – Operational PRS	D	B or A
2a	Quality of PFM systems	3.5	4.0
2b	Quality procurement systems	Not available	Not applicable
3	Aid reported on budget	91%	95%
4	Co-ordinated capacity development	60%	50%
5a	Use of country PFM systems (aid flows)	47%	65%
5b	Use of country procurement systems (aid flows)	45%	Not applicable
6	Parallel PIUs	17	6
7	In-year predictability	44%	72%
8	Untied aid	78%	More than 78%
9	Use of programme-based approaches	45%	66%
10a	Co-ordinated missions	9%	40%
10b	Co-ordinated country analytical work	32%	66%
11	Sound performance assessment framework	C	B or A
12	Reviews of mutual accountability	No	Yes

ACRONYMS

AER Aid Effectiveness Review
CDF Comprehensive Development Framework
ERS Economic Recovery Strategy
GNI gross national income
IP Investment Programme
MDG Millennium Development Goal
ODA official development assistance
PFM public financial management
PIU project implementation unit
PRSP Poverty Reduction Strategy Paper
SWAp sector-wide approach

17 KYRGYZ REPUBLIC

THE POPULATION OF THE KYRGYZ REPUBLIC is 5.1 million. In 2005, the gross national income (GNI) per capita was USD 470, a strong improvement over the 2002 income of USD 290. About 2% of the population live below the dollar-a-day international poverty line, and 21% live below the two-dollars-a-day line, although it seems likely that these measures severely underestimate levels of poverty in the country.

The country is particularly interesting in terms of aid effectiveness and the Paris Declaration commitments because of its donor mix. In contrast to many aid recipients, of the country's top five donors, two are multilateral banks and two are Asian (Asian Development Bank and Japan). Analysing the Kyrgyz Republic may shed some light on whether (and how) the mix of donors makes a difference in terms of progress towards the Paris Declaration's commitments.

In 2004, total net official development assistance (ODA) totalled USD 258 million (up from USD 186 million in 2002) and amounted to 12.3% of GNI. As donors provide a growing volume of assistance to the Kyrgyz Republic, it is increasingly important that this aid is effective. Ten donors responded to the survey; together, they contribute around 73% of ODA.

OVERVIEW Box 17.1 Challenges and priority actions

DIMENSIONS	BASELINE	CHALLENGES	PRIORITY ACTIONS
Ownership	Moderate	Budget execution is insufficiently focused on priority areas.	Revise the Medium-Term Budget Framework as part of the National Public Financial Management Action Plan.
Alignment	Low	Capacity constraints hinder implementation of plans to strengthen country systems.	Donors should provide technical assistance in a manner that strengthens capacity.
Harmonisation	Moderate	Use of programme-based approaches is limited.	Increase co-ordination of donor missions.
Managing for results	Moderate	There is no transparent and monitorable performance assessment framework.	Implement the Statistical Master Plan.
Mutual accountability	Low	There is a need for mutual assessments of progress in implementing agreed aid effectiveness commitments.	Ensure that the Harmonisation Action Plan delivers on mutual accountability and assessment.

OWNERSHIP

INDICATOR 1

OWNERSHIP IS CRUCIAL to aid effectiveness and good development results. The Paris Declaration defines ownership in terms of a country's ability to exercise effective leadership over its development policies and strategies. Particularly in countries which rely heavily on aid to finance their development, achieving ownership is not a simple undertaking. Nor can it be measured by a single indicator. Indicator 1 provides an entry point to the issue of ownership, focusing in particular on whether a country has an operational development strategy, with which donors can align their development assistance.

OPERATIONALISING DEVELOPMENT STRATEGIES

The Kyrgyz first National Poverty Reduction Strategy (NPRS) covering the period of 2003-05 was completed in 2005 and currently the NPRS-II, renamed the Country Development Strategy, is being developed by the government. The gap in developing the second-generation strategy is related to the difficult political environment following the March 2005 Tulip Revolution.

The Country Development Strategy (CDS), due to be completed in April 2007, provides the medium-term strategy, and will run until 2010. The CDS makes clear that the new government is committed to the Kyrgyz Comprehensive Development Framework and will tackle poverty through economic growth. The development goals set out in the draft Country Development Strategy are consistent with the Millennium Development Goals. A number of sectoral strategies have been (or are being) established – in health, education and transport for instance – many of which are geared to long-term goals.

Over recent years, resources have been increasingly channelled towards priority sectors including education and health. However, despite the fact that the 2006 budget envisages half of planned spending going to social sectors, the budget, and particularly its execution, remains insufficiently aimed at strategic priorities. The budget is structured according to inputs rather than outcomes, and performance-based budgeting is at an early stage. A Medium-Term Budget Framework has been in place since 2004, but it has been only partly successful in gearing the budget to priority areas, and it has done little to improve budget execution. A revised Medium-Term Budget Framework is being established to address these issues as part of the National Public Financial Management Action Plan. In order to address some of the underlying obstacles to effective public financial management (PFM) and policy implementation, the government plans to launch a programme of civil-service reform, along with some restructuring of the government.

OTHER ASPECTS OF OWNERSHIP

A Ministry of Economy and Finance has been recently established, and in 2006 took on the central responsibility for formulating and implementing the CDS. This may lead to a significant improvement in the degree of government leadership on development.

There are well-developed mechanisms for stakeholder involvement in development policy processes. Business and civil society participation has been high, but there has been little parliamentary engagement or debate around development issues, beyond approving the budget and receiving reports on budget execution.

ALIGNMENT

ALIGNMENT PRESENTS A SERIES OF HURDLES for the Kyrgyz Republic. Most fundamentally, there is a need to build reliable country systems so that donors have the confidence to use them, and to align their assistance with national priorities. Plans, including the PFM Action Plan, are in place to improve country systems, but their implementation calls for investments in capacity. Donors need to support government in this, including by providing a greater proportion of technical co-operation in a manner that responds to national capacity-building needs.

BUILDING RELIABLE COUNTRY SYSTEMS

INDICATOR 2a

The World Bank gives the Kyrgyz Republic a rating of 3.0 for the quality of its PFM systems, a figure which is marginally below the average of 3.2 for all International Development Assistance countries.

The Kyrgyz Republic has, as the World Bank's Aid Effectiveness Review reports, built the legislative and regulatory framework needed to support the effective and transparent management of public resources.

In addition, since 2002, accounting standards are supposed to comply with International Accounting Standards. In 2004, a Law on the Chamber of Accounts (the country's supreme audit institution) was passed. A national procurement code, on the books since 2004, is aligned with the UN Commission on International Trade Law's model law on procurement.

However, capacity constraints, compounded by a lack of qualified staff, have meant that the standards in place have largely not been met. To try to address this, the government developed a PFM Action Plan in 2006. It is also developing an integrated financial management system, which will be operational by 2009.

INDICATOR 2b

Recognising the importance of tackling corruption, the government has launched a State Anti-Corruption Strategy, and an Action Plan against corruption. It has also recently established a National Agency for Preventing Corruption to spearhead anti-corruption work. As with PFM more broadly, while the government is to be commended for putting plans in place, implementation will present a considerable challenge.

ALIGNING AID FLOWS ON NATIONAL PRIORITIES

The table provides government's budget estimates of aid flows for fiscal year 2005 (numerator) as a percentage of aid disbursed by donors for the government sector for the same period (denominator). This ratio tells us the degree to which there is a discrepancy between budget estimates and actual disbursements. The discrepancy can be in two directions: indeed budget estimates can be either higher or lower than disbursements. In order to have a single measure of discrepancy that is always less than 100%, the ratio is flipped when budget estimates are higher than disbursements. The baseline value for Indicator 3 in the Kyrgyz Republic is 70%. Achieving the target agreed in Paris of 85% (halving the gap) for this indicator will require concerted efforts by donors and government.

Information about planned and actual disbursements is provided by several donor agencies during meetings with the respective line agencies. But unless the funds are to flow through the national budget execution, they are not recorded. This is not an insurmountable challenge. One way of managing this might be to establish two systems, one to record aid to the national budget and the other to record other donor contributions too.

INDICATOR 3
Table 17.1

Are government budget estimates comprehensive and realistic?

	Government's budget estimates of aid flows for FY05 (USD m) a	Aid disbursed by donors for government sector in FY05 (USD m) b	Baseline ratio* (%) c=a/b	c=b/a
Asian Dev. Bank	31	31		
European Commission	10	10		95%
Germany	15	15	99%	
Japan	2	20	12%	
Sweden	0	2	0%	
Switzerland	0	11	1%	
United Kingdom	0	7	0%	
United Nations	0	9	0%	
United States	0	5	0%	
World Bank	46	41		89%
Total	**104**	**149**	**70%**	

* Baseline ratio is c = a / b except where government's budget estimates are greater than disbursements (c = b /a).

INDICATOR 4
Table 17.2

How much technical assistance is co-ordinated with country programmes?

	Co-ordinated technical co-operation (USD m) a	Total technical co-operation (USD m) b	Baseline ratio (%) c=a/b
Asian Dev. Bank	2	2	100%
EC	0	9	0%
Germany	0	3	0%
Japan	0	10	0%
Sweden	0	2	0%
Switzerland	0	5	0%
United Kingdom	7	7	100%
United Nations	5	12	40%
United States	4	27	13%
World Bank	1	1	100%
Total	**18**	**77**	**24%**

Looking ahead, support provided by the Asian Development Bank, the UK's DFID, the Swiss development agency, the United Nations group, and the World Bank, will (as the World Bank's Aid Effectiveness Review notes) be fully aligned, once the Joint Country Support Strategy is completed in 2007. This gives some hope that progress towards the 2010 target of 85% will be made.

CO-ORDINATING SUPPORT TO STRENGTHEN CAPACITY

Donors have pledged under the Paris Declaration to help strengthen developing countries' capacities, by providing technical co-operation through co-ordinated programmes consistent with partners' national development strategies. Just 24% percent of donors' support for capacity development is provided through co-ordinated programmes consistent with the Kyrgyz Republic's national development strategy.

There are currently only four formal co-ordinated capacity development programmes, but ongoing policy dialogues also help ensure that capacity development support is co-ordinated. For instance, there are vibrant policy dialogues on the PFM Action Plan, decentralisation and social mobilisation, the National Avian Influenza Contingency Plan, education, energy, HIV/AIDS, investment, governance reform, and small and medium enterprise development.

A number of initiatives have been launched to co-ordinate support for capacity development. The health sector is perhaps in the lead, and has formalised arrangements through a sector-wide approach Memorandum of Understanding signed by the Ministry of Economy and Finance, the Ministry of Health, and major donors active in the health sector. Additionally, as reported in the World Bank's Aid Effectiveness Review, those donors that provide on-budget support to the health sector (United Kingdom, Germany, Switzerland and the World Bank) fully co-ordinate their capacity-building efforts in the spheres of financial management, audit and procurement capacity.

USING COUNTRY SYSTEMS

In the Kyrgyz Republic, just 3% of aid to the government sector makes use of the country's PFM systems (averaged across the three systems). Donors make little use of the country's PFM systems, because the systems are weak. The only donor assistance which makes use of national procedures and PFM systems is that which is provided directly to the budget, or for balance of payments support. With a Country Policy and Institutional Assessment rating of 3.0 for its PFM systems, there is no target for this indicator. Nevertheless, significant improvements are required. The picture for procurement is similar, with only 2% of aid making use of the country's procurement systems.

INDICATOR 5
Table 17.3

How much aid for the government sectors uses country systems?

	Aid disbursed by donors for government sector (USD m) a	Public financial management: Budget execution (USD m) b	Public financial management: Financial reporting (USD m) c	Public financial management: Auditing (USD m) d	Public financial management: Baseline ratio (%) avg (b,c,d) / a	Procurement: Procurement systems (USD m) e	Procurement: Baseline ratio (%) e /a
Asian Dev. Bank	31	0	0	0	0%	0	0%
European Commission	10	0	0	0	0%	0	0%
Germany	15	0	0	0	0%	0	0%
Japan	20	5	5	5	24%	3	17%
Sweden	2	0	0	0	0%	0	0%
Switzerland	11	0	0	0	0%	0	0%
United Kingdom	7	0	0	0	0%	0	0%
United Nations	9	0	0	0	0%	0	0%
United States	5	0	0	0	0%	0	0%
World Bank	41	0	0	0	0%	0	0%
Total	**149**	**5**	**5**	**5**	**3%**	**3**	**2%**

In order to step up use of the country's PFM system by donors, the Ministry of Economy and Finance is seeking to apply the principles of "The Strengthened Approach" to PFM reforms. The PFM Action Plan, developed with donors, has been endorsed by Presidential Decree. It encompasses a series of reforms for budget planning, execution and reporting. It is expected that once these reforms are implemented (along with other improvements on the fiduciary side, and in governance and corruption) donors will be more comfortable with making use of country PFM systems. In the medium term, donors may feel able to provide more assistance through general budget support. They might build on a World Bank Poverty Reduction Support Grant and extend the successful use of on-budget support that the United Kingdom, Germany, Switzerland and the World Bank have pioneered in the health sector.

On procurement, legislation has been passed that meets international standards. However, donors still tend to make use of their own procedures. They remain reluctant to use the country's procurement systems, in part because of a perception that legislation has not been effectively implemented, and because of wider concerns about governance and corruption.

INDICATOR 6
Table 17.4

How many PIUs are parallel to country structures?

	Parallel PIUs (units)
Asian Dev. Bank	12
European Commission	40
Germany	0
Japan	0
Sweden	2
Switzerland	10
United Kingdom	6
United Nations	4
United States	0
World Bank	11
Total	**85**

AVOIDING PARALLEL IMPLEMENTATION STRUCTURES

The Paris Declaration urges donors to avoid, to the maximum extent possible, creating dedicated structures, or project implementation units (PIUs), for the day-to-day management and implementation of aid-financed projects and programmes. The baseline survey indicates that donors have established 85 parallel PIUs in the Kyrgyz Republic. While the existence of PIUs is not necessarily detrimental to aid effectiveness, with such a large number it seems likely that in by-passing the country's own systems, donor

INDICATOR 7
Table 17.5

Are disbursements on schedule and recorded by government?

	Disbursements recorded by government in FY05 (USD m) a	Aid scheduled by donors for disbursement in FY05 (USD m) b	Aid actually disbursed by donors in FY05 (USD m) FOR REFERENCE ONLY	Baseline ratio* (%) c=a/b	c=b/a
Asian Dev. Bank	31	31	31		
European Commission	0	10	10	0%	
Germany	15	17	15	88%	
Japan	2	0	20		0%
Sweden	0	0	2		
Switzerland	0	14	11	1%	
United Kingdom	0	6	7	0%	
United Nations	0	9	9	0%	
United States	0	2	5	0%	
World Bank	41	48	41	86%	
Total	**89**	**136**	**149**	**66%**	

* Baseline ratio is c = a / b except where disbursements recorded by government are greater than aid scheduled for disbursement (c = b /a).

assistance will not be helping to build local capacity. Donors will have to change their behaviour substantially if the country is to meet the target of reducing the stock of parallel PIUs by two-thirds – from 85 to 28 – by 2010.

The government has asked donors to phase out parallel PIUs on numerous occasions, but progress has been slow. With the notable exception of on-budget support to the health sector, most externally financed projects are still implemented through parallel PIUs or project offices. If support to the health sector proves to be effective even in the absence of a parallel PIU, this may persuade donors that parallel PIUs can be phased out more widely. The government also promotes the use of joint PIUs, so that all donor assistance to one sector would use only one sectoral parallel PIU. If this approach can be made to work, it would be an important step towards the government's goal of eliminating parallel PIUs.

PROVIDING MORE PREDICTABLE AID

Improving the predictability of development assistance is a challenge, as is measuring the level of predictability. Indicator 7 seeks to assess aid predictability by looking at the proportion of aid scheduled for disbursement in a given fiscal year, recorded by government as having been disbursed in the same fiscal year. The survey gives a baseline figure of 66% for the Kyrgyz Republic, and thus a 2010 target of 83%.

The table above looks at predictability from two different angles. The first angle is donors' and government's combined ability to disburse aid on schedule. In the Kyrgyz Republic, donors scheduled USD 136 million for disbursement in 2005 and actually disbursed – according to their own records –slightly more than expected (USD 149 million). The discrepancy varies considerably among donors and is mainly due to late disbursements carried over to 2005 and to delays in implementing programmes. The second angle is donors' and government's ability to record comprehensively disbursements made by donors for the government sector. In the Kyrgyz Republic, government systems recorded USD 89 million out of the USD 149 million notified as disbursed by donors (60%), indicating that a significant proportion of disbursements were not captured, either because they were not appropriately notified by donors or because they were inaccurately recorded by government.

Indicator 7 on predictability has been designed to encourage progress against both of these angles so as to gradually close the predictability gap by half by 2010. In other words, it seeks to improve not only the predictability of actual disbursements but also the accuracy of how they are recorded in government systems – an important feature of ownership, accountability and transparency.

In the Kyrgyz Republic, this combined predictability gap amounts to USD 47 million (35% of aid scheduled for disbursement). Closing this predictability gap will require donors and government to work increasingly together on various fronts at the same time. They might work at improving:

- the realism of predictions on volume and timing of expected disbursements;
- the way donors notify their disbursements to government;
- the comprehensiveness of government's records of disbursements made by donors.

UNTYING AID

INDICATOR 8

According to OECD data covering 54% of 2004 commitments, 97% of aid to the Kyrgyz Republic is untied. The Aid Effectiveness Review provides no information about what, if anything, external partners are doing to raise the percentage of aid that is untied.

HARMONISATION

Donor harmonisation reduces the transaction costs placed on partner governments. The picture in the Kyrgyz Republic is currently mixed, with donors performing well in terms of co-ordinating their analysis, but making limited use of co-ordinated missions or common arrangements such as programme-based approaches. The Donors Coordination Council is ready to play a key role in increasing the proportion of joint missions and analysis, and providing the government with joint policy messages. In addition, since 2002 Consultative Group (CG) meetings are held in the Kyrgyz Republic and co-chaired by the government and the World Bank. The last CG meeting (November 2004) examined implementation of the country's Poverty Reduction Strategy. A further meeting is planned for late 2006 or early 2007.

USING COMMON ARRANGEMENTS

A mere 12% of aid to the Kyrgyz Republic makes use of programme-based approaches (PBAs). While little use is made of PBAs, the number of partnerships surrounding implementation and joint-financing arrangements is increasing. As with other aspects of harmonisation and alignment, the health sector leads the way, with some progress also apparent in the energy and water sectors. Meeting the 2010 target of 66% will no doubt present a major hurdle.

INDICATOR 9
Table 17.6

How much aid is programme based?

	Budget support (USD m) a	Other PBAs (USD m) b	Total (USD m) c=a+b	Total disbursed (USD m) d	Baseline ratio (%) e=c/d
Asian Dev. Bank	0	0	0	31	0%
European Commission	10	0	10	18	53%
Germany	0	0	0	17	0%
Japan	0	0	0	20	0%
Sweden	0	0	0	2	0%
Switzerland	0	0	0	11	0%
United Kingdom	0	0	0	7	0%
United Nations	0	12	12	13	96%
United States	0	0	0	27	0%
World Bank	0	0	0	41	0%
Total	**10**	**12**	**22**	**187**	**12%**

INDICATOR 10a
Table 17.7

How many donor missions are co-ordinated?

	Co-ordinated donor missions (missions) a	Total donor missions (missions) b	Baseline ratio (%) c=a/b
Asian Dev. Bank	2	80	3%
EC	0	0	--
Germany	4	16	25%
Japan	0	14	0%
Sweden	0	6	0%
Switzerland	7	19	37%
United Kingdom	9	14	64%
United Nations	49	78	63%
United States	0	10	0%
World Bank	8	103	8%
Total (discounted)*	**79**	**340**	**23%**

* The total of co-ordinated missions has been adjusted to avoid double counting. A discount factor of 35% has been applied.

INDICATOR 10b
Table 17.8

How much country analysis is co-ordinated?

	Co-ordinated donor analytical work (units) a	Total donor analytical work (units) b	Baseline ratio (%) c=a/b
Asian Dev. Bank	7	9	78%
EC	0	0	--
Germany	1	5	20%
Japan	0	0	--
Sweden	0	4	0%
Switzerland	2	2	100%
United Kingdom	1	1	100%
United Nations	27	41	66%
United States	1	5	20%
World Bank	1	8	13%
Total (discounted)*	**40**	**75**	**53%**

* The total of co-ordinated analysis has been adjusted to avoid double counting. A discount factor of 25% has been applied.

CONDUCTING JOINT MISSIONS AND SHARING ANALYSIS

Some 23% of donor missions to the Kyrgyz Republic are conducted jointly, with the UN and the United Kingdom conducting the greatest proportion of their missions in a co-ordinated manner. This falls some way short of the 2010 target of 40%.

The number of donor missions places a considerable burden on the government. Repeated requests to the donors to reduce the number of missions would seem to have had some, albeit limited, impact. Because decisions about country missions tend to be taken at headquarters level, in-country donor offices are rarely in a position to determine the number and nature of missions. Donor headquarters should take the pleas relayed by in-country donor offices seriously, and respect the request from government for a mission-free period during budget preparation.

Over half (53%) of country analysis was co-ordinated, a figure which suggests that the 2010 target of 66% is fully achievable. Joint analysis has been conducted in relation to anti-corruption, Public Expenditure and Financial Accountability assessment and sectoral studies, but perhaps of most significance is joint analytical work around the Joint Country Support Strategy, bringing together the Asian Development Bank, the United Kingdom, Switzerland, the UN and the World Bank. In addition, even when analysis is not conducted jointly, countries are sharing the analysis, including through postings to the *www.countryanalyticwork.net*.

MANAGING FOR RESULTS

INDICATOR 11

THE PARIS DECLARATION calls on partner countries and donors to work together to manage resources on the basis of desired results and to use information to improve decision making. On the supply side, this entails strengthening the capacity to undertake such management, while on the demand side, this entails increasing the demand for a focus on results. Indicator 11 focuses on one component of this effort: the establishment of a cost-effective results-oriented reporting and assessment system by the country.

The Kyrgyz Republic does not currently have a transparent and monitorable performance assessment framework (PAF), the key building block for results-oriented reporting and assessment. According to the World Bank's 2005 Progress Report on the Comprehensive Development Framework, the country's PAF merits a grade of C (where A is strongest and E is weakest) along with 42% of countries in the sample. The criteria for assessment are the quality of development information, the degree to which stakeholders have access to it, and the extent of co-ordinated monitoring and evaluation.

In terms of the quality of development information, large strides has been made in recent years. The first agricultural census was conducted in 2002. In education, surveys to monitor learning achievement were conducted in 2001, 2002 and 2005. In 2004, the National Statistics Committee introduced integrated household budget surveys that include labour market and unemployment trends. The government has completed a Statistical Master Plan. If this plan is implemented effectively, ideally with the co-ordinated support of donors, it could do much to enhance the quality of development-related information.

In terms of access, information on budget expenditures is publicly available, posted on the recently upgraded website of the Ministry of Economy and Finance. Stakeholders now have greater access to information about government policies. A new law on Free and Guaranteed Access to Information will increase public access to government information even more.

With the Ministry of Economy and Finance, and the National Statistics Committee spearheading the process, the institutional and administrative arrangements for monitoring and evaluation are also being revised. It is too early to say whether the new monitoring and evaluation system will provide useful inputs to facilitate results-based budgeting, but the leadership of the Ministry of Economy and Finance does give some grounds for cautious optimism.

MUTUAL ACCOUNTABILITY

INDICATOR 12

THE PARIS DECLARATION calls for donors and partner countries to be accountable to each other for the use of development resources, and in a way that tends to strengthen public support for national policies and development assistance. This requires governments to take steps to improve country accountability systems and donors to help by being transparent about their own contributions.

The specific indicator being monitored is whether there exists a country-level mechanism permitting joint assessment of progress in implementing agreed commitments on aid effectiveness, including those in the Declaration itself. As is the case in almost all of the countries covered by the World Bank's 2005 Progress Report on the Comprehensive Development Framework, there has not been a mutual assessment of progress on aid effectiveness commitments in the Kyrgyz Republic. Perhaps the most likely avenue for progress on this indicator is the Harmonisation Action Plan, adopted by the government in 2004. It could lead to the establishment of a forum in which mutual assessment mechanisms could be developed.

BASELINES AND TARGETS

THE TABLE BELOW presents the 2005 baselines and the targets for the Kyrgyz Republic. The baseline values are taken from the discussion above, which draws on various sources of information. The main source is the baseline survey undertaken in the Kyrgyz Republic under the aegis of the National Co-ordinators (Sanjar Makanbetov and Dinara Djoldosheva).

Table 17.9 Baselines and targets

INDICATORS		2005 BASELINE	2010 TARGET
1	Ownership – Operational PRS	C	B or A
2a	Quality of PFM systems	3.0	3.5
2b	Quality procurement systems	Not available	Not applicable
3	Aid reported on budget	70%	85%
4	Co-ordinated capacity development	24%	50%
5a	Use of country PFM systems (aid flows)	3%	No target
5b	Use of country procurement systems (aid flows)	2%	Not applicable
6	Parallel PIUs	85	28
7	In-year predictability	66%	83%
8	Untied aid	78%	More than 78%
9	Use of programme-based approaches	12%	66%
10a	Co-ordinated missions	23%	40%
10b	Co-ordinated country analytical work	53%	66%
11	Sound performance assessment framework	C	B or A
12	Reviews of mutual accountability	No	Yes

ACRONYMS

CDS Country Development Strategy
CG Consultative Group
GNI gross national income
NPRS National Poverty Reduction Strategy
ODA official development assistance
PAF performance assessment framework
PBA programme-based approach
PFM public financial management
PIU project implementation unit

18 MALAWI

MALAWI HAS A POPULATION OF 11 MILLION, who subsist on an average annual income of just USD 170 (gross national income per capita, 2004). According to the latest survey, conducted in 2004-05, more than half of the population lives below the poverty line, with more than one in five people unable to meet their basic daily food needs.

In 2004, net official development assistance (ODA) to Malawi was USD 476 million, a volume of aid which amounts to almost 27% of gross national income (GNI). In a country where aid makes such a contribution to national income – and where there is a medium-term prospect of accessing Millennium Challenge Account funds – enhancing aid effectiveness is of the utmost importance. Nine donors responded to the baseline survey; together they provide at least 76% of aid to Malawi.

OVERVIEW Box 18.1 Challenges and priority actions

DIMENSIONS	BASELINE	CHALLENGES	PRIORITY ACTIONS
Ownership	Moderate	Human resource and institutional capacity constraints affect planning and implementation.	Address capacity issues and staff shortages in the Ministry of Economic Planning and Development, and Ministry of Finance.
Alignment	Low	Weak public financial management, procurement and aid reporting systems.	Implement the Public Financial and Economic Management Action Plan reforms.
Harmonisation	Moderate	Lack of a mechanism or strategy for ensuring enhanced harmonisation.	Implement the new Development Assistance Strategy and monitor the targets set on harmonisation, including the establishment of new aid co-ordination dialogue fora.
Managing for results	Moderate	Need to ensure robustness of monitoring and evaluation systems.	Ensure that the Joint Country Programme Review and Malawi Growth and Development Strategy (JCPR/MGDS) Annual Review meets the monitoring and evaluation needs of stakeholders.
Mutual accountability	Low	No well-established mechanism for mutual assessment of progress against aid effectiveness commitments.	Implement framework and indicators for mutual assessment set out in the Development Assistance Strategy, through the JCPR/MGDS Annual Review.

OWNERSHIP

INDICATOR 1

Ownership is crucial to aid effectiveness and good development results, and is central to the Paris Declaration. It has been defined in terms of a country's ability to exercise effective leadership over its development policies and strategies. Achieving this is not a simple undertaking, especially in countries that rely heavily on aid to finance their development. Nor of course, can it be measured by a single indicator. Indicator 1 provides an entry point to the issue of ownership, focusing in particular on the extent to which a country has an operational development strategy, with which donors can align their development assistance.

OPERATIONALISING DEVELOPMENT STRATEGIES

Along with 58% of the countries assessed as part of the World Bank's 2005 Comprehensive Development Framework review, Malawi receives a rating of C for its development strategy. This assessment is made on the basis of a range of criteria: whether the country has a long-term vision, with medium-term strategy derived from that vision; whether there are country-specific development targets with holistic, balanced and well-sequenced strategy; and whether there are the capacity and resources for implementation. The World Bank's Aid Effectiveness Review provides the qualitative information upon which the assessment is based.

The long-term vision for Malawi is set out in Vision 2020: National Long-Term Development Perspective for Malawi, a plan that was developed in 1999. This plan informs the medium-term strategy, the Malawi Growth and Development Strategy (MGDS), which was completed in late 2006. The MGDS also incorporates the Malawi Poverty Reduction Strategy Paper and the Malawi Economic Growth Strategy, as well as some sector strategies (such as HIV/AIDS and Health) and policies. It will provide a unified framework for the government's efforts to tackle poverty and achieve economic growth.

Ministries are in the process of preparing Sector Devolution Plans and associated budgets, in order to implement the MGDS. However, the wider agenda of decentralisation may slow the adoption of Sector Devolution Plans in some ministries. Local development plans are yet to be established, as a result of changes to the organisation of local government.

The MGDS is regarded as a significant improvement over its forerunner, the Malawi Poverty Reduction Strategy. It is more comprehensive, focused on results, better sequenced and balanced, and does a better job of prioritising. The government, according to the World Bank's Aid Effectiveness Review, remains focused on the achievement of Malawi-specific Millennium Development Goals.

The government is costing the MGDS, and linking it to the budget and the Medium-Term Expenditure Framework. Some progress has been made in reallocating resources towards priority pro-poor activities. However, Malawi faces capacity constraints in human resources (as a result of HIV/AIDS and emigration), and in institutional capacity for planning and implementation. Such constraints are felt most acutely at the local level. For Malawi to receive a rating of B by 2010 for its development strategy, donors will have to work closely with government to address these constraints and to get the process of decentralisation back on track.

OTHER ASPECTS OF OWNERSHIP

As the World Bank's 2006 Aid Effectiveness Review notes, while a number of committees and groups involving donors and government exist, external development assistance need to be better co-ordinated. Civil society and the private sector have contributed to strategy formulation and implementation. The Malawi Growth and Development Strategy has been discussed in Parliament, and – of particular note – the Malawi Economic Justice Network is supporting Parliament's Budget Committee through independent budget analysis.

ALIGNMENT

FOR AID TO BE EFFECTIVE, it must be aligned with national development strategies and plans. Indicators 2 to 8 of the Paris Declaration seek to assess the degree of alignment attained, looking at a number of dimensions of alignment. In Malawi, the government should strengthen systems for recording external development assistance, and concentrate on the roll-out of the development assistance database. Great strides have been made in the capturing of donor expenditure on the budget, despite the difficulty in calculating support that is directly administered by donors and not by audited public institutions. This support is now captured in a Summary of Extra-Budgetary Support to Malawi, the first edition of which was produced for the 2006/07 budget. Beyond recording aid flows, further progress will be needed in terms of building reliable country systems, if donors are to be persuaded to make use of them.

BUILDING RELIABLE COUNTRY SYSTEMS

INDICATOR 2

Malawi's public financial management (PFM) systems receive a score of 3 under the World Bank's Country Policy and Institutional Assessment (CPIA), marginally below the average for all International Development Association borrowers. The Aid Effectiveness Review for 2006 notes that capacity for financial management is "a major challenge", and hampered the implementation of the Malawi Poverty Reduction Strategy. Reforms are being slowly implemented. The government is also diligently strengthening its procurement systems. The new government has made tackling corruption – perceived as widespread in Malawi – one of its priorities. The Anti-Corruption Bureau is developing a National Anti-Corruption Strategy, due for completion in late 2006.

Overall, the government will need to ensure that reforms are implemented steadily, if it is to achieve a CPIA rating of 3.5 by 2010.

ALIGNING AID FLOWS ON NATIONAL PRIORITIES

Aid is likely to be more effective if it is aligned with national priorities. One way of assessing the degree of alignment is to measure the extent to which aid flows are reported on budget. For Malawi, 54% of aid is reported in the national budget.

Support that is directly administered by donors and not by audited public institutions cannot be captured in the budget (an audited document) as the Auditor General does not have jurisdiction to audit donor organisations. To overcome this, the government has designed and launched a Summary of Extra-Budgetary Support to Malawi, the first edition of which was produced for the 2006/07 budget.

INDICATOR 3
Table 18.1

Are government budget estimates comprehensive and realistic?

	Government's budget estimates of aid flows for FY05 (USD m) a	Aid disbursed by donors for government sector in FY05 (USD m) b	Baseline ratio* (%) c=a/b c=b/a
African Dev. Bank	11	18	59%
BADEA	0	1	0%
European Commission	64	75	85%
Germany	4	24	16%
Global Fund	--	24	
Iceland	--	2	
IFAD	0	2	0%
Japan	1	17	4%
Kuwait	--	5	
Norway	21	30	69%
OPEC Fund	0	2	0%
Sweden	--	10	
United Kingdom	96	130	74%
United Nations	5	16	33%
United States	1	7	15%
World Bank	61	130	47%
Total	**264**	**493**	**54%**

* Baseline ratio is c = a / b except where government's budget estimates are greater than disbursements (c = b /a).

The table above provides government's budget estimates of aid flows for fiscal year 2005 (numerator) as a percentage of aid disbursed by donors for the government sector for the same period (denominator). This ratio tells us the degree to which there is a discrepancy between budget estimates and actual disbursements. The discrepancy can be in two directions: indeed budget estimates can be either higher or lower than disbursements. In order to have a single measure of discrepancy that is always less than 100%, the ratio is flipped when budget estimates are higher than disbursements. The baseline value for Indicator 3 in Malawi is 54%. Achieving the target agreed in Paris of 85% (halving the gap) for this indicator will require concerted efforts by donors and government. (Note: In the table, UN assistance includes UNDP, WFP and FAO only.)

The World Bank's Aid Effectiveness Review for 2006 reports that donors are aligning their development assistance with national priorities as set out in the Malawi Growth and Development Strategy. The MGDS has a list of projects that require funding, but most donors' alignment is not to the extent that their activities are taken from the MGDS, except some of those donors in the health sector-wide approach. They are therefore aligned to the structure and aims of the MGDS but not necessarily the detail.

CO-ORDINATING SUPPORT TO STRENGTHEN CAPACITY

In order to help Malawi overcome capacity constraints in human resources and institutional capacity, it is absolutely imperative that donors provide technical co-operation in a manner that is co-ordinated and will strengthen the country's capacities for aid effectiveness and development.

According to the figures, fully 47% of technical assistance is co-ordinated with country programmes. This comes close to the 2010 target of 50%, and suggests that donors have responded well to the country's urgent need for co-ordinated technical assistance that strengthens capacity.

INDICATOR 4
Table 18.2

How much technical assistance is co-ordinated with country programmes?

	Co-ordinated technical co-operation (USD m) a	Total technical co-operation (USD m) b	Baseline ratio (%) c=a/b
African Development Bank	0	0	--
BADEA	0	0	0%
European Commission	0	8	0%
Germany	8	11	74%
Global Fund	0	0	--
Iceland	0	1	0%
IFAD	1	1	100%
Japan	7	14	53%
Kuwait	0	0	--
Norway	0	1	25%
OPEC Fund	0	0	--
Sweden	0	0	100%
United Kingdom	4	19	21%
United Nations	13	16	80%
United States	0	2	0%
World Bank	--	--	--
Total	**34**	**73**	**47%**

INDICATOR 5
Table 18.3

How much aid for the government sectors uses country systems?

	Aid disbursed by donors for government sector (USD m) a	Public financial management				Procurement	
		Budget execution (USD m) b	Financial reporting (USD m) c	Auditing (USD m) d	Baseline ratio (%) avg (b,c,d) / a	Procurement systems (USD m) e	Baseline ratio (%) e /a
African Dev. Bank	18	0	0	0	0%	0	0%
BADEA	1	0	0	0	0%	0	0%
European Commission	75	36	36	36	48%	36	48%
Germany	24	9	6	9	31%	9	36%
Global Fund	24	24	24	0	67%	0	0%
Iceland	2	0	0	0	0%	0	0%
IFAD	2	2	2	2	100%	2	100%
Japan	17	0	0	0	0%	0	0%
Kuwait	5	0	0	0	0%	0	0%
Norway	30	27	27	27	88%	21	69%
OPEC Fund	2	0	0	0	0%	0	0%
Sweden	10	10	10	10	100%	5	46%
United Kingdom	130	62	62	64	48%	46	35%
United Nations	16	6	3	7	32%	0	0%
United States	7	0	0	0	0%	0	0%
World Bank	130	75	105	130	80%	55	42%
Total	**493**	**250**	**275**	**284**	**55%**	**173**	**35%**

USING COUNTRY SYSTEMS

Donors are committed, under the Paris Declaration, to making increased use of country systems. Indicator 5 measures donor use of partner countries' public financial management and procurement systems.

According to the data provided, 55% of aid on average makes use of Malawi's budget, financial reporting and audit systems. Only 35% of aid makes use of the country's procurement systems. If progress is to be made against this baseline, the government will have to do more to improve its procurement systems and bring them in line with international standards.

AVOIDING PARALLEL IMPLEMENTATION STRUCTURES

Under the Paris Declaration, donors are committed to avoiding, to the maximum extent possible, creating dedicated structures for day-to-day management of aid-financed projects and programmes. In Malawi, donors have established 69 parallel project implementation units (PIUs), almost half of these set up by one donor.

INDICATOR 6
Table 18.4

How many PIUs are parallel to country structures?

	Parallel PIUs (units)
African Dev. Bank	11
BADEA	0
European Commission	5
Germany	0
Global Fund	0
Iceland	4
IFAD	2
Japan	0
Kuwait	0
Norway	0
OPEC Fund	0
Sweden	0
United Kingdom	2
United Nations	6
United States	30
World Bank	9
Total	**69**

INDICATOR 7
Table 18.5

Are disbursements on schedule and recorded by government?

	Disbursements recorded by government in FY05 (USD m) a	Aid scheduled by donors for disbursement in FY05 (USD m) b	Aid actually disbursed by donors in FY05 (USD m) FOR REFERENCE ONLY	Baseline ratio* (%) c=a/b	c=b/a
African Dev. Bank	1	14	18	6%	
BADEA	--	0	1		
European Commission	64	75	75	85%	
Germany	4	16	24	24%	
Global Fund	--	31	24		
Iceland	--	2	2		
IFAD	0	2	2	0%	
Japan	1	17	17	4%	
Kuwait	--	4	5		
Norway	21	22	30	95%	
OPEC Fund	--	2	2		
Sweden	--	10	10		
United Kingdom	96	112	130	86%	
United Nations	5	76	16	7%	
United States	1	37	7	3%	
World Bank	124	130	130	96%	
Total	**317**	**550**	**493**		**58%**

* Baseline ratio is c = a / b except where disbursements recorded by government are greater than aid scheduled for disbursement (c = b /a).

The number of parallel PIUs will have to be reduced to 23 if Malawi is to meet its 2010 target. The World Bank's Aid Effectiveness Review for Malawi suggests that efforts are being made to phase out parallel PIUs, with a number of external partners using PIUs that are integrated within government ministries or agencies.

PROVIDING MORE PREDICTABLE AID

Governments are able to make more effective use of aid if it is delivered in a predictable manner. Indicator 7 tries to assess the in-year predictability of aid, measuring the proportion of aid scheduled by donors for disbursement, which was actually recorded by the government as being disbursed. Significant disparities can be due to substantial amounts of unplanned humanitarian support, or the poor quality (or even absence) of projections given to the Ministry of Finance.

The table looks at predictability from two different angles. The first angle is donors' and government's combined ability to disburse aid on schedule. In Malawi, donors scheduled USD 550 million for disbursement in 2005 and actually disbursed – according to their own records – slightly less than expected (USD 493 million). The discrepancy varies considerably among donors. The second angle is donors' and government's ability to record comprehensively disbursements made by donors for the government sector. In Malawi, government systems recorded USD 317 million out of the USD 493 million notified as disbursed by donors (64%) indicating that a significant proportion of disbursements were not captured either because they were not appropriately notified by donors or because they were inaccurately recorded by government.

Indicator 7 on predictability has been designed to encourage progress against both of these angles so as to gradually close the predictability gap by half by 2010. In other words it seeks to improve not only the predictability of actual disbursements but also the accuracy of how they are recorded in government systems – an important feature of ownership, accountability and transparency. In Malawi, this combined predictability gap amounts to USD 233 million (42% of aid scheduled for disbursement). Closing this predictability gap will require donors and government to work increasingly together on various fronts at the same time. Actions might include efforts in improving:

- the realism of predictions on volume and timing of expected disbursements;
- the way donors notify their disbursements to government;
- the comprehensiveness of government's records of disbursements made by donors.

UNTYING AID

INDICATOR 8

According to OECD data covering 70% of 2004 commitments, 97% of aid to Malawi is untied – a very impressive figure.

HARMONISATION

USING COMMON ARRANGEMENTS

INDICATOR 9
Table 18.6

How much aid is programme based?

	Budget support (USD m) a	Other PBAs (USD m) b	Total (USD m) c=a+b	Total disbursed (USD m) d	Baseline ratio (%) e=c/d
African Dev. Bank	0	0	0	18	0%
BADEA	0	0	0	1	0%
European Commission	36	0	36	80	45%
Germany	0	0	0	25	0%
Global Fund	0	24	24	24	100%
Iceland	0	0	0	2	0%
IFAD	0	2	2	2	100%
Japan	0	0	0	17	0%
Kuwait	0	0	0	5	0%
Norway	9	7	16	49	32%
OPEC Fund	0	0	0	2	0%
Sweden	0	7	7	10	68%
United Kingdom	44	18	62	137	45%
United Nations	0	0	0	65	0%
United States	0	0	0	39	0%
World Bank	25	21	45	130	35%
Total	**113**	**79**	**192**	**605**	**32%**

INDICATOR 10a
Table 18.7

How many donor missions are co-ordinated?

	Co-ordinated donor missions (missions) a	Total donor missions (missions) b	Baseline ratio (%) c=a/b
African Dev. Bank	10	30	33%
BADEA	0	0	--
European Commission	2	3	67%
Germany	0	6	0%
Global Fund	0	2	0%
Iceland	0	6	0%
IFAD	5	11	45%
Japan	0	14	0%
Kuwait	0	1	0%
Norway	8	8	100%
OPEC Fund	0	0	--
Sweden	8	8	100%
United Kingdom	7	11	64%
United Nations	18	23	78%
United States	0	0	--
World Bank	8	57	14%
Total (discounted*)	**43**	**180**	**24%**

* The total of co-ordinated missions has been adjusted to avoid double counting. A discount factor of 35% has been applied.

INDICATOR 10b
Table 18.8

How much country analysis is co-ordinated?

	Co-ordinated donor analytical work (units) a	Total donor analytical work (units) b	Baseline ratio (%) c=a/b
African Dev. Bank	2	2	100%
BADEA	0	0	--
European Commission	7	7	100%
Germany	2	2	100%
Global Fund	0	0	--
Iceland	0	0	--
IFAD	1	1	100%
Japan	0	1	0%
Kuwait	0	0	--
Norway	1	1	100%
OPEC Fund	0	0	--
Sweden	1	2	50%
United Kingdom	5	8	63%
United Nations	7	7	100%
United States	0	1	0%
World Bank	2	3	67%
Total (discounted*)	**21**	**35**	**60%**

* The total of co-ordinated analysis has been adjusted to avoid double counting. A discount factor of 25% has been applied.

CONDUCTING JOINT MISSIONS AND SHARING ANALYSIS

The baseline survey shows that 24% of a total of 180 donor missions to Malawi were co-ordinated. Efforts to co-ordinate missions should continue, to reduce still further the burden placed on the government by donor missions.

On country analysis, the picture provided by the baseline survey figures is commendable, as 60% of country analytical work is co-ordinated. This comes close to the 2010 target of 66%. A fine example of co-ordinated country analysis is provided by the Joint Country Programme Review, led by the government in 2006, with external partners including DFID, the European Union, the World Bank, Germany's GTZ and Norway. External partners have posted 19 documents at *www.countryanalyticwork.net.*

MANAGING FOR RESULTS

THE PARIS DECLARATION calls for partner countries and donors to work together to manage resources on the basis of desired results and to use information to improve decision making. This means both strengthening the capacity to undertake such management and helping to increase the demand for a focus on results. Indicator 11 examines one component of this effort: the establishment of a cost-effective results-oriented reporting and assessment system by the country.

The assessment, carried out as part of the World Bank's 2005 review of the Comprehensive Development Framework, looks at three aspects of "managing for results": the quality of development information available, the degree to which stakeholders have access to development information, and the extent to which there is a transparent and monitorable performance assessment framework. Malawi, along with 42% of the countries sampled, received a C rating.

The World Bank's Aid Effectiveness Review notes that the quality and availability of poverty-related data have faced a number of challenges, with some years having elapsed following the census (1998) and national household survey (1997-98). However, there was a more recent integrated household survey in 2004-05 (available on the website of the Malawi National Statistics Office). To address the challenges, the government adopted a national statistical development strategy. On stakeholder access to development information, government efforts are complemented by the persistent efforts of civil-society organisations and networks such as the Malawi Economic Justice Network. Finally, the government is strengthening the monitoring and evaluation system which was set up to monitor the Malawi Poverty Reduction Strategy. Progress will be required on all three fronts – quality of data, availability of data, and monitoring and evaluation – if Malawi is reach the 2010 target rating of a B.

MUTUAL ACCOUNTABILITY

THE PARIS DECLARATION presses donors and partner countries to be accountable to each other for the use of development resources, and in a way that strengthens public support for national policies and development assistance. This in turn requires governments to take steps to improve country accountability systems and donors to help by being transparent about their own contributions. The indicator looks at whether there is a country-level mechanism permitting joint assessment of progress in implementing agreed commitments on aid effectiveness, including those in the Declaration itself.

There are encouraging signs that Malawi is undertaking mutual assessment. In 2006, development partners and government undertook a Joint Country Programme Review to study progress. This year's Joint Country Programme Review brings together all major partners in Malawi. This review will also look at Paris Declaration issues, especially harmonisation and alignment. The government's draft Development Assistance Strategy (due for completion shortly) also includes a similar baseline.

BASELINES AND TARGETS

THE TABLE BELOW presents the 2005 baselines and the targets for Malawi. The baseline values are taken from the discussion above, which draws on various sources of information. The main source is the baseline survey undertaken in Malawi under the aegis of the National Co-ordinator (Naomi Ngwira).

Table 18.9 Baselines and targets

INDICATORS		2005 BASELINE	2010 TARGET
1	Ownership – Operational PRS	C	B or A
2a	Quality of PFM systems	3.0	3.5
2b	Quality procurement systems	Not available	Not applicable
3	Aid reported on budget	54%	85%
4	Co-ordinated capacity development	47%	50%
5a	Use of country PFM systems (aid flows)	55%	No target
5b	Use of country procurement systems (aid flows)	35%	Not applicable
6	Parallel PIUs	69	23
7	In-year predictability	58%	79%
8	Untied aid	97%	More than 97%
9	Use of programme-based approaches	32%	66%
10a	Co-ordinated missions	24%	40%
10b	Co-ordinated country analytical work	60%	66%
11	Sound performance assessment framework	C	B or A
12	Reviews of mutual accountability	Yes	Yes

ACRONYMS

CPIA Country Policy and Institutional Assessment
GNI gross national income
JCPR Joint Country Programme Review
MGDS Malawi Growth and Development Strategy
ODA official development assistance
PFM public financial management
PIU project implementation unit

19 MALI

MALI'S PEOPLE, NUMBERING AROUND 12 MILLION, subsist on an average annual income per head (gross national income per capita, 2004) of just USD 360. At the time of the last household survey in 1994, as much as 72% of the national population was found to be below the dollar-a-day international poverty line.

Mali has endorsed the Paris Declaration, and is a country where the effectiveness of aid is of the highest concern to both the government and the donor community. Net official development assistance (ODA) to Mali in 2004 was USD 567 million, or 12% of gross national income (GNI). A total of 14 donors responded to the 2006 baseline survey, accounting for some 97% of official aid flows to Mali.

OVERVIEW Box 19.1 Challenges and priority actions

DIMENSIONS	BASELINE	CHALLENGES	PRIORITY ACTIONS
Ownership	Moderate	Weakness of Poverty Reduction Strategy/budget links.	Improve budget process.
Alignment	Low	Insufficient capture of aid by country systems.	Agree upon improvements to systems and efforts to increase utilisation by donors.
Harmonisation	Moderate	Harmonisation largely limited to two sector-wide approaches.	Generalise harmonisation practices.
Managing for results	Low	Insufficient data and poor co-ordination of usage.	Put effective co-ordination in place, at least between key monitoring and evaluation units.
Mutual accountability	Low	No formal mechanism.	Establish harmonisation and alignment action plan.

OWNERSHIP

INDICATOR 1

OWNERSHIP IS CRITICAL to achieving development results and is central to the Paris Declaration. It has been defined as a country's ability to exercise effective leadership over its development policies and strategies. Achieving this – especially in countries that rely heavily on aid to finance their development – is not a simple undertaking. Nor, of course can it be measured by a single indicator. For donors, it means supporting countries' leadership, policies, institutions and systems. This is commonly referred to as "alignment" (see below). Donors are in a better position to do this when governments set out clear priorities and operational strategies – which is the main focus of Indicator 1 of the Paris Declaration.

According to the World Bank's Aid Effectiveness Review (AER), the government of Mali has been making consistent efforts to take the lead in co-ordinating external development assistance. The Minister of Economy and Finance chairs meetings of a Mali-Development Partners Joint Committee, the Ministries of Education and Health provide co-ordination of the programmes in their sectors, and roundtable meetings alternate between Geneva and Bamako. On the other hand, Mali is not considered to have an operational development strategy to guide this co-ordination effort and the country's overall development. In the Bank's terms, an operational strategy calls for: a coherent long-term vision and a medium-term strategy derived from it; specific targets serving a holistic, balanced and well-sequenced development strategy; and capacity and resources for its implementation. The World Bank's 2005 Comprehensive Development Framework (CDF) Progress Report explains why Mali is considered to have some of these elements and not others, and is consequently placed, along with 58% of the countries covered, in category C of the CDF's descending scale running from A to E.

Mali's policy framework is strong on vision and medium-term objective setting, but weaker on operationalisation and assuring the resources needed for implementation. A long-term vision was set out in the Mali 2025 document, and the country's Poverty Reduction Strategy Paper (PRSP), the *Cadre Stratégique de Lutte contre la Pauvreté* (CSLP) is the sole medium-term strategy. The strategy sets targets that are related to the Millennium Development Goals at realistic levels in view of the country circumstances. A second CSLP is in preparation. Like the first, this will identify broad priorities under a set of pillars, with the emphasis shifting slightly to prioritise the productive sectors. However, the most important challenge in the next period is to improve the linkage between the stated priorities and the allocation of budgetary resources.

Since 2003, expenditures in education and health have increased their share of the budget. However, in other respects, annual ministerial budgets are not aligned with the strategy. While a technical apparatus including sectoral Medium-Term Expenditure Frameworks (MTEFs) and programme budgets is in place, this does not by itself bring about the necessary redirection of resources. It is therefore good for Mali that the government intends to make headway on linking the macroeconomic framework, the MTEFs, and annual budget preparation and execution during the next strategy period.

ALIGNMENT

MALI AND ITS DONORS have put in place a number of the elements necessary to bring about an alignment of aid with country policies and systems but, according to the results of the baseline survey, there is an urgent need to complete the process. Mali must act quickly to correct the continuing discrepancies between the government's declared strategic priorities and the actual allocation of public resources as described above, together with other weaknesses in country systems, discussed below. However, donors need to step up their efforts to encourage the improvements proposed by government and match them with more comprehensive alignment measures.

BUILDING RELIABLE COUNTRY SYSTEMS

Public financial management in Mali is considered generally sound, and receives a score of 4.0 for this dimension of the World Bank's Country Policy and Institutional Assessment (CPIA), which is above the average for International Development Association countries. Yet there is still scope for improvement in financial accountability and transparency. The government has adopted an action plan to improve public financial management, aimed at better budget preparation and execution, the effectiveness of tax and treasury administration, the incorporation of

external finance into the budget, and overall governance and transparency. It will be critical for the government to carry through these intentions in a timely, effective and co-ordinated way. Changes in the institutional framework governing the public audit function also need to be completed.

INDICATOR 2a

Procurement is a particular source of concern, although a numerical score for Indicator 2b is not currently available. The government is finalising an action plan to bring the country's procurement legislation up to international standards, based on a recent World Bank Country Procurement Assessment. Mali's procurement system is not integrated with public financial management, which causes delays in appropriations and the availability of funds. Corruption is still perceived to be widespread in Mali despite government commitment to greater transparency, as reflected in the 2005 country score of 2.9 on Transparency International's 0-10 corruption perception scale.

INDICATOR 2b

ALIGNING AID FLOWS ON NATIONAL PRIORITIES

Mali's Poverty Reduction Strategy provides a basis for external partners to align their support in a general way with the country's policies. All major donors affirm their commitment to the strategy or particular sectoral components. Although no formal joint assistance strategy is planned, the European Commission and the World Bank are working together to draw up their next assistance strategies, which will be aligned with the revised CSLP.

The challenge that remains is that of carrying this commitment through to the point where donor financial pledges are reflected fully and accurately in the national budget, which is the aspect measured by Indicator 3 of the baseline survey. The general target for this indicator set by the Paris Declaration (85%) calls for both a high level of budget realism on the part of the country authorities and a high degree of willingness and ability of donors to provide information in a timely fashion and in a suitable form.

INDICATOR 3
Table 19.1

Are government budget estimates comprehensive and realistic?

	Government's budget estimates of aid flows for FY05 (USD m) a	Aid disbursed by donors for government sector in FY05 (USD m) b	Baseline ratio* (%) c=a/b	c=b/a
African Development Bank	84	61		73%
Belgium	3	4	82%	
Canada	1	15	10%	
European Commission	65	125	51%	
France	11	72	15%	
Germany	15	25	60%	
Global Fund	--	6		
Japan	3	23	13%	
Netherlands	26	49	53%	
Sweden	0	25	0%	
Switzerland	0	6	5%	
United Nations	11	24	47%	
United States	2	3	80%	
World Bank	113	119	95%	
Total	**334**	**557**		**60%**

* Baseline ratio is c = a / b except where government's budget estimates are greater than disbursements (c = b /a).

The table provides government's budget estimates of aid flows for fiscal year 2005 (numerator) as a percentage of aid disbursed by donors for the government sector for the same period (denominator). This ratio tells us the degree to which there is a discrepancy between budget estimates and actual disbursements. The discrepancy can be in two directions: indeed budget estimates can be either higher or lower than disbursements. In order to have a single measure of discrepancy that is always less than 100%, the ratio is flipped when budget estimates are higher than disbursements. The baseline value for Indicator 3 in Mali is 60%. Achieving the target agreed in Paris of 85% for this indicator will require concerted efforts by donors and government.

The baseline value reflects some discrepancies in both directions between the aid reported by donors as disbursed to the government sector and that recorded in the budget, but mostly a substantial under-recording of disbursements in the budget. A major factor in this respect is that the recording of external finance is done systematically only for the part of the budget called the *Budget Spécial d'Investissment* and that, even here, a large number of public-sector projects are overlooked. Mali's state budget is governed by the finance law, and is approved by the National Assembly. The budget does not account for residual aid (any aid outside budget and project aid). It does not include spending outside Mali, tied aid or aid that is not delivered by the government sector.

A more comprehensive recording of external flows is one of the tasks to be undertaken within the government's action plan for public financial management referred to above.

INDICATOR 4
Table 19.2

How much technical assistance is co-ordinated with country programmes?

	Co-ordinated technical co-operation (USD m) a	Total technical co-operation (USD m) b	Baseline ratio (%) c=a/b
African Dev. Bank	0	0	--
Belgium	0	4	0%
Canada	0	7	0%
European Commission	0	3	9%
France	7	17	41%
Germany	1	11	4%
Global Fund	0	0	--
Japan	0	3	0%
Netherlands	0	0	--
Sweden	0	0	--
Switzerland	0	5	0%
United Nations	3	3	100%
United States	1	36	4%
World Bank	3	15	22%
Total	**16**	**103**	**15%**

CO-ORDINATING SUPPORT TO STRENGTHEN CAPACITY

Capacity constraints significantly hinder the ability of country systems to capture and co-ordinate aid flows more effectively. As in many countries, a major problem is that scarce technically qualified human resources move frequently between different implementing agencies, thereby undermining the continuity of any capacity gains. At the same time, training efforts tend to be fragmented, driven more by per diems than by a proper assessment of need by the country authorities. The Paris Declaration commits donors to providing more co-ordinated support to developing capacity for country leadership. The survey indicates that currently only 15% of reported technical assistance may be considered co-ordinated in this sense.

Several recent initiatives need to be followed though in order to put Mali on track to meet its target of receiving half if its technical assistance on a co-ordinated basis by 2010. They include the efforts by the Ministry of Planning to produce a strengthened capacity development strategy with which donors can co-ordinate, and parallel initiatives to overcome the general lack of capacity development plans at the sector level.

INDICATOR 5
Table 19.3

How much aid for the government sectors uses country systems?

	Aid disbursed by donors for government sector (USD m) a	Public financial management				Procurement	
		Budget execution (USD m) b	Financial reporting (USD m) c	Auditing (USD m) d	Baseline ratio (%) avg (b,c,d) / a	Procurement systems (USD m) e	Baseline ratio (%) e /a
African Dev. Bank	61	12	0	0	7%	12	20%
Belgium	4	0	0	0	0%	3	79%
Canada	15	0	0	0	0%	15	100%
European Commission	125	62	49	49	42%	62	49%
France	72	16	14	14	20%	36	50%
Germany	25	0	0	0	0%	0	0%
Global Fund	6	6	6	0	67%	0	0%
Japan	23	3	3	3	12%	3	12%
Netherlands	49	47	47	47	97%	47	97%
Sweden	25	9	9	9	38%	25	100%
Switzerland	6	0	0	0	0%	1	14%
United Nations	24	0	6	6	17%	6	26%
United States	3	0	0	0	0%	0	0%
World Bank	119	25	25	25	21%	39	33%
Total	**557**	**180**	**159**	**153**	**29%**	**249**	**45%**

USING COUNTRY SYSTEMS

Indicator 5a is a measure of the use of three components of country public financial management (PFM) systems by donors. According to the survey data, 29% of flows on average make use of the components of public financial management. As agreed by government and donors, only general budget support currently qualifies in Mali as use of PFM systems. Given Mali's reasonably high CPIA score for public budgetary and financial management, this average should rise to 53% by 2010.

The factors that will influence the achievement of this target include, obviously, the success of the initiatives previously mentioned to shake up and modernise public financial management, including the audit function. On the donor side, the government believes that the shift by some donors towards the use of general or sector budget support will enable them to make greater use of country systems, as non-use of those systems is particularly associated with project and basket fund modalities. Another factor cited is that some donors have limited knowledge of the country systems: if true, this is a deficiency that the agencies in question may be expected to address during the coming years.

According to the survey results, 45% of the aid from reporting donors made use of the country's procurement system. This overstates the use made of the national system, as some donors not reporting on this issue are known to make exclusive use of their own arrangements. Some agencies are currently obliged to use their own systems for projects above a certain threshold, due to lack of confidence in the current country systems. The Paris Declaration suggests that such rules should be reviewed as the promised reforms take place, so that the improved country systems can be strengthened progressively by more frequent use.

INDICATOR 6
Table 19.4

How many PIUs are parallel to country structures?

	Parallel PIUs (units)
African Development Bank	22
Belgium	4
Canada	6
European Commission	6
France	4
Germany	1
Global Fund	0
Japan	0
Netherlands	2
Sweden	0
Switzerland	4
United Nations	5
United States	0
World Bank	11
Total	**65**

AVOIDING PARALLEL IMPLEMENTATION STRUCTURES

The Paris Declaration calls for a substantial reduction in the number of project implementation units (PIUs) that are parallel in the sense that appointment decisions and accounting relationships involve the donor alone. The current baseline figure for Mali is 65 such structures.

The World Bank reports that it is making substantial effort to reduce the number of parallel PIUs, mainly by integrating them into existing government structures. Large Bank-financed initiatives affected by this policy so far include the Household Energy and Universal Access Project, the Growth Support Project and the Multi-Sectoral HIV/AIDS Project. The government recognises that donors feel less need to set up parallel structures in sectors where policy ownership and sector organisation are strong. There is also a rationale for setting up such structures on a temporary basis in destabilised regions in the North where adequate systems cannot be provided. However, the maintenance and spread of parallel PIUs is driven in part by the advantages that ministries and the seconded officials derive from them. The move towards budget support by some donors is expected to reduce the relevance of this factor and to reduce appreciably the number of parallel units.

PROVIDING MORE PREDICTABLE AID

Improving the predictability of support is a challenge, and so is the measurement of performance in this regard. Indicator 7 focuses on the government's ability to record disbursements in its accounting system for the appropriate year, for which 71% is the recorded value. The figures provided by the donors themselves point out that this indicator disguises a modest degree of non-disbursement or over-disbursement within the fiscal year. The qualitative information on disbursement delays reflects two reasons: lack of dedication on the government side to ensuring that the agreed conditions for disbursement are met, and delays in processing approvals on the donor side. The government would like to see more multi-year programme aid and less funding through projects that make use of a diverse set of donor procedures. It is clear, however, that reaching the target of 85% of scheduled disbursements accurately recorded by the government as disbursed poses a substantial double challenge for Mali and its donors – first to improve substantially the accuracy of the recording, and second to create the various conditions for timely disbursement.

INDICATOR 7
Table 19.5

Are disbursements on schedule and recorded by government?

	Disbursements recorded by government in FY05 (USD m) a	Aid scheduled by donors for disbursement in FY05 (USD m) b	Aid actually disbursed by donors in FY05 (USD m) FOR REFERENCE ONLY	Baseline ratio* (%) c=a/b	c=b/a
African Development Bank	80	65	61		82%
Belgium	4	11	4	36%	
Canada	9	15	15	62%	
European Commission	108	125	125	86%	
France	19	76	72	25%	
Germany	10	12	25	81%	
Global Fund	--	6	6		
Japan	--	23	23		
Netherlands	26	49	49	52%	
Sweden	10	25	25	40%	
Switzerland	--	6	6		
United Nations	0	19	24	0%	
United States	2	3	3	71%	
World Bank	124	117	119		95%
Total	**391**	**553**	**557**	**71%**	

* Baseline ratio is c = a / b except where disbursements recorded by government are greater than aid scheduled for disbursement (c = b /a).

The table looks at predictability from two different angles. The first angle is donors' and government's combined ability to disburse aid on schedule. In Mali, donors scheduled USD 553 million for disbursement in 2005 and actually disbursed – according to their own records – slightly more than expected (USD 557 million). The discrepancy varies considerably between donors. The second angle is donors' and government's ability to record comprehensively disbursements made by donors for the government sector. In Mali, government systems recorded USD 391 out of the USD 557 million notified as disbursed by donors (70%) indicating that a significant proportion of disbursements were not captured either because they were not appropriately notified by donors or because they were inaccurately recorded by government.

Indicator 7 on predictability has been designed to encourage progress against both of these angles so as to gradually close the predictability gap by half by 2010. In other words it seeks to improve not only the predictability of actual disbursements but also the accuracy of how they are recorded in government systems – an important feature of ownership, accountability and transparency.

In Mali, this combined predictability gap amounts to USD 170 million (31% of aid scheduled for disbursement). Closing this predictability gap will require donors and government to work increasingly together on various fronts at the same time. Actions might include efforts in improving:

- the realism of predictions on volume and timing of expected disbursements;
- the way donors notify their disbursements to government; and
- the comprehensiveness of government's records of disbursements made by donors.

UNTYING AID

INDICATOR 8

According to OECD data covering 82% of 2004 commitments, 95% of aid to Mali is untied. The AER reports insufficient evidence on which to judge whether external partners are making efforts to raise this percentage.

INDICATOR 9
Table 19.6

How much aid is programme based?

	Budget support (USD m) a	Other PBAs (USD m) b	Total (USD m) c=a+b	Total disbursed (USD m) d	Baseline ratio (%) e=c/d
African Development Bank	12	0	12	55	22%
Belgium	0	0	0	5	0%
Canada	0	7	7	31	24%
European Commission	49	13	62	134	46%
France	14	12	26	77	34%
Germany	0	3	3	27	12%
Global Fund	0	6	6	6	100%
Japan	0	20	20	23	88%
Netherlands	12	29	42	49	85%
Sweden	9	15	25	28	87%
Switzerland	0	1	1	10	11%
United Nations	0	18	18	24	75%
United States	3	36	38	38	100%
World Bank	25	15	40	119	34%
Total	**124**	**176**	**300**	**625**	**48%**

HARMONISATION

WHILE MUCH REMAINS TO BE DONE to bring about a greater degree of alignment of aid with country policies and systems in Mali, some of the building blocks exist and there is a substantial level of agreement at the technical level about what needs to happen. There also seems to be an emerging donor consensus on aspects of aid harmonisation, at least among those providing support to the government sector. This applies to the use of programme-based approaches (PBAs), sharing of missions and analytical work. To the extent it is true, it should provide a platform for actions to reduce aid fragmentation though specialisation and delegation, and to improve internal incentives to collaborative behaviour, both important Paris Declaration commitments not directly covered by the survey.

USING COMMON ARRANGEMENTS

The proportion of reported government-sector aid using programme-based approaches (and by that token employing common arrangements) is currently fairly low at 48%. However, this will change – putting the suggested 66% target for 2010 within realistic reach – if current initiatives are carried though. External partners are already relying on some common arrangements to support sector-wide approaches (SWAps) in health and education, although the extent to which procurement and financial management are merged remains to be clarified for the AER. In March 2006, six partners signed a Memorandum of Understanding on the provision of common budgetary support for the implementation of the Poverty Reduction Strategy, promising a substantial increase in the total scale of PBAs in Mali and in a form that promotes a common approach to using country systems.

CONDUCTING JOINT MISSIONS AND SHARING ANALYSIS

The baseline figure for co-ordination of donor missions is quite low at 7% compared with the Paris Declaration target of 40%. According to current reports from the country, the trend to decentralise donor offices to the country is not yet showing signs of reducing the perceived need for single-donor missions. Joint reviews are only the norm in connection with the health and education SWAps. It is encouraging that the monitoring surveys being undertaken by the DAC and by the Strategic Partnership with Africa are helping to draw attention to this neglected issue.

Jointly conducted analytical work is perhaps more common, although the 30% recorded for this indicator is less than half of the target suggested by the Paris Declaration follow-up for 2010. Again, the challenge for Mali is to take what has been achieved within the health and education SWAps and apply it in other sectors. Two recent initiatives that suggest the way forward are the collaboration between seven donors and the government in undertaking a joint Public Expenditure and Financial Accountability review, and the posting of at least 25 documents on the multi-donor international website for country analytical work (*www.countryanalyticwork.net*).

INDICATOR 10a
Table 19.7

How many donor missions are co-ordinated?

	Co-ordinated donor missions (missions) a	Total donor missions (missions) b	Baseline ratio (%) c=a/b
African Dev. Bank	2	30	7%
Belgium	2	3	67%
Canada	1	32	3%
European Commission	5	15	33%
France	10	95	11%
Germany	2	30	7%
Global Fund	0	2	0%
Japan	0	7	0%
Netherlands	2	2	100%
Sweden	2	12	17%
Switzerland	0	3	0%
United Nations	2	7	29%
United States	4	12	33%
World Bank	2	50	4%
Total (discounted*)	**22**	**300**	**7%**

* The total of co-ordinated missions has been adjusted to avoid double counting. A discount factor of 35% has been applied.

INDICATOR 10b
Table 19.8

How much country analysis is co-ordinated?

	Co-ordinated donor analytical work (units) a	Total donor analytical work (units) b	Baseline ratio (%) c=a/b
African Dev. Bank	2	2	100%
Belgium	0	1	0%
Canada	0	0	--
European Commission	4	8	50%
France	2	12	17%
Germany	0	1	0%
Global Fund	0	0	--
Japan	0	0	--
Netherlands	1	1	100%
Sweden	1	4	25%
Switzerland	0	0	--
United Nations	3	6	50%
United States	2	2	100%
World Bank	1	3	33%
Total (discounted*)	**12**	**40**	**30%**

* The total of co-ordinated analysis has been adjusted to avoid double counting. A discount factor of 25% has been applied.

MANAGING FOR RESULTS

INDICATOR 11

THE PARIS DECLARATION INVITES partner countries and donors to work together to manage resources on the basis of desired results and use information to improve decision making. This means both strengthening the capacity to undertake such management and helping to increase the demand for a focus on results. Indicator 11 looks at one component of this effort: the establishment of cost-effective results-oriented reporting and assessment systems by the country.

Mali is not among the very few countries judged to have a largely developed results monitoring system according to the Comprehensive Development Framework. In fact, it falls in category D of this assessment along with the 54% of the sample that have only the most basic elements of such a system. This reflects particular inadequacies in three areas: the quality of the available development information, the degree to which stakeholders have access to it, and the extent of co-ordinated monitoring and evaluation of the country's development efforts.

The AER reports that little progress has been made in improving the availability and quality of data. The routine system for statistics collection suffers from a lack of co-ordination between line ministries and various parallel systems, and the National Statistics Department does not receive sufficiently co-ordinated support. A full household survey and a perceptions survey are currently under way. The Co-ordinating Unit of the PRSP has a mandate for distributing monitoring reports to regions, non-governmental organisations, thematic groups and external partners. However, dissemination of information is still poor overall, with information seldom reaching even ministry officials. Monitoring and evaluation activities function well within some sectors but are not co-ordinated. The relationship between the Observatory of Sustainable Human Development (under the Ministry of Social Development) and the PRSP unit (within the Ministry of Economy and Finance) could be solidified. Action on all these fronts will be required to give Mali the sound performance assessment framework defined by the Paris Declaration targets.

INDICATOR 12

MUTUAL ACCOUNTABILITY

THE PARIS DECLARATION CALLS for donors and partner countries to be accountable to each other for the use of development resources, and in a way that tends to strengthen public support for national policies and development assistance. Governments need to take steps to improve country accountability systems and donors can help by being transparent about their own contributions. As the indicator looks at monitoring, it assesses whether there is a country-level mechanism permitting joint assessment of progress in implementing agreed commitments on aid effectiveness, including those in the Declaration itself.

Such a mechanism does not yet exist in Mali. However, the government and the donors are considering the possibility of adopting a harmonisation and alignment action plan before the end of 2006. This plan would define indicators so that the government and external partners could assess their progress with measures for increased aid effectiveness in line with the Paris Declaration.

BASELINES AND TARGETS

The table below presents the 2005 baselines and the targets for Mali. The baseline values are taken from the discussion above, which draws on various sources of information. The main source is the baseline survey undertaken in Mali under the aegis of the National Co-ordinator (Modibo Makalou

Table 19.9 Baselines and targets

INDICATORS		2005 BASELINE	2010 TARGET
1	Ownership – Operational PRS	C	B or A
2a	Quality of PFM systems	4.0	4.5
2b	Quality Procurement systems	Not available	Not applicable
3	Aid reported on budget	60%	85%
4	Co-ordinated capacity development	15%	50%
5a	Use of country PFM systems (aid flows)	29%	53%
5b	Use of country procurement systems (aid flows)	45%	Not applicable
6	Parallel PIUs	65	22
7	In-year predictability	71%	85%
8	Untied aid	95%	More than 95%
9	Use of programme-based approaches	48%	66%
10a	Co-ordinated missions	7%	40%
10b	Co-ordinated country analytical work	30%	66%
11	Sound performance assessment framework	D	B or A
12	Reviews of mutual accountability		

ACRONYMS

AER Aid Effectiveness Review
CDF Comprehensive Development Framework
CPIA Country Policy and Institutional Assessment
CSLP Cadre Stratégique de Lutte contre la Pauvreté
GNI gross national income
MTEF Medium-Term Expenditure Framework
ODA official development assistance
PBA programme-based approach
PFM public financial management
PIU project implementation unit
PRSP Poverty Reduction Strategy Paper
SWAp sector-wide approach

20 MAURITANIA

MAURITANIA HAS A GROSS NATIONAL INCOME (GNI) OF USD 420 PER PERSON. Some 46.7% of its 3 million inhabitants live below the dollar-a-day international poverty line, and 63% live below the two-dollars-a-day mark. Mauritania has endorsed the Paris Declaration on Aid Effectiveness. Aid effectiveness in this country is of major concern to the international community. In 2004, net official development assistance (ODA) was USD 180 million, or 14.5% of GNI. This chapter has been written on the basis of information provided for the baseline survey by the government of Mauritania and nine donors, together accounting for around 92% of ODA to Mauritania.

OVERVIEW Box 20.1 Challenges and priority actions

DIMENSIONS	BASELINE	CHALLENGES	PRIORITY ACTIONS
Ownership	Moderate	Poverty reduction strategy is not provided with sufficient resources and capacities to ensure its implementation.	Improve management of budget preparation and execution. Institute linking mechanisms.
Alignment	Low	Low utilisation of country systems. Low predictability of aid.	Improve country systems. Improve both predictability of aid and incorporation of aid in country accounts.
Harmonisation	Moderate	Common procedures are still weakly entrenched in incipient sector-wide approaches.	Consolidate and deepen health and education sector-wide approaches.
Managing for results	Low	Little feedback of information on poverty reduction strategy implementation.	Define suitable indicators and arrange relevant data collection.
Mutual accountability	Low	No established mechanism focused on aid effectiveness.	Establish a mechanism for mutual accountability.

OWNERSHIP

OWNERSHIP IS CRITICAL to achieving development results and is central to the Paris Declaration. It has been defined as a country's ability to exercise effective leadership over its development policies and strategies. Achieving this – especially in countries that rely heavily on aid to finance their development – is not a simple undertaking. Nor, of course can it be measured by a single indicator. For donors, it means supporting countries' leadership, policies, institutions and systems. This is commonly referred to as alignment (see below). Donors are in a better position to do this when governments set out clear priorities and operational strategies – which is the main focus of Indicator 1 of the Paris Declaration.

According to the draft text for the World Bank's 2006 Comprehensive Development Framework, the government of Mauritania is assuming greater leadership of the co-ordination of development assistance. Since the introduction of the *Cadre Stratégique de Lutte contre la Pauvreté* (CSLP) in 2001, the government has developed its own development strategy and the country has taken charge of its development policies. Although a number of thematic working groups are externally-driven initiatives without government chairmanship, the Ministry of Economic Affairs and Development does chair several donor committees as well as Consultative Group meetings, which take place in Paris approximately every three years.

INDICATOR 1

Indicator 1 of the Paris Declaration follow-up measures the extent to which a country has an operational development strategy to guide the aid co-ordination effort and the country's overall development, using the World Bank's 2005 Aid Effectiveness Review (AER) as the basis of this judgement. This assessment is made on the basis of the following criteria: whether the country has a long-term vision, with medium-term strategy derived from that vision; whether there are country-specific development targets with holistic, balanced and well sequenced strategy; and whether there are the capacity and resources for implementation. Only countries in categories A or B are considered to have an operational strategy. Mauritania is considered to have a national development strategy that is largely developed towards good practice, putting it is category B of a descending scale from A to E. Only 9% of the countries covered were judged to be in this position in 2005.

Although it was delayed somewhat by the military coup of August 2005, the revision of Mauritania's Cadre Stratégique de Lutte contre la Pauvreté (CSLP) or poverty reduction strategy now provides a framework for the years 2006-10, consistent with the country's long-term vision for growth and poverty reduction. It takes into account both a recently updated poverty analysis and expected new revenues from oil. Regional poverty reduction strategies have also been developed, starting with the poorest regions. CSLP II includes targets for the year 2015 and is considered balanced. The sectoral priorities of CSLP I have been replaced with cross-cutting priorities including zoning priorities, attention to environmental challenges and a commitment to co-ordinated implementation. A Priority Action Plan has been developed to operationalise the four pillars of the strategy.

A weakness of the CSLP is its lack of linkage to the national budget. According to the draft 2006 AER, the use of sectoral Medium-Term Expenditure Frameworks (MTEFs) has helped somewhat to reorient public expenditures towards priority sectors, and work is moving ahead on a global MTEF that will provide a more comprehensive linkage between the annual budget and the priorities indicated by the revised strategy. However, fiscal transparency and budget oversight are weak. One of the main priorities of CSLP II is to overhaul public expenditure management so that budget preparation and execution are more transparent and efficient. The quality of these reforms and the degree of high-level political support they are given will be crucial to whether Mauritania's development strategy has the capacity and resources for its implementation.

ALIGNMENT

MAURITANIA AND ITS DONORS HAVE TAKEN THE FIRST STEPS towards an alignment of aid with country policies and systems. The country's major donors take the view that their programmes are designed to help the country meet the objectives set out in the CSLP. The World Bank is proposing to lead a collaborative Country Assistance Strategy process geared to the new thinking contained in CSLP II. However, using several of the more demanding tests of alignment contained in the Paris Declaration, the alignment of aid with country policies and systems has a considerable way to go. Country systems fall short of providing a robust framework into which aid to meet poverty reduction objectives can be easily integrated. Greater efforts from donors are also going to be needed if the Paris Declaration commitments on alignment are to be fully realised.

BUILDING RELIABLE COUNTRY SYSTEMS

INDICATOR 2a

The World Bank's Country Policy and Institutional Assessment (CPIA) gives Mauritania a current score of 2.0 for the quality of budgetary and public financial management. This figure, which is a current figure including the assistance programme carried out by the International Monetary Fund (IMF) since December 2005, is below the average for International Development Association (IDA) countries and does not reach the threshold level of utilisation of country systems (a score of 3.5 is required for this). The AER reports that public financial management (PFM) is generally weak, with limited follow-up of budget execution as a particular problem. A Country Financial Accountability Assessment (CFAA) diagnostic exercise was undertaken in 2003. As noted above, reforms in this area have been given a high priority in the revised poverty reduction strategy. Much will depend on the energy with which they are carried out. In view of the likely importance of oil revenues to the financing of national development during the coming years, it is encouraging that the government became a signatory of the Extractive Industries Transparency Initiative in 2005. Further, both the World Bank and the IMF are encouraged to see the progress that the country is making in PFM. Since August 3, 2005, the government has introduced changes in how it manages its budget, and since January 2007, has ushered in new rules for transparency, controlled spending, and a system for tracking spending. All oil revenues are channelled into a fund, and a law governing spending of oil revenues (prepared with help from the International Monetary Fund) will be submitted to Parliament. This programme with the IMF is suppoting the improvement of Mauritania's public fianance as well as the initiative to alleviate multilateral debt, scheduled for June 2007.

INDICATOR 2b

Procurement systems are also considered to be weak by international standards of good practice. However, a numerical score for Indicator 2b, an assessment of the quality of the procurement system, is not currently available. The World Bank is providing technical assistance to overhaul procurement systems, and procurement units will be set up in ministries. Further, a new procurement code is being formulated in 2007.

INDICATOR 3
Table 20.1

Are government budget estimates comprehensive and realistic?

	Government's budget estimates of aid flows for FY05 (USD m) a	Aid disbursed by donors for government sector in FY05 (USD m) b	Baseline ratio* (%) c=a/b	c=b/a
African Dev. Bank	4	9	47%	
European Commission	13	13		95%
France	2	13	18%	
Germany	2	10	19%	
Global Fund	--	0		
Japan	--	--		
Spain	1	8	16%	
United Nations	3	27	9%	
United States	--	--		
World Bank	57	48		84%
Total	**82**	**126**	**65%**	

* Baseline ratio is c = a / b except where government's budget estimates are greater than disbursements (c = b /a).

ALIGNING AID FLOWS ON NATIONAL PRIORITIES

Although Mauritania and its donors have put in place a number of the elements necessary to align aid with country policies and systems, this process remains incomplete in some important respects. Country systems still fall short of providing a robust framework into which aid can be easily integrated, and donors will need to step up their efforts if the Paris Declaration commitments on alignment are to be fully realised in Mauritania.

Currently, Mauritania uses two budgets, one for dealing with government revenues and the other for external funding. The government may wish to consider whether this dual budget system is the most suitable from the point of view of incorporating externally funded programmes into the country's development effort. Donors, for their part, should consider whether they could do more to enable unification of the budget by adopting the accounting conventions of the country.

Table 20.1 refers to the external funds budget. The table provides two measures for Indicator 3. The first is based on the ratio between the volume of aid recorded in the budget (numerator) and the amount of aid disbursed for the government sector (denominator). This ratio tells us the degree to which there is under-inclusion of aid in the budget (ratio under 100%) or over-inclusion (ratio over 100%). In Mauritania, 65% of aid for the government sector is included in the 2005 budget. In other words, there is currently significant under-inclusion of aid in the budget. To give a clearer indication of aggregate discrepancies, a measure of the "budget recording gap" is also provided. This better reflects the degree of discrepancy between aid reported by donors as disbursed for the government sector, and that recorded in the budget. The budget recording gap in Mauritania is 35%. According to the survey return, the possible reasons for these discrepancies include lack of communication within the administration and between agencies/non-governmental organisations and the government, the fact that donor calculations include technical assistance and missions, and the impact of the exchange rate on the various currencies of donor disbursements. Donors administer some funds directly on programmes or projects. Late or unprogrammed disbursement can affect recording of aid. Mauritania's finance law does not include external funding.

Achieving the target agreed in Paris for this indicator will mean gradually closing this large gap over time, with particular attention to terms of reporting and communication. In the case of Mauritania, the challenge of accurate and timely notification by donors appears to be the larger and more urgent issue.

CO-ORDINATING SUPPORT TO STRENGTHEN CAPACITY

Capacity constraints are among the most significant obstacles to the ability of country systems to capture and co-ordinate aid flows more effectively. The Paris Declaration commits donors to providing more co-ordinated support to capacity development under country leadership, with a target of 50% provided in this form by 2010. The survey indicates that currently only 19% of reported technical assistance is considered co-ordinated in this sense, with quite substantial variations among the larger donors of technical co-operation funds.

In order to meet the agreed target for this indicator, substantial efforts will need to be made around initiatives such as the *Projet de renforcement des capacités au secteur public* (PRECASP). There are two principal requirements for the success of the approach visualised in the Paris Declaration. One is that such programmes articulate a well-considered and realistic country vision for capacity development, and are not supply-driven. The other is that, to the extent that there is a government-led policy of this sort in place, a strenuous joint effort is made to phase out fragmented technical co-operation. The task will be challenging in both respects.

USING COUNTRY SYSTEMS

Indicator 5a is a measure of the use of three components of country public financial management systems by donors. An average of 4% of aid makes of the three systems, and almost all of this is due to Germany, which is the only donor that makes some use of all three components. Use of the national procurement system is somewhat greater, with France and the World Bank joining Germany in making some use of the country arrangements. However, the general picture is one in which exceptionally little use is made of country systems.

INDICATOR 4
Table 20.2

How much technical assistance is co-ordinated with country programmes?

	Co-ordinated technical co-operation (USD m) a	Total technical co-operation (USD m) b	Baseline ratio (%) c=a/b
African Dev. Bank	1	10	6%
European Commission	0	1	0%
France	2	8	23%
Germany	2	5	48%
Global Fund	0	0	--
Japan	0	3	0%
Spain	0	5	0%
United Nations	3	8	37%
United States	0	0	100%
World Bank	1	5	18%
Total	**9**	**45**	**19%**

INDICATOR 5
Table 20.3

How much aid for the government sectors uses country systems?

	Aid disbursed by donors for government sector (USD m) a	Public financial management				Procurement	
		Budget execution (USD m) b	Financial reporting (USD m) c	Auditing (USD m) d	Baseline ratio (%) avg (b,c,d) / a	Procurement systems (USD m) e	Baseline ratio (%) e /a
African Dev. Bank	9	0	0	0	0%	0	0%
European Commission	13	0	0	0	0%	0	0%
France	13	0	0	0	1%	3	27%
Germany	10	4	4	4	40%	4	40%
Global Fund	0	--	--	--	--	--	--
Japan	--	2	2	2	--	2	--
Spain	8	0	0	0	0%	0	0%
United Nations	27	0	0	0	0%	0	0%
United States	--	0	0	0	--	4	--
World Bank	48	0	0	0	0%	12	26%
Total	**126**	**5**	**5**	**6**	**4%**	**25**	**20%**

This is in part a reflection of the absence of budget support from the country programmes of the leading donors. The World Bank had plans to move towards a Poverty Reduction Support Credit (PRSC) aligned with the CSLP, but they were postponed. The European Commission and the African Development Bank have also considered embarking on budget support, which (if combined with an eventual revival of the planned PRSC) would imply a sea change in the use of country systems. As previously noted, there is no agreed target for use of public financial management systems because the quality rating for those systems does not reach the threshold level. This should not mean that budget-support initiatives are shelved indefinitely. It does suggest, however, that some visible signs of headway on systems reform will be needed to move the situation in Mauritania forward on this dimension of aid alignment.

INDICATOR 6
Table 20.4

How many PIUs are parallel to country structures?

	Parallel PIUs (units)
African Dev. Bank	3
European Commission	1
France	0
Germany	0
Global Fund	1
Japan	0
Spain	8
United Nations	0
United States	3
World Bank	8
Total	**23**

AVOIDING PARALLEL IMPLEMENTATION STRUCTURES

The Paris Declaration calls for a substantial reduction in the number of project implementation units (PIUs) that are parallel in the sense that appointment decisions and accounting relationships involve the donor alone. The government of Mauritania would like to see a reduction in this number, currently at 23.

The World Bank AER applauds progress in integrating PIUs into line ministry structures, citing the Integrated Development Program for Irrigated Agriculture as an example. The Paris Declaration commitments expect a serious joint effort by Mauritania and its donors to address the factors that have prevented the management of this project by the corresponding line ministry.

PROVIDING MORE PREDICTABLE AID

There is a need to improve the predictability of support and the measurement of performance in this regard. Indicator 7 focuses on the government's ability to record disbursements in its accounting system for the appropriate year.

The table above looks at predictability from two different angles. The first angle is donors' and government's combined ability to disburse aid on schedule. In Mauritania, donors scheduled USD 252 million for disbursement in 2005 and actually disbursed – according to their own records – significantly less than expected (USD 126 million).

INDICATOR 7
Table 20.5

Are disbursements on schedule and recorded by government?

	Disbursements recorded by government in FY05 (USD m) a	Aid scheduled by donors for disbursement in FY05 (USD m) b	Aid actually disbursed by donors in FY05 (USD m) FOR REFERENCE ONLY	Baseline ratio* (%) c=a/b	c=b/a
African Dev. Bank	--	32	9		
European Commission	--	52	13		
France	--	18	13		
Germany	--	9	10		
Global Fund	--	--	0		
Japan	--	15	--		
Spain	--	16	8		
United Nations	--	33	27		
United States	--	11	--		
World Bank	--	67	48		
Total	**99**	**252**	**126**		**39%**

* Baseline ratio is c = a / b except where disbursements recorded by government are greater than aid scheduled for disbursement (c = b /a).

The discrepancy varies considerably among donors and is mainly due to late disbursements carried over to 2005 and to delays in implementing programmes. The second angle is donors' and government's ability to record comprehensively disbursements made by donors for the government sector. In Mauritania, government systems recorded USD 99 million out of the USD 126 million notified as disbursed by donors (79%).

Indicator 7 on predictability has been designed to encourage progress against both of these angles so as to gradually close the predictability gap by half by 2010. In other words, it seeks to improve not only the predictability of actual disbursements but also the accuracy of how they are recorded in government systems – an important feature of ownership, accountability and transparency. In Mauritania, this combined predictability gap amounts to USD 153 million (61% of aid scheduled for disbursement). Closing this predictability gap will require donors and government to work increasingly together on various fronts at the same time. They might work at improving:

- the realism of predictions on volume and timing of expected disbursements;
- the way donors notify their disbursements to government; and
- the comprehensiveness of government's records of disbursements made by donors.

UNTYING AID

INDICATOR 8

According to OECD data covering 82% of 2004 commitments, 73% of aid to Mauritania is untied. The Paris Declaration commits countries and donors to make progress in further untying aid.

HARMONISATION

IN SPITE OF THE FACT that Mauritania is considered to have a reasonably well-operationalised development strategy, a great deal remains to be done to implement the Paris Declaration commitments in aid alignment. Against this background, the government has been encouraging donors to make headway on harmonising their ways of delivering aid to the country. Some progress has been made, especially in programme-based approaches, as well as joint missions and analytical work. It should therefore be possible to set up a platform for action that will reduce fragmentation through specialisation and delegation (although the present study does not look at these elements).

USING COMMON ARRANGEMENTS

INDICATOR 9
Table 20.6

The proportion of government-sector aid using programme-based approaches (PBAs) and by that token employing common arrangements is currently reported 37%, reflecting progress in establishing joint programmes within particular sectors.

The definition of a programme-based approach suggested by the survey guidance includes: leadership by the host country or organisation; a single comprehensive programme and budget framework;

How much aid is programme based?

	Budget support (USD m) a	Other PBAs (USD m) b	Total (USD m) c=a+b	Total disbursed (USD m) d	Baseline ratio (%) e=c/d
African Dev. Bank	0	1	1	9	7%
European Commission	0	13	13	13	100%
France	0	2	2	15	12%
Germany	0	4	4	10	40%
Global Fund	--	--	--	1	--
Japan	0	12	12	15	78%
Spain	0	2	2	8	23%
United Nations	0	4	4	29	13%
United States	0	0	0	20	0%
World Bank	0	24	24	47	51%
Total	**0**	**61**	**61**	**165**	**37%**

a formalised process for donor co-ordination and harmonisation of donor procedures for reporting, budgeting, financial management and procurement; and efforts to increase the use of local systems for programme design and implementation, financial management, monitoring and evaluation. It is understood that the *Groupe de Partenaires au Développement du Secteur de la Santé-Social-Nutrition* (development partners' group for health-social issues-nutrition) is making strides in this area since signing a Memorandum of Understanding in September 2005. The sector development programme for education is at an early stage in developing common procedures. If this is the case, the baseline figure of 37% may overestimate somewhat the level of agreement on common procedures in 2006. It may be wise for government and donors to focus on consolidating and deepening what has been achieved so far before moving towards the Paris Declaration target of 66% of government-sector aid using programme-based approaches.

INDICATOR 10a
Table 20.7

How many donor missions are co-ordinated?

	Co-ordinated donor missions (missions) a	Total donor missions (missions) b	Baseline ratio (%) c=a/b
African Dev.Bank	1	15	7%
EC	15	30	50%
France	2	18	11%
Germany	2	10	20%
Global Fund	0	4	0%
Japan	0	2	0%
Spain	0	0	--
United Nations	42	239	18%
United States	7	20	35%
World Bank	8	28	29%
Total (discounted*)	**50**	**362**	**14%**

* The total of co-ordinated missions has been adjusted to avoid double counting. A discount factor of 35% has been applied.

INDICATOR 10b
Table 20.8

How much country analysis is co-ordinated?

	Co-ordinated donor analytical work (units) a	Total donor analytical work (units) b	Baseline ratio (%) c=a/b
African Dev.Bank	1	1	100%
EC	1	1	100%
France	0	0	--
Germany	0	0	--
Global Fund	0	0	--
Japan	0	0	--
Spain	0	2	0%
United Nations	37	47	79%
United States	2	2	100%
World Bank	3	3	100%
Total (discounted*)	**33**	**56**	**59%**

* The total of co-ordinated analysis has been adjusted to avoid double counting. A discount factor of 25% has been applied.

CONDUCTING JOINT MISSIONS AND SHARING ANALYSIS

The baseline figure for co-ordination of donor missions is 14%, compared with the Paris Declaration target of 40%. The absolute numbers of missions are very large, particularly for the agencies belonging to the United Nations system, which account for no less than 66% of the total. As in other countries, a substantial proportion of the reported joint missions is accounted for by the UN system (66% in total), but it is assumed that this consists largely of joint missions between different UN agencies. Other areas where joint missions are increasingly used include the education sector programme and the collaborative Country Assistance Strategy process. Sustained efforts to meet the target on joint missions will certainly be needed.

The numbers of pieces of analytical work undertaken jointly are also dominated by the information from the UN system. The baseline figure of 59 % is hard to interpret. It is encouraging in the sense that several donors undertook all or much of their reported analytical work jointly. However, as the government observes, it also implies that little analytical work is undertaken in Mauritania by donors not belonging to the UN system.

MANAGING FOR RESULTS

INDICATOR 11

THE PARIS DECLARATION urges partner countries and donors to work together to manage resources on the basis of desired results, and to use information to improve decision making. This means both strengthening the capacity to undertake such management and helping to increase the demand for a focus on results. Indicator 11 targets one component of this effort, the establishment of cost-effective results-oriented reporting and assessment systems by the country.

Mauritania falls in category C of this assessment, along with the 42% of the sample that have some but not all of the elements of such a system.

The 2006 AER reports that a national household survey took place in 2005 and was able to feed into the revision of the poverty reduction strategy. However, the statistical base on social conditions as well as on relevant public expenditures and their results remains inadequate. The government is tackling the various constraints on the quality of available information, and making it more accessible to the public through an active programme of dissemination on development issues and the CSLP II.

Integrating the various arrangements for generating and using data into a co-ordinated monitoring and evaluation system is a major task which is just beginning. Although this was visualised in the first CSLP, at the end of its period of operation the position was that there was no feedback on development outcomes to contribute to the revision of the strategy other than the household survey findings. Much will depend on the efforts of the Commissioner for Human Rights, Poverty Reduction and Insertion to refine the CSLP indicators in such a way that progress in implementing CSLP II can be tracked in an appropriate and cost-effective way. It will be important that the planned *Système de Programmation et Suivi de l'Investissement* (system for programming and follow-up of investment) in Mauritania is properly integrated with the monitoring and evaluation arrangements for public expenditure in general.

MUTUAL ACCOUNTABILITY

INDICATOR 12

THE PARIS DECLARATION calls for donors and partner countries to be accountable to each other for the use of development resources, and in a way that strengthens public support for national policies and development assistance. This in turn requires governments to improve country accountability systems and donors to be transparent about their own contributions. Indicator 12 seeks to establish whether there is a country-level mechanism permitting joint assessment of progress in implementing agreed commitments on aid effectiveness, including those in the Declaration itself.

Such a mechanism does exist in Mauritania. The survey return indicates a "yes", but the accompanying explanation refers to the existence of joint review mechanisms within several sector programmes, a related but different issue. The AER reports that the World Bank, African Development Bank and UN have devised a framework (currently under revision by the government) for the implementation of the Paris Declaration at country level. This may provide the basis for a monitoring mechanism that deals with the overall effectiveness of aid in the country and includes the essential feature of mutuality. It is understood that an action plan linked to the framework will be considered at the next Consultative Group meeting.

BASELINES AND TARGETS

THE TABLE BELOW presents the 2005 baselines and the targets for Mauritania. The baseline values are taken from the discussion above, which draws on various sources of information. The main source is the baseline survey undertaken in Mauritania under the aegis of the National Co-ordinator (Isselmou Ould Sidi El Moctar).

Table 20.9 Baselines and targets

INDICATORS		2005 BASELINE	2010 TARGET
1	Ownership – Operational PRS	B	A
2a	Quality of PFM systems	2.0	2.5
2b	Quality procurement systems	Not available	Not applicable
3	Aid reported on budget	65%	85%
4	Co-ordinated capacity development	19%	50%
5a	Use of country PFM systems (aid flows)	4%	No target
5b	Use of country procurement systems (aid flows)	20%	Not applicable
6	Parallel PIUs	23	8
7	In-year predictability	39%	70%
8	Untied aid	73%	More than 73%
9	Use of programme-based approaches	37%	66%
10a	Co-ordinated missions	14%	40%
10b	Co-ordinated country analytical work	59%	66%
11	Sound performance assessment framework	C	B or A
12	Reviews of mutual accountability	No	Yes

ACRONYMS

AER	Aid Effectiveness Review
CFAA	Country Financial Accountability Assessment
CPIA	Country Policy and Institutional Assessment
CSLP	*Cadre Stratégique de Lutte contre la Pauvreté*
GNI	gross national income
IDA	International Development Association
IMF	International Monetary Fund
MTEF	Medium-Term Expenditure Frameworks
ODA	official development assistance
PBAs	programme-based approaches
PFM	public financial management
PIUs	project implementation units
PRECASP	*Projet de renforcement des capacités au secteur public*
PRSC	Poverty Reduction Support Credit

21 MOLDOVA

WITH A POPULATION OF 3.39 MILLION, which excludes the estimated 580,000 people living in the Transnistrian region, the Republic of Moldova has a gross national income (GNI) per capita of USD 880. In 2005, 29% of the population were in extreme poverty, falling under the international dollar-a-day poverty line. In 2004, the net official development assistance (ODA) to Moldova was USD 118 million. As a percentage of GNI, net ODA in 2004 amounted to 4.1%, down from 7.8% in 2002. Moldova endorsed the Paris Declaration on October 16, 2006. Sixteen donors responded to the 2006 survey; together, they provide around 84% of Moldova's ODA. focus for these efforts. Key challenges and priority actions are summarised below.

OVERVIEW Box 21.1 Challenges and priority actions

DIMENSIONS	BASELINE	CHALLENGES	PRIORITY ACTIONS
Ownership	Low	Fragmentation across ministries.	Revise and consolidate European Union-Moldova Action Plan and Economic Growth and Poverty Reduction Strategy Paper.
Alignment	Low	Weak country systems.	Increase technical assistance, maintain support to capacity building and gradually begin using country systems.
Harmonisation	Moderate	Limited use made of common procedures.	Implement and closely monitor the actions proposed in the Development Partnership Framework.
Managing for results	Low	Poor quality and somewhat limited availability of poverty-related information.	Make extensive use of the existing Millennium Development Goals and Economic Growth and Poverty Reduction Strategy Paper monitoring system, and draw on the data and indicators in policy making.
Mutual accountability	Moderate	Partial mutual assessments of progress in implementing agreed commitments on aid effectiveness.	Ensure that the Harmonisation Group and Development Partnership Framework work together to deliver mutual assessments.

OWNERSHIP

INDICATOR 1

OWNERSHIP IS CRITICAL to achieving good development results and is central to the Paris Declaration. It has been defined in terms of a country's ability to exercise effective leadership over its development policies and strategies. Achieving this – especially in countries that rely heavily on aid to finance their development – is not a simple undertaking. Nor, of course, can it be measured by a single indicator. Indicator 1 provides an entry point to the issue of ownership as it focuses on whether or not a country has an operational development strategy, with which donors can align their development assistance.

OPERATIONALISING DEVELOPMENT STRATEGIES

Moldova, along with 31% of countries included in the World Bank's Comprehensive Development Framework, is placed in category D concerning its development strategy. Some elements of an operational development strategy are in place, but gaps remain in several areas. The World Bank's Aid Effectiveness Review (AER) reports that Moldova is lacking in long-term vision and a holistic, balanced and well-sequenced strategy. On the other hand, it finds that Moldova is relatively solid in medium-term strategies, setting country-specific development targets, and allocating capacity and resources for implementation.

The long-term objective and vision of policy makers in Moldova, shared across the political spectrum, is to become a member state of the European Union (EU). In addition, the EU-Moldova Action Plan (2005-08) aims to enhance the long-term growth prospects. It is this aspiration that sets the stage for the government's medium-term strategies.

Moldova has a range of medium-term strategies that are broadly supportive of the long-term vision, if not clearly derived from it. The government of Moldova's national development strategy is the Economic Growth and Poverty Reduction Strategy Paper. This development strategy, which encompasses sectoral strategies for agriculture, education, health and social protection, was set to run from 2004-06, but has been extended to 2007. The fact that this strategy provides the basis for the 2005-09 Government Programme underlines the priority accorded to its implementation. The government has also started to elaborate a National Development Plan for 2008-10, which is intended to replace the current Economic Growth and Poverty Reduction Strategy.

The objectives of the Moldova development strategy are consistent with the Millennium Development Goals (MDGs), but are adapted to national circumstances. Its focus is threefold: sustainable and inclusive economic growth; reduced poverty and inequality, and increased participation of the poor in economic development; and human resource development.

In terms of capacity and resources for implementing the strategies and plans, progress has been limited. Since 2003, the government has a fully operational Medium-Term Expenditure Framework (MTEF). But while the government is trying to improve matters, the link between the development strategy, the MTEF and the budget remains relatively weak, with expenditure plans insufficiently aligned with priorities of the development strategy. There is also some fragmentation of responsibilities among various government ministries. Current efforts to reduce this fragmentation should strengthen Moldova's ownership of its development strategy.

OTHER ASPECTS OF OWNERSHIP

The Ministry of Economy and Trade has been the key player in the development of Moldova's development strategy. However, government leadership is hampered by the fact that responsibilities for the co-ordination of external assistance are fragmented: the Ministry of Finance, the Ministry of Economy and Trade, and the Ministry of Foreign Affairs and European Integration all play a role in the process. In order to overcome the challenge, the National Committee for the Co-ordination of External Assistance, which is headed by the First Deputy Prime Minister, has been created. The Committee draws participation from relevant ministries, civil society and the donor community.

There are opportunities for engagement by non-governmental organisations, including from civil society organisations, parliamentarians and business associations. However, the impact of such organisations on the development strategy, and in particular the impact on the parliamentarians, appears to be rather limited.

ALIGNMENT

THE PICTURE ON ALIGNMENT in Moldova is mixed. The government is working hard to address the weakness of its country systems, but donors and the government need to work together – including through the provision and use of technical assistance to strengthen capacity – if Moldova is to see progress towards the 2010 targets.

BUILDING RELIABLE COUNTRY SYSTEMS

INDICATOR 2

Moldova received a rating of 3.5 for the quality of its public financial management (PFM) system in the World Bank's Country Policy and Institutional Assessment (CPIA) for 2005. This is marginally above the average of 3.2 for International Development Association (IDA) countries. No rating is available for the country's procurement systems.

The government of Moldova has identified a series of weaknesses in its public financial management systems, and is taking steps to rectify them. The reform strategy appears to be implemented successfully. The government has established a public debt management function, strengthened and extended the coverage of its treasury systems, and developed basic information systems for budget execution. The Parliament has established a national Court of Accounts, which is the supreme financial control institution in the country, which intends to provide external control and audit services. The Court of Accounts has developed a Strategic Development Plan that aspires to improve its capacities and transform itself into a modern institution capable of performing financial audits according to international standards. Currently however, the Court of Accounts focuses on budget execution controls. An integrated financial management information system should be introduced by the end of 2008, and will be fully operational by 2009.

In terms of its procurement system, the World Bank's AER reports that the government has prepared a draft Public Procurement Law. This is a key step towards aligning Moldova's national procurement system with internationally agreed standards. It is expected that the government will prepare a special action plan, outlining the process towards further alignment by 2007.

ALIGNING AID FLOWS ON NATIONAL PRIORITIES

Indicator 3 provides one measure of the extent to which aid flows are aligned with national priorities, assessing the proportion of aid recorded in the budget. In 2005, 70% of aid disbursed for the government sector was recorded in the national budget. In order to reach the 2010 target of 85%, donors and the government are required to make a concerted effort.

INDICATOR 3
Table 21.1

Are government budget estimates comprehensive and realistic?

	Government's budget estimates of aid flows for FY05 (USD m) a	Aid disbursed by donors for government sector in FY05 (USD m) b	Baseline ratio* (%) c=a/b c=b/a
Austria	--	0	
European Commission	22	22	
France	--	--	
GAVI Alliance	--	0	
Germany	1	1	
Global Fund	4	4	
IFAD	1	1	
IMF	--	--	
Japan	--	4	
Netherlands	--	0	
Sweden	--	2	
Switzerland	--	--	
Turkey	--	3	
United Kingdom	0	3	10%
United Nations	--	9	
United States	--	7	
World Bank	34	33	100%
Total	**62**	**89**	**70%**

* Baseline ratio is c = a / b except where government's budget estimates are greater than disbursements (c = b /a).

Due to the fact that there are several government units in charge of foreign assistance co-ordination, it has been difficult to ensure effective information sharing regarding Moldova's budget. The issue is further confounded by the fact that some donors set conditions to open accounts in commercial banks or use financial management systems other than the national ones when signing assistance agreements. These issues will be addressed in the Development Partnership Framework.

For their part, more donors will have to provide accurate and comprehensive data on aid flows to government, including on technical assistance. For its part, the government will have to establish less fragmented systems for collecting and analysing information on aid flows. The government is tackling this matter with some urgency, appointing a First Deputy Prime Minister with responsibility for overall co-ordination of external assistance, and establishing a database to collect information on externally-financed projects. The Ministry of Economy and Trade has established a database known as IDEA, which collects information on on-going technical assistance projects. The database can be used as a tool to collect information on all external assistance.

INDICATOR 4
Table 21.2

How much technical assistance is co-ordinated with country programmes?

	Co-ordinated technical co-operation (USD m) a	Total technical co-operation (USD m) b	Baseline ratio (%) c=a/b
Austria	0	1	0%
European Commission	--	37	--
France	--	0	--
GAVI Alliance	--	--	--
Germany	--	--	--
Global Fund	0	0	--
IFAD	--	--	--
IMF	--	0	--
Japan	0	1	0%
Netherlands	0	1	0%
Sweden	2	2	100%
Switzerland	0	2	0%
Turkey	0	0	0%
United Kingdom	3	3	84%
United Nations	10	10	100%
United States	2	22	8%
World Bank	5	5	100%
Total	**22**	**86**	**26%**

CO-ORDINATING SUPPORT TO STRENGTHEN CAPACITY

Under the Paris Declaration, donors have promised to help strengthen developing countries' capacities by providing technical co-operation through co-ordinated programmes, consistent with the national development strategies of partner countries. However, in Moldova, only 26% of technical co-operation was provided in a co-ordinated manner. One explanation for this is that the donors' technical co-operation is still largely focused on the provision of stand-alone consultancies, technical support and know-how for specific projects.

Sustained efforts by donors and the governments are called for in order to achieve the Indicator 4 target of 50% co-ordinated technical co-operation by 2010. There are encouraging signs. For example, efforts are being made to better co-ordinate technical assistance through improving Moldova's national development strategy, developing sector strategies, mapping donor presence, facilitating common agreements and ensuring government leadership in sector co-ordination groups.

USING COUNTRY SYSTEMS

The Paris Declaration encourages donors to make increasing use of country systems where these are of sufficient quality to merit their use. Indicator 5a measures the extent to which aid makes use of country system for budget execution, financial reporting and audit. Averaged across these three systems, only 25% of aid to Moldova makes use of country systems.

Major efforts will be called for to reach the target of 50% of aid and 90% of donors using country systems for at least some projects or programmes by 2010. Furthermore, the government must improve the quality of its public financial management (PFM) systems, as described above. As Moldova makes progress in improving its systems, donors must also increasingly make use of these systems and avoid parallel systems to manage aid. For procurement issues, managed by Indicator 5b, only 25% of aid currently makes use of country systems. As no data is currently available for the quality of the procurement system in Moldova, no target is set for 2010.

INDICATOR 5
Table 21.3

How much aid for the government sectors uses country systems?

	Aid disbursed by donors for government sector (USD m) a	Public financial management: Budget execution (USD m) b	Public financial management: Financial reporting (USD m) c	Public financial management: Auditing (USD m) d	Public financial management: Baseline ratio (%) avg (b,c,d) / a	Procurement: Procurement systems (USD m) e	Procurement: Baseline ratio (%) e /a
Austria	0	0	0	0	0%	0	0%
European Commission	22	22	22	22	100%	22	100%
France	--	--	--	--	--	--	--
GAVI Alliance	0	--	--	0	--	0	40%
Germany	1	--	--	--	--	--	--
Global Fund	4	0	0	0	0%	0	0%
IFAD	1	--	--	--	--	--	--
IMF	--	--	--	--	--	--	--
Japan	4	0	0	0	0%	0	0%
Netherlands	0	0	0	0	--	0	--
Sweden	2	0	0	0	0%	0	0%
Switzerland	--	0	0	0	--	0	--
Turkey	3	0	0	0	0%	0	0%
United Kingdom	3	0	0	0	7%	0	10%
United Nations	9	0	0	0	0%	0	0%
United States	7	0	0	0	0%	0	0%
World Bank	33	0	0	0	0%	0	0%
Total	**89**	**22**	**22**	**22**	**25%**	**22**	**25%**

AVOIDING PARALLEL IMPLEMENTATION STRUCTURES

The Paris Declaration urges donors to avoid, to the maximum extent possible, creating separate structures or project implementation units (PIUs) for the day-to-day management of aid-financed projects and programmes. Donors have established 43 parallel PIUs in Moldova. External partners mostly rely on PIUs which remain outside the government structures.

The 2010 target is to reduce this number of PIUs by two-thirds, down to 14 or fewer. Efforts to reduce PIUs are underway already. Donors, including the World Bank, are trying to reduce their reliance on parallel PIUs, either by integrating their functions into the appropriate ministries, or by making use of a single PIU to implement multiple projects. However, while integrating implementation units within ministries is a step towards the right direction, if the donors retain ultimate control of staff salaries and terms of reference, integration will remain partial.

INDICATOR 6
Table 21.4

How many PIUs are parallel to country structures?

	Parallel PIUs (units)
Austria	0
European Commission	--
France	--
GAVI Alliance	--
Germany	--
Global Fund	0
IFAD	--
IMF	--
Japan	1
Netherlands	0
Sweden	6
Switzerland	0
Turkey	0
United Kingdom	4
United Nations	11
United States	13
World Bank	14
Total	**43**

INDICATOR 7
Table 21.5

Are disbursements on schedule and recorded by government?

	Disbursements recorded by government in FY05 (USD m) a	Aid scheduled by donors for disbursement in FY05 (USD m) b	Aid actually disbursed by donors in FY05 (USD m) FOR REFERENCE ONLY	Baseline ratio* (%) c=a/b	c=b/a
Austria	--	0	0		
European Commission	22	22	22	98%	
France	--	--	--		
GAVI Alliance	--	0	0		
Germany	1	--	1		
Global Fund	4	3	4		85%
IFAD	1	--	1		
IMF	--	--	--		
Japan	--	4	4		
Netherlands	--	0	0		
Sweden	--	2	2		
Switzerland	--	0	--		
Turkey	--	3	3		
United Kingdom	0	5	3	7%	
United Nations	--	9	9		
United States	--	7	7		
World Bank	34	38	33	87%	
Total	**62**	**93**	**89**		**67%**

* Baseline ratio is c = a / b except where disbursements recorded by government are greater than aid scheduled for disbursement (c = b /a).

PROVIDING MORE PREDICTABLE AID

Indicator 7 attempts to assess the in-year predictability of aid, measuring the proportion of aid scheduled for disbursement and recoded by government as being disbursed.

The table above looks at predictability from two different angles. The first angle is donors' and government's combined ability to disburse aid on schedule. In Moldova, donors scheduled USD 93 million for disbursement in 2005 and actually disbursed – according to their own records – slightly less than expected (USD 89 million). The discrepancy varies considerably among donors. The second angle is donors' and government's ability to record comprehensively disbursements made by donors for the government sector. In Moldova, government systems recorded USD 62 million out of the USD 89 million notified as disbursed by donors (67%) indicating that a significant proportion of disbursements were not captured either because they were not appropriately notified by donors or because they were inaccurately recorded by government.

Indicator 7 on predictability has been designed to encourage progress against both of these angles so as to gradually close the predictability gap by half by 2010. In other words, it seeks to improve not only the predictability of actual disbursements but also the accuracy of how they are recorded in government systems – an important feature of ownership, accountability and transparency. In Moldova, this combined predictability gap amounts to USD 31 million (33% of aid scheduled for disbursement). Closing this predictability gap will require donors and government to work increasingly together on various fronts at the same time. They might work at improving:

- the realism of predictions on volume and timing of expected disbursements;
- the way donors notify their disbursements to government; and
- the comprehensiveness of government's records of disbursements made by donors.

UNTYING AID

INDICATOR 8

According to OECD data covering 37% of 2004 commitments, 81% of aid to Moldova is untied. The low level of coverage makes the interpretation for this indicator very difficult. In fact, a fluctuation of this indicator over time may reflect better coverage of data rather than the actual level of aid untying.

HARMONISATION

There is evidence of increasing harmonisation in Moldova. The recently signed Development Partnership Framework is expected to lead the progress in harmonisation through bringing together donors and the government. As it draws indicators from the Paris Declaration, the Framework is expected to support the enhancement of aid effectiveness more broadly. A new forum, the Harmonisation Group, which meets every three months to discuss aid effectiveness issues, has also been established. The government and all donors acceded to the Development Partnership Framework (Sweden, World Bank, United Kingdom, Switzerland, European Commission, United Nations, International Monetary Fund, the Netherland and Estonia) are also part of this Group. Donors – sometimes with government participation – also meet each month to share information on ongoing activities, and have also established eight thematic groups that meet at least monthly. In addition, a Consultative Group meeting was held on 12 December 2006; the first since 1997.

USING COMMON ARRANGEMENTS

Responses indicate that only 16% of aid delivered to Moldova makes use of programme-based approaches (PBAs). The low level of common arrangements and PBAs used by donors can be explained partially by the limited capacities of line ministries to define their sectoral priorities, lack of co-ordination and leadership by the government, and the diversity of donor rules and procedures. Reaching the target of 66% of donors using PBAs by 2010 will require substantial effort.

INDICATOR 9
Table 21.6

How much aid is programme based?

	Budget support (USD m) a	Other PBAs (USD m) b	Total (USD m) c=a+b	Total disbursed (USD m) d	Baseline ratio (%) e=c/d
Austria	0	0	0	1	0%
European Commission	22	--	22	37	59%
France	--	--	--	--	--
GAVI Alliance	--	0	0	0	40%
Germany	--	--	--	1	--
Global Fund	0	0	0	4	0%
IFAD	--	--	--	1	--
IMF	--	--	--	--	--
Japan	0	0	0	4	0%
Netherlands	0	0	0	5	0%
Sweden	0	0	0	8	0%
Switzerland	0	0	0	5	0%
Turkey	0	0	0	4	0%
United Kingdom	0	0	0	3	10%
United Nations	0	0	0	10	0%
United States	0	0	0	22	0%
World Bank	0	0	0	33	0%
Total	**22**	**0**	**22**	**139**	**16%**

INDICATOR 10a
Table 21.7

Table 40.7: How many donor missions are co-ordinated?

	Co-ordinated donor missions (missions) a	Total donor missions (missions) b	Baseline ratio (%) c=a/b
Austria	1	1	100%
European Commission	5	100	5%
France	14	24	58%
GAVI Alliance	--	--	--
Germany	--	--	--
Global Fund	0	1	0%
IFAD	--	--	--
IMF	--	10	--
Japan	0	2	0%
Netherlands	0	0	--
Sweden	2	2	100%
Switzerland	5	10	50%
Turkey	0	9	0%
United Kingdom	3	12	25%
United Nations	10	54	19%
United States	0	0	--
World Bank	22	85	26%
Total (discounted*)	**40**	**201**	**20%**

* The total of co-ordinated missions has been adjusted to avoid double counting. A discount factor of 35% has been applied.

INDICATOR 10b
Table 21.8

How much country analysis is co-ordinated?

	Co-ordinated donor analytical work * (units) a	Total donor analytical work (units) b	Baseline ratio (%) c=a/b
Austria	0	0	--
European Commission	--	1	--
France	--	--	--
GAVI Alliance	--	--	--
Germany	--	--	--
Global Fund	0	0	--
IFAD	--	--	--
IMF	--	3	--
Japan	0	0	--
Netherlands	0	0	--
Sweden	3	3	100%
Switzerland	0	1	0%
Turkey	0	0	--
United Kingdom	1	2	50%
United Nations	9	12	75%
United States	1	3	33%
World Bank	1	5	20%
Total (discounted*)	**11**	**22**	**50%**

* The total of co-ordinated analysis has been adjusted to avoid double counting. A discount factor of 25% has been applied.

Efforts are currently underway to move towards increased use of common arrangements. Of particular importance is the intention by the United Kingdom, Sweden and the Netherlands to co-finance the World Bank's Poverty Reduction Support Credit, a package of assistance aimed to help Moldova integrate its national development plans with the EU-Moldova Action Plan. The Development Partnership Framework is also expected to lead the way towards increased usage of common arrangements or procedures.

CONDUCTING JOINT MISSIONS AND SHARING ANALYSIS

In 2005, 201 donor missions were undertaken to Moldova, almost one mission per working day. 20% of these missions were conducted jointly, which falls short of the target of 40% to be co-ordinated joint missions by 2010.

The newly created Office of the First Deputy Prime Minister, assisted by the section for co-ordination of external technical assistance, is expected to improve donor co-ordination. Donors will be expected to provide information on planned and actual donor missions to the Office of the First Deputy Prime Minister. Information on missions will also be shared among donors in their regular meetings, and also though a website maintained by the National Co-ordination Unit of the Ministry of Economy and Trade. Such simple steps may lead to significant progress. The planned introduction of two mission-free periods in August and December will (if respected by donors) also be helpful.

As currently 50 % of Moldova's country analytical work is co-ordinated, Moldova stands a chance of reaching its 2010 target of 66% of shared country analytical work.

MANAGING FOR RESULTS

MANAGING FOR RESULTS IS KEY to enhancing aid effectiveness. The Paris Declaration calls on donors to work alongside partner countries to manage resources on the basis of desired results, and to use information effectively to improve decision making. This entails progress both on the supply side, strengthening the country's capacity for results-based management, and on the demand side, strengthening the demand for a focus on results. Indicator 11 focuses on one component of this effort: the establishment of a cost-effective results-oriented reporting and assessment system by the country.

INDICATOR 11

According to the World Bank's Comprehensive Development Framework, Moldova does not currently have a transparent and monitorable performance assessment framework. On Indicator 11's rating scale, where A is good and B is good enough, Moldova – along with 54% of the countries assessed by the World Bank – receives a D.

The World Bank's AER reports point out that the quality and availability of poverty-related data, which is the key building block for a transparent and monitorable performance assessment framework, is weak. Further, the country lacks a co-ordinated system for country-level monitoring and evaluation. Efforts are being made to address these issues, as they remain a priority. On a positive note, the AER reports that information on government policies, which is an important driver for a results-oriented approach, is easily accessible to stakeholders.

MUTUAL ACCOUNTABILITY

THE PARIS DECLARATION invites donors and partner countries to be accountable to each other for the use of development resources, and in a way that tends to strengthen public support for national policies and development assistance. This in turn requires governments to take steps to improve country accountability systems and donors to help by being transparent about their own contributions.

INDICATOR 12

In the case of Moldova, the recently signed Development Partnership Framework will provide the basis for mutual accountability and mutual assessments. The Harmonisation Group brings together government and donor representatives; they monitor progress on aid effectiveness commitments, including those of the Paris Declaration. Already there are examples of mutual assessment of progress in implementing agreed commitments. A joint Government-World Bank Country Programme Review is organised yearly by the World Bank. The United Nations and the government of Moldova also undertake common country assessments and jointly set priorities. Each year, the UN works together with the government to review development programs and assess their results, impact and lessons learned.

BASELINES AND TARGETS

The table below presents the 2005 baselines and the targets for Moldova. The baseline values are taken from the discussion above, which draws on various sources of information. The main source is the baseline survey undertaken in Moldova under the aegis of the National Co-ordinator (Lucretia Ciurea).

Table 21.9 Baselines and targets

INDICATORS		2005 BASELINE	2010 TARGET
1	Ownership – Operational PRS	D	B or A
2a	Quality of PFM systems	3.5	4.0
2b	Quality procurement systems	Not available	Not applicable
3	Aid reported on budget	70%	85%
4	Co-ordinated capacity development	26%	50%
5a	Use of country PFM systems (aid flows)	25%	50%
5b	Use of country procurement systems (aid flows)	25%	Not applicable
6	Parallel PIUs	43	14
7	In-year predictability	67%	83%
8	Untied aid	81%	More than 81%
9	Use of programme-based approaches	16%	66%
10a	Co-ordinated missions	20%	40%
10b	Co-ordinated country analytical work	50%	66%
11	Sound performance assessment framework	D	B or A
12	Reviews of mutual accountability	Yes	Yes

ACRONYMS

AER Aid Effectiveness Review
CIPA Country Policy and Institutional Assessment
GNI gross national income
IDA International Development Association
MDG Millennium Development Goals
MTEF Medium-Term Expenditure Framework
ODA official development assistance
PBA programme-based approaches
PFM public financial management
PIU project implementation unit

22 MONGOLIA

MONGOLIA HAS A POPULATION OF 2.5 MILLION PEOPLE, and an average annual income of USD 743 per person (gross national income per capita, 2005). In 1998, the year of the most recent survey, 27% of the population fell below the dollar-a-day international poverty line, with 75% falling below the two-dollars-a-day threshold.

In 2005, net official development assistance (ODA) was USD 262 million, up from USD 208 million in 2002. As a percentage of gross national income, net ODA in 2005 amounted to 17%. Mongolia has endorsed the Paris Declaration on Aid Effectiveness. Fourteen donors responded to the 2006 survey; together, they account for at least 85% of ODA to Mongolia.

OVERVIEW Box 22.1 Challenges and priority actions

DIMENSIONS	BASELINE	CHALLENGES	PRIORITY ACTIONS
Ownership	Low	Relationship between planning and budgeting remains weak.	Complete the National Development Strategy.
Alignment	Moderate	Little aid is recorded in the national budget.	Improve recording of aid in the budget.
Harmonisation	Low	Minimal proportion of donor missions are co-ordinated.	Encourage harmonisation.
Managing for results	Moderate	Limited public access to information, especially on poverty data.	Build a country-level monitoring and evaluation system.
Mutual accountability	Low	Lack of a single platform for mutual reviews of progress.	Establish a mechanism for joint assessment of progress in implementing commitments on aid effectiveness.

OWNERSHIP

INDICATOR 1

OWNERSHIP IS CRUCIAL TO AID EFFECTIVENESS and good development results, and is central to the Paris Declaration. It has been defined as a country's ability to exercise effective leadership over its development policies and strategies. Achieving this is not a simple undertaking, especially in countries that rely heavily on aid to finance their development. Nor, of course, can it be measured by a single indicator. Indicator 1 provides an entry point to the issue of ownership, focusing in particular on whether a country has an operational development strategy, with which donors can align their development assistance.

OPERATIONALISING DEVELOPMENT STRATEGIES

Along with 31% of the countries included in the World Bank's 2005 Comprehensive Development Framework (CDF) Progress Report, Mongolia received a rating of D for its development strategies. This assessment is made on the basis of a range of criteria: the adoption of a long-term vision, with medium-term strategy derived from that vision; country-specific development targets with holistic, balanced and well-sequenced strategy; and capacity and resources for implementation.

With help from the UNDP, the government is now drawing up a National Development Strategy to 2020. An earlier initiative, the Mongolian Action Plan, was adopted in 1998, but has had little impact as a result of frequent government changes. The country's medium-term strategy, the Economic Growth Support and Poverty Reduction Strategy, sets out the government's policies until 2006, building on the policy directions embraced by the previous government (in office until June 2004). The new government has adopted an Action Plan for 2004-08, and prepared Guidelines for Economic and Social Development for 2005 and 2006.

In terms of sectoral plans, the government is completing an infrastructure strategy and a new education master plan. Staff are updating plans for health, transport, environment, rural development, energy, and information and communications technology. These plans are the backbone of the government Action Plan, and will guide the National Development Strategy. As the World Bank's desk review notes, local government strategies and plans have been formulated systematically every 2-3 years and incorporated into the government Action Plan.

The World Bank's Aid Effectiveness Review reports that the National Development Strategy will include development goals that are linked to the Millennium Development Goals, just as the Economic Growth Support and Poverty Reduction Strategy did.

In terms of capacity and resources for implementation, the government appreciates the need to strengthen the relationship between planning and budgeting. Since 2003, the country has had a three-year rolling Medium-Term Expenditure Framework, but as the World Bank's Aid Effectiveness Review points out, sectoral policies are not yet fully linked to the budget. Encouragingly, some progress has been made in allocating more resources to priority sectors including health and education.

The Economic Growth Support and Poverty Reduction Strategy is helping to strengthen the government's role in co-ordinating external assistance, led by the Ministry of Finance. In terms of wider ownership and participation, mechanisms were established in 2004 to help draw up a proposal to the Millennium Challenge Account, but their relationship to the Economic Growth Support and Poverty Reduction Strategy is unclear. Encouragingly, mechanisms for civil-society participation are emerging, while parliamentary engagement has – as a result of the change of government – been patchy. If Mongolia's rating is to make the leap from a D to the 2010 target of a B or above, the government will need to do much more to set out the long-term vision, ensure that medium-term strategies are in place to implement it, and solidify the relationship between planning and budgeting.

ALIGNMENT

FOR AID TO BE EFFECTIVE, it must be aligned with national development strategies and plans. Indicators 2 to 8 of the Paris Declaration seek to assess the degree of alignment attained by looking at a number of dimensions of alignment. Mongolia's steady progress in building reliable country systems is impressive, but on various other dimensions – including alignment as measured by Indicator 3 – there is much room for improvement.

BUILDING RELIABLE COUNTRY SYSTEMS

INDICATOR 2a

Mongolia's systems for public financial management (PFM) receive a rating of 4.0 under the World Bank's Country Policy and Institutional Assessment framework. This puts them on par with the average of 4.0 for all International Development Association borrowers, and is an encouraging sign.

The World Bank's Aid Effectiveness Review for 2006 highlights progress in tightening expenditure discipline, citing the government's introduction of a Treasury Single Account in 2001, Parliament's approval of a Public Sector and Finance Management Law in 2004, and the government's establishment of a Government Financial Management Information System. These and other initiatives seem to be putting the country on track to improve its PFM systems, and suggest that the 2010 target of a rating of 4.5 is within reach.

INDICATOR 2b

Procurement systems, while unrated, are reported by the World Bank's Aid Effectiveness Review as "problematic". A new Procurement Act, effective from February 2006, is expected to improve matters, as it devolves responsibilities to executing ministries, departments and agencies, leaving the Ministry of Finance responsible for oversight. Mongolia is going to participate in an exercise conducted by OECD/DAC and was selected as a pilot country to conduct a full self-assessment on the national procurement system. Mongolia is expected to have a more comprehensive assessment of its procurement system within the year.

In terms of corruption, Mongolia ranks 85th out of 159 countries in Transparency International's 2005 Corruption Perceptions Index. The government is promising to improve transparency and reduce corruption, notably by introducing an Anti-Corruption Law and an Anti-Money Laundering Law.

ALIGNING AID FLOWS ON NATIONAL PRIORITIES

Indicator 3 seeks to assess the degree to which aid flows are aligned with national priorities, using the proportion of aid which is recorded in the budget as a proxy.

The table provides government's budget estimates of aid flows for fiscal year 2005 (numerator) as a percentage of aid disbursed by donors for the government sector for the same period (denominator). This ratio tells us the degree to which there is a discrepancy between budget estimates and actual disbursements.

INDICATOR 3
Table 22.1

Are government budget estimates comprehensive and realistic?

	Government's budget estimates of aid flows for FY05 (USD m) a	Aid disbursed by donors for government sector in FY05 (USD m) b	Baseline ratio* (%) c=a/b c=b/a
Asian Dev. Bank	0	30	0%
Czech Republic	0	2	0%
EBRD	0	0	
European Commission	0	3	0%
Germany	0	13	0%
IMF	0	0	
Japan	4	36	10%
Korea	0	7	0%
Netherlands	0	0	
Sweden	0	3	0%
Switzerland	0	0	0%
United Kingdom	0	0	
United Nations	0	8	0%
United States	0	0	
World Bank	0	46	0%
Total	**4**	**149**	**2%**

* Baseline ratio is c = a / b except where government's budget estimates are greater than disbursements (c = b /a).

The discrepancy can be in two directions: indeed budget estimates can be either higher or lower than disbursements. In order to have a single measure of discrepancy that is always less than 100%, the ratio is flipped when budget estimates are higher than disbursements. The baseline value for Indicator 3 in Mongolia is 2%.

The World Bank's Aid Effectiveness Review for 2006 suggests that external partners' strategies are aligned with national development plans. But, if Mongolia is to make any headway towards the 2010 target for Indicator 3 of 85%, the task ahead is very large.

CO-ORDINATING SUPPORT TO STRENGTHEN CAPACITY

Under the Paris Declaration, donors are committed to providing a greater proportion of their technical assistance in a manner which is co-ordinated with country programmes. For Mongolia, the baseline survey reports that only 18% of technical assistance is co-ordinated with country programmes.

INDICATOR 4
Table 22.2

How much technical assistance is co-ordinated with country programmes?

	Co-ordinated technical co-operation (USD m) a	Total technical co-operation (USD m) b	Baseline ratio (%) c=a/b
Asian Dev. Bank	4	4	100%
Czech Republic	0	2	0%
EBRD	0	9	0%
European Commission	0	3	0%
Germany	0	6	0%
IMF	0	0	0%
Japan	0	13	0%
Korea	0	3	0%
Netherlands	3	3	100%
Sweden	0	3	0%
Switzerland	0	0	23%
United Kingdom	0	0	--
United Nations	4	5	71%
United States	0	9	0%
World Bank	1	8	17%
Total	**13**	**69**	**18%**

All of the Asian Development Bank's and the Netherlands' technical assistance is co-ordinated with country programmes, but these are something of an exception. Indeed, the World Bank's Aid Effectiveness Review expresses concern that, although external partners are moving towards aligning support for capacity building with country priorities, a coherent capacity-building programme is not yet in place. If the 2010 target of 50% is to be reached in Mongolia, the government needs to start by developing a coherent capacity-building strategy, consistent with national priorities, so that donors can align their efforts effectively.

USING COUNTRY SYSTEMS

The Paris Declaration encourages donors to make increasing use of country systems for public financial management and for procurement, where these are of sufficient quality to merit their use.

The baseline survey for Mongolia reports that the use of PFM systems, averaged across the three components, stands at 49%. For procurement, 26% of aid makes use of country systems.

As the score of 4.0 for Indicator 2 confirms, Mongolia has made impressive gains in strengthening its PFM systems. However, this has not as yet been reflected in terms of the use that aid makes of the country's PFM systems: most of the external assistance is still received in the form of project support, which does not make use of country systems. That said, donors are open to stepping up use of country systems, both for PFM and procurement. They have already taken the first steps towards providing budget support. If (and when) further steps are taken, they will be looking to Mongolia's PFM and procurement systems.

With a rating of 4.0 for its PFM systems, the 2010 target is that 66% of aid makes use of the country's PFM systems (averaged across the three components). On procurement, no target is set.

INDICATOR 5
Table 22.3

How much aid for the government sectors uses country systems?

	Aid disbursed by donors for government sector (USD m) a	Public financial management				Procurement	
		Budget execution (USD m) b	Financial reporting (USD m) c	Auditing (USD m) d	Baseline ratio (%) avg (b,c,d) / a	Procurement systems (USD m) e	Baseline ratio (%) e /a
Asian Dev. Bank	30	30	30	30	100%	30	100%
Czech Republic	2	0	0	0	4%	0	0%
EBRD	0	0	0	0	--	0	--
European Commission	3	0	0	0	0%	0	0%
Germany	13	0	0	0	0%	0	0%
IMF	0	0	0	0	--	0	--
Japan	36	25	25	25	70%	3	9%
Korea	7	7	7	7	100%	0	1%
Netherlands	0	0	0	0	--	0	--
Sweden	3	0	0	0	0%	0	0%
Switzerland	0	0	0	0	0%	0	0%
United Kingdom	0	0	0	0	--	0	--
United Nations	8	0	0	0	1%	0	0%
United States	0	0	0	0	--	0	--
World Bank	46	16	16	0	23%	5	10%
Total	**149**	**78**	**78**	**63**	**49%**	**38**	**26%**

AVOIDING PARALLEL IMPLEMENTATION STRUCTURES

The Paris Declaration calls for a substantial reduction in the number of project implementation units (PIUs) that are parallel in the sense that appointment decisions and accounting relationships involve the donor alone.

In Mongolia, the majority of projects and programmes financed by external partners make use of parallel PIUs. Only in exceptional cases are partners limiting the use of parallel PIUs by making them responsible for more than one programme or project. There are signs of a gradual shift towards budget support that will lead to a phasing out of parallel PIUs and greater use of the government's existing structures.

The baseline survey records a total of 80 parallel PIUs, with the vast majority of these having been established by multilateral agencies. The target for 2010 – a two-thirds reduction in the number of parallel PIUs – is to reduce the number to no more than 27.

INDICATOR 6
Table 22.4

How many PIUs are parallel to country structures?

	Parallel PIUs (units)
Asian Dev. Bank	27
Czech Republic	0
EBRD	0
European Commission	2
Germany	15
IMF	0
Japan	0
Korea	0
Netherlands	0
Sweden	0
Switzerland	3
United Kingdom	0
United Nations	16
United States	0
World Bank	17
Total	**80**

INDICATOR 7
Table 22.5

Are disbursements on schedule and recorded by government?

	Disbursements recorded by government in FY05 (USD m) a	Aid scheduled by donors for disbursement in FY05 (USD m) b	Aid actually disbursed by donors in FY05 (USD m) FOR REFERENCE ONLY	Baseline ratio* (%) c=a/b	c=b/a
Asian Dev. Bank	30	38	30	80%	
Czech Republic	0	2	2	0%	
EBRD	0	0	0		
European Commission	0	5	3	0%	
Germany	5	13	13	38%	
IMF	0	0	0		
Japan	25	36	36	70%	
Korea	0	7	7	0%	
Netherlands	0	0	0		
Sweden	0	3	3	0%	
Switzerland	0	0	0	0%	
United Kingdom	0	0	0		
United Nations	0	9	8	0%	
United States	0	0	0		
World Bank	14	44	46	31%	
Total	**74**	**158**	**149**		**47%**

* Baseline ratio is c = a / b except where disbursements recorded by government are greater than aid scheduled for disbursement (c = b /a).

PROVIDING MORE PREDICTABLE AID

If aid is provided in a predictable manner, then recipient countries are better able to plan and make effective use of it. Indicator 7 seeks to assess the in-year predictability of aid, measuring the proportion of planned disbursements (as reported by donors) that are recorded by government in the national accounting system as having been disbursed.

The table above looks at predictability from two different angles. The first angle is donors' and government's combined ability to disburse aid on schedule. In Mongolia, donors scheduled USD 158 million for disbursement in 2005 and actually disbursed – according to their own records – slightly less (USD 149 million). The discrepancy varies considerably among donors. The second angle is donors' and government's ability to record comprehensively disbursements made by donors for the government sector. In Mongolia, government systems recorded USD 74 million out of the USD 149 million notified as disbursed by donors (50%), indicating that a significant proportion of disbursements were not captured either because they were not appropriately notified by donors or because they were inaccurately recorded by government.

Indicator 7 on predictability has been designed to encourage progress against both of these angles so as to gradually close the predictability gap by half by 2010. In other words it seeks to improve not only the predictability of actual disbursements but also the accuracy of how they are recorded in government systems – an important feature of ownership, accountability and transparency. In Mongolia, this combined predictability gap amounts to USD 84 million (53% of aid scheduled for disbursement). Closing this predictability gap will require donors and government to work increasingly together on various fronts at the same time. They might work at improving:

- the realism of predictions on volume and timing of expected disbursements;
- the way donors notify their disbursements to government;
- the comprehensiveness of government's records of disbursements made by donors.

UNTYING AID

According to OECD data covering 52% of 2004 commitments, 85% of aid to Mongolia is untied. There is much room for progress on untying, to which donors are committed. INDICATOR 8

HARMONISATION

DONOR FRAGMENTATION imposes transaction costs on recipient countries. Indicators 9 and 10 of the baseline survey illustrate various elements of harmonisation. In Mongolia, there is substantial room for progress on harmonisation across the board. In particular, there is room for the government to take a more active role in encouraging and co-ordinating harmonisation.

USING COMMON ARRANGEMENTS

According to the baseline survey, 29% of aid was programme based. Half of this was direct budget support, and half was sector support. Despite the efforts of some development partners to co-ordinate their support through programme-based approaches, the 2010 target of 66% remains an ambitious goal.

INDICATOR 9
Table 22.6

How much aid is programme based?

	Budget support (USD m) a	Other PBAs (USD m) b	Total (USD m) c=a+b	Total disbursed (USD m) d	Baseline ratio (%) e=c/d
Asian Dev. Bank	9	0	9	30	29%
Czech Republic	0	3	3	3	100%
EBRD	0	0	0	0	--
European Commission	0	0	0	3	0%
Germany	0	1	1	13	9%
IMF	0	0	0	0	--
Japan	0	--	0	36	0%
Korea	0	0	0	7	0%
Netherlands	3	6	9	9	100%
Sweden	0	0	0	3	0%
Switzerland	0	0	0	2	0%
United Kingdom	0	0	0	0	0%
United Nations	1	7	8	8	100%
United States	0	0	0	10	0%
World Bank	13	6	19	46	42%
Total	**26**	**23**	**50**	**171**	**29%**

INDICATOR 10a
Table 22.7

How many donor missions are co-ordinated?

	Co-ordinated donor missions (missions) a	Total donor missions (missions) b	Baseline ratio (%) c=a/b
Asian Dev. Bank	0	20	0%
Czech Republic	0	8	0%
EBRD	0	2	0%
European Commission	0	0	--
Germany	0	15	0%
IMF	0	7	0%
Japan	0	20	0%
Korea	0	6	0%
Netherlands	2	3	67%
Sweden	0	1	0%
Switzerland	0	8	0%
United Kingdom	0	0	--
United Nations	11	143	8%
United States	1	56	2%
World Bank	5	190	3%
Total (discounted*)	**12**	**479**	**3%**

* The total of co-ordinated missions has been adjusted to avoid double counting. A discount factor of 35% has been applied.

INDICATOR 10b
Table 22.8

How much country analysis is co-ordinated?

	Co-ordinated donor analytical work (units) a	Total donor analytical work (units) b	Baseline ratio (%) c=a/b
Asian Dev. Bank	3	3	100%
Czech Republic	0	3	0%
EBRD	0	0	--
European Commission	0	1	0%
Germany	0	1	0%
IMF	0	4	0%
Japan	0	2	0%
Korea	0	0	--
Netherlands	0	1	0%
Sweden	0	1	0%
Switzerland	1	1	100%
United Kingdom	0	0	--
United Nations	20	22	91%
United States	2	18	11%
World Bank	2	3	67%
Total (discounted*)	**21**	**60**	**35%**

* The total of co-ordinated analysis has been adjusted to avoid double counting. A discount factor of 25% has been applied.

CONDUCTING JOINT MISSIONS AND SHARING ANALYSIS

Donor missions are fairly labour-intensive events for recipient countries. If a greater proportion of donor missions were co-ordinated or conducted jointly, then this would reduce the total number of missions and the consequent burden on host governments.

In Mongolia – with only 3% of 479 missions co-ordinated – there is tremendous room for progress. Indeed, if the target of 40% co-ordinated missions by 2010 is to be reached, then there will need to be some radical changes in donor behaviour. The government can provide the impetus for change by requesting that donors join forces to conduct their missions. The UN is helping Mongolia to develop a new aid management tool that will make it easier to share information on, and co-ordinate, donor missions.

On country analysis, the picture is somewhat better: 35% of country analysis is co-ordinated. Progress here has been driven by the efforts of donors. To reach the target of 66% by 2010, however, the government will have to assume a more central role in improving co-ordination and encouraging information sharing.

MANAGING FOR RESULTS

INDICATOR 11

THE PARIS DECLARATION calls for partner countries and donors to work together to manage resources on the basis of desired results and use information to improve decision making. This means both strengthening the capacity to undertake such management and helping to increase the demand for a focus on results. Indicator 11 looks at one component of this effort: the establishment of a cost-effective results-oriented reporting and assessment system by the country.

Mongolia, along with 42% of the countries assessed, received a rating of C for its reporting and assessment system, as part of the World Bank's 2005 review of the Comprehensive Development Framework. This is encouraging. The rating is based on three criteria: the quality of development information, the degree to which stakeholders have access to it, and, the extent to which there is a co-ordinated monitoring and evaluation of the country's development efforts.

The World Bank's Aid Effectiveness Review for 2006 underlines that the quality and availability of poverty-related data is improving. Most recently, donors have signalled their intention to support the government's national statistical development strategy, launched in March 2006. Information on government policies is reported to be easily available, although data (particularly raw poverty data) remain less accessible to the public. The World Bank reports that the government is laying the foundations for a country-level monitoring and evaluation system. Lastly, in February 2006, the UNDP launched a system-wide project to improve the government's ability to gauge progress towards the Millennium Development Goals, and goals and targets associated with the country's development plans. With a concerted effort on the part of government, and with the co-ordinated support of donors, the 2010 target of a B rating or above, may be within reach.

MUTUAL ACCOUNTABILITY

INDICATOR 12

THE PARIS DECLARATION calls for donors and partner countries to be accountable to each other for the use of development resources, and in a way that strengthens public support for national policies and development assistance. This in turn requires governments to improve country accountability systems and donors to be transparent about their own contributions. Indicator 12 seeks to establish whether a country-level mechanism exists, permitting joint assessment of progress in implementing agreed commitments on aid effectiveness, including those in the Declaration itself.

No such mechanism currently exists in Mongolia, although some initial steps towards mutual assessment and accountability have been taken. First, harmonisation working groups – to involve government and donors – have been set up in relation to a number of sectors and themes. Second, technical meetings of government and partners have been instituted (replacing Consultative Group meetings) to provide a platform for dialogue. And third, the UNDP hosts monthly meetings that provide a platform for information sharing and harmonisation among donors.

Welcome as these initiatives may be, none of them as yet include the mutual assessments of progress made against aid effectiveness commitments which are called for by the Paris Declaration.

BASELINES AND TARGETS

THE TABLE BELOW presents the 2005 baselines and the targets for Mongolia. The baseline values are based on discussion above, which draws on various sources of information. The main source is the baseline survey undertaken in Mongolia under the aegis of the National Co-ordinator (Ochirkhuu Erdembileg).

Table 22.9 Baselines and targets

INDICATORS		2005 BASELINE	2010 TARGET
1	Ownership – Operational PRS	D	B or A
2a	Quality of PFM systems	4.0	4.5
2b	Quality procurement systems	Not available	Not applicable
3	Aid reported on budget	2%	85%
4	Co-ordinated capacity development	18%	50%
5a	Use of country PFM systems (aid flows)	49%	66%
5b	Use of country procurement systems (aid flows)	26%	Not applicable
6	Parallel PIUs	80	27
7	In-year predictability	47%	74%
8	Untied aid	85%	More than 85%
9	Use of programme-based approaches	29%	66%
10a	Co-ordinated missions	3%	40%
10b	Co-ordinated country analytical work	35%	66%
11	Sound performance assessment framework	C	B or A
12	Reviews of mutual accountability	No	Yes

ACRONYMS

CDF Comprehensive Development Framework
ODA official development assistance
PFM public financial management
PIU project implementation unit

23 MOZAMBIQUE

WITH A POPULATION OF 19 MILLION, Mozambique has a national income per capita of USD 250 (gross national income). According to recent data, the proportion of people living below the national poverty line in Mozambique has significantly declined from 69% in 1997 to 54% in 2003. Total net official development assistance (ODA) to Mozambique in 2004 was USD 1.23 billion, and this accounted for 24% of gross national income (GNI). Mozambique has seen strong economic growth since the late 1990s, despite the impacts of a long civil war which finished only in 1992, compounded by frequent natural disasters including drought, floods and cyclones.

Responses to the 2006 survey in Mozambique accounted for 86% of ODA. The survey responses, taken together with the World Bank desk reviews which form the basis for the baselines/targets for some of the indicators, demonstrate that much of the progress made against the Paris indicators in Mozambique has been driven by budget support. However, this remains a relatively small part of aid to Mozambique, and other aid modalities will need to be strengthened if Paris targets are to be met. The main challenges and priorities for the future are summarised below.

OVERVIEW Box 23.1 Challenges and priority actions

DIMENSIONS	BASELINE	CHALLENGES	PRIORITY ACTIONS
Ownership	Moderate	Local strategy and budgeting capacity is limited.	Connect planning and budgeting processes in different parts of government.
Alignment	Moderate	Alignment is limited outside budget support/ sector-wide approaches.	Encourage use of national public financial management systems by donors beyond budget support.
Harmonisation	Moderate	Lack of harmonisation with respect to project aid.	Expand the use of programme-based approaches.
Managing for results	Moderate	Limited engagement with results outside government.	Strengthen public dissemination of development information.
Mutual accountability	Moderate	Mutual accountability arrangements only apply to budget support.	Develop mutual accountability arrangements beyond budget support.

OWNERSHIP

INDICATOR 1

OWNERSHIP IS CRITICAL to achieving development results and is central to the Paris Declaration. It has been defined as a country's ability to exercise effective leadership over its development policies and strategies. Achieving this – especially in countries that rely heavily on aid to fund their development – is not a simple undertaking. Nor,

of course, can it be measured by a single indicator. It requires a combination of cross-cutting factors that engage both donor and government. For donors it means supporting countries' leadership and policies. It also means basing their overall support on countries' national development strategies, institutions and systems, an approach commonly referred to as "alignment". Donors are in a better position to do that when governments set out clear priorities and operational strategies. This is the main focus of Indicator 1 of the Paris Declaration, assessed below with reference to the World Bank's 2006 Aid Effectiveness Review.

Mozambique's long-term vision is set out in Agenda 2025, which was completed in 2003 by a civil-society group known as the Committee of Advisors, through a long participatory and consultative process that brought all stakeholders together. Agenda 2025 is the umbrella policy document, to which all long-, medium-, and short-term development frameworks are anchored. It is nationally acknowledged as a consensus policy instrument.

The current Action Plan for the Reduction of Absolute Poverty, known as PARPA II, Mozambique's second generation of Poverty Reduction Strategy Paper, covers the years 2006-09. PARPA II outlines goals and strategies for Mozambique which are consistent with the Millennium Development Goals (MDGs) and embrace the thematic approach of Agenda 2025. PARPA II is supported by a number of medium-term strategies at the sectoral level. The government also produces annual Economic and Social Plans and progress reports to guide short-term implementation of PARPA II.

The country is in the process of decentralising strategic planning, and districts will increasingly develop their own development and investment plans. This process must continue to ensure that local policies reflect national priorities and strategy. The World Bank judges Mozambique's long-term strategy to be "largely in place" but suggests that more needs to be done to establish effective medium-term strategies across all sectors and levels of government. Steady efforts by government to update sector strategies and encourage strategic planning at the district level should help with this.

Mozambique's development targets are focused on the MDGs. The country has made clear progress on the MDGs related to poverty reduction and infant and maternal mortality. However, unless Mozambique steps up performance in the other MDG areas, the impact of HIV/AIDS will offset any progress in those areas.

PARPA II, the 2006-09 Action Plan, is pillar-oriented and gives more emphasis to the productive sectors and governance issues, with a district focus while its predecessor, PARPA I, was aimed at social areas with a sectoral approach. Development partners judge that Mozambique's development goals and targets are largely in place, and that the country has a balanced and well-sequenced development strategy.

Mozambique's development strategy is increasingly connected to the budget process. A Medium-Term Fiscal Framework (MTFF) is prepared annually, with three-year projections for sectoral allocations. The 2006-08 MTFF is expected to shape public expenditure around the objectives set out in PARPA. A key priority is to increase revenue collection to allow for increased investment in priority sectors such as education and health. The government is also planning to introduce Medium-Term Expenditure Frameworks at the sector level. It has started fiscal transfers to the district level as part of the national programme for advancing the decentralisation and local governance.

Mozambique received a C rating in the World Bank's 2005 Comprehensive Development Framework assessment, which provides the baseline for Indicator 1. This puts it within reach of the 2010 target of a B or an A if the government continues delegating and building strategy and budgeting capacity at the sectoral and local level; yet the links between different strategies and objectives must be clear. The government will also need to ensure that the new division of responsibilities between the Ministry of Finance and the Ministry of Planning and Development does not threaten the links between planning and budgeting. In 2005-06, Standard and Poor gave Mozambique a B in its sovereign credit rating.

ALIGNMENT

MOVES TOWARDS THE PROVISION of general budget support by a number of donors in Mozambique have helped to improve dialogue and alignment between government and donors. That said, budget support represents a third of the total resource envelope in Mozambique and action will be needed by both government and donors if the progress made via budget support is to be extended to the rest of Mozambique's aid, and continued over time.

Such efforts will no doubt be fostered by the work of two groups. The Paris Declaration Working Group (consisting of some donors/other development partners and chaired by the UN Resident Coordinator) seeks to advance the Paris Declaration and its harmonisation and alignment agenda. The Development Partners Group brings together all donors and development partners, and is co-chaired by the UN Resident Coordinator and the World Bank Country Director.

Mozambique is one of a few countries experimenting with the Programme Aid Partners' Performance Assessment Framework, an instrument that assesses how donors are meeting their commitments to Mozambique (in addition to the government of Mozambique Donor Joint Review of PARPA implementation).

BUILDING RELIABLE COUNTRY SYSTEMS

INDICATOR 2a

Indicator 2a provides an indication on the quality of Mozambique's public financial management (PFM) systems. The score is based on the World Bank's Country Policy and Institutional Assessment (Indicator 13). In 2005, Mozambique's rating was 3.5 on a six-point scale, ranging from 1 (lowest score) to 6 (highest score).

The move by some donors in Mozambique towards the use of general budget support has spurred moves in government to strengthen fiduciary standards, and a PFM Action Plan has now been formulated. Budget transactions have been more reliable since the introduction of the Integrated Financial Management System, but this has not yet been rolled out to all ministries. Audit activities are overseen by a Tribunal Administrativo and the World Bank's Aid Effectiveness Review suggests that there has been some improvement in the audits of general state accounts in 2005.

Mozambique received a score of 2.8 on Transparency International's Corruption Perceptions Index in 2005 (where 0 signifies "highly corrupt" and 10 "highly clean"). An Anti-Corruption Law was introduced in 2004 and an Anti-Corruption Agency introduced. Although corruption remains a significant barrier to more reliable PFM systems, stakeholders are optimistic that a new Anti-Corruption Strategy will address this issue.

Mozambique is at an early stage of implementation with a number of PFM-related measures, as suggested above. If these measures live up to their promise, it will stand a good chance of meeting the target of increasing its PFM score to 4 by 2010.

INDICATOR 3
Table 23.1

Are government budget estimates comprehensive and realistic?

	Government's budget estimates of aid flows for FY05 (USD m) a	Aid disbursed by donors for government sector in FY05 (USD m) b	Baseline ratio* (%) c=a/b	c=b/a
African Development Bank	0	113	0%	
Belgium	0	6	0%	
Canada	0	26	0%	
Denmark	0	52	0%	
European Commission	0	136	0%	
Finland	0	22	0%	
France	0	5	0%	
GAVI Alliance	0	3	0%	
Germany	0	38	0%	
Global Fund	0	15	0%	
International Monetary Fund	0	0	0%	
Ireland	0	38	0%	
Italy	0	20	0%	
Japan	0	14	0%	
Netherlands	0	42	0%	
Norway	0	52	0%	
Portugal	0	17	0%	
Spain	0	10	0%	
Sweden	0	64	0%	
Switzerland	0	13	0%	
United Kingdom	0	70	0%	
United Nations	0	97	0%	
United States	0	47	0%	
World Bank	0	232	0%	
Total	**944**	**1 133**	**83%**	

* Baseline ratio is c = a / b except where government's budget estimates are greater than disbursements (c = b /a).

INDICATOR 2b

No score is currently available for Indicator 2b on the quality of Mozambique's procurement systems. The following assessment is based on the World Bank's Aid Effectiveness Review and the survey response. Fewer than 50% of contracts above the national threshold for small transactions are awarded through an open and competitive tendering process, and the procurement complaint mechanism is relatively ineffective. This situation is expected to improve as the 2005 Procurement Code is implemented in 2006-08. However, implementation has so far been slow and a recent Public Expenditure and Financial Accountability review concluded that "significant short-term improvements are unlikely: steady progress towards long-term gains should be the goal."

ALIGNING AID FLOWS ON NATIONAL PRIORITIES

Donors have made significant moves to align their assistance strategies with Mozambique's priorities as set out in the Action Plan. Budget support is provided according to a single performance matrix which reflects the government strategy. Comprehensive and transparent reporting of aid on budgets, and how it is used, is critical not only to ensure that donors align aid flows with national development priorities but also to achieve accountability for the use of development resources and results. Ensuring that donor aid flows are properly reflected in the partner's national budget is a first step towards ensuring that aid flows are aligned with national priorities as reflected in the approved national budget.

INDICATOR 4
Table 23.2

How much technical assistance is co-ordinated with country programmes?

	Co-ordinated technical co-operation (USD m) a	Total technical co-operation (USD m) b	Baseline ratio (%) c=a/b
African Development Bank	0	5	0%
Belgium	1	1	95%
Canada	1	1	68%
Denmark	2	7	29%
European Commission	9	12	78%
Finland	1	2	36%
France	0	1	0%
GAVI Alliance	0	0	--
Germany	4	14	31%
Global Fund	0	0	--
International Monetary Fund	2	2	100%
Ireland	1	2	67%
Italy	0	2	0%
Japan	1	5	16%
Netherlands	1	2	43%
Norway	4	5	75%
Portugal	0	11	0%
Spain	0	1	47%
Sweden	7	8	84%
Switzerland	1	1	75%
United Kingdom	4	8	54%
United Nations	10	34	30%
United States	3	34	9%
World Bank	25	45	56%
Total	**78**	**204**	**38%**

The table (23.1) provides government's budget estimates of aid flows for fiscal year 2005 (numerator) as a percentage of aid disbursed by donors for the government sector for the same period (denominator). This ratio tells us the degree to which there is a discrepancy between budget estimates and actual disbursements. The discrepancy can be in two directions: indeed budget estimates can be either higher or lower than disbursements. In order to have a single measure of discrepancy that is always less than 100%, the ratio is flipped when budget estimates are higher than disbursements. The baseline value for Indicator 3 in Mozambique is 83%.

This reflects significant progress made in improving the budget process, although more work will be needed to co-ordinate the budget cycles of donors and the government if Mozambique is to meet the target of 92% of aid to the government sector recorded on budget by 2010. The development in 2006 of a new aid database should improve the quality of information on aid flows and help with effective budgeting, but more work is needed to integrate this database with existing government systems.

A bigger challenge for the government is dealing with the fact that much on-budget aid does not actually flow through the Treasury and Mozambican budget execution systems (see Indicator 5 below). This makes it difficult for the government to report on this expenditure as the law requires. A joint government-donor taskforce was established in 2005 to bring more aid onto the Single Treasury Account, and the government is currently overhauling its financial system to facilitate progress in this area.

INDICATOR 5
Table 23.3

How much aid for the government sectors uses country systems?

	Aid disbursed by donors for government sector (USD m) a	Public financial management				Procurement	
		Budget execution (USD m) b	Financial reporting (USD m) c	Auditing (USD m) d	Baseline ratio (%) avg (b,c,d) / a	Procurement systems (USD m) e	Baseline ratio (%) e /a
African Dev. Bank	113	43	43	42	38%	43	38%
Belgium	6	5	2	2	53%	2	39%
Canada	26	9	8	2	24%	2	8%
Denmark	52	28	12	13	34%	28	54%
European Commission	136	64	62	53	44%	64	47%
Finland	22	7	7	5	31%	7	34%
France	5	2	0	0	11%	5	100%
GAVI Alliance	3	0	0	3	33%	0	0%
Germany	38	21	21	5	40%	5	12%
Global Fund	15	15	15	0	67%	15	100%
IMF	0	0	0	0	0%	0	77%
Ireland	38	38	28	28	82%	38	100%
Italy	20	16	8	8	53%	20	100%
Japan	14	2	0	2	11%	2	17%
Netherlands	42	22	22	22	54%	22	54%
Norway	52	19	16	19	34%	19	37%
Portugal	17	1	1	1	9%	1	9%
Spain	10	6	4	6	49%	4	40%
Sweden	64	20	18	18	30%	18	29%
Switzerland	13	8	8	10	69%	12	89%
United Kingdom	70	55	55	55	78%	55	78%
United Nations	97	1	1	17	6%	1	1%
United States	47	0	0	0	0%	0	0%
World Bank	232	65	65	60	27%	65	28%
Total	**1 133**	**449**	**396**	**373**	**36%**	**431**	**38%**

CO-ORDINATING SUPPORT TO STRENGTHEN CAPACITY

Government and donors agreed that technical assistance qualifying as "co-ordinated with country programmes" should be programme-based, and governed by formal co-ordination mechanisms where more than one donor is involved. National technical assistance percentages were attributed to common funds in order to include technical assistance which is integrated into, for example, sector-wide approaches (SWAps). As found in table 23.3, it is this integrated technical assistance which accounts for most of the 38% of technical assistance judged to be co-ordinated with country programmes – most stand-alone technical assistance remains uncoordinated. Budget support donors in Mozambique have proposed that in future they should be assessed on the percentage of their technical assistance which is provided in integrated sector-wide programmes, as part of the donor performance matrix (see below). This should encourage progress towards the 2010 target for 50% of technical assistance to be co-ordinated with country programmes.

USING COUNTRY SYSTEMS

The Paris Declaration encourages donors to make increasing use of country's systems where these provide assurance that aid will be provided for agreed purposes. Use of country systems in Mozambique is largely limited to budget support.Only 36% of aid to the government sector uses the government's budget execution, financial reporting and audit systems.

At the moment, use of national systems is limited largely to budget support. Some steps are being taken to increase the use of national PFM systems in sector-wide approaches, but the large proportion of Mozambique's aid which is delivered through projects remains untouched by this process. While improvements to the PFM system as outlined above will no doubt increase use of national PFM systems, they already meet the standard required to "trigger" targets for this indicator. Given that Mozambique scores 3.5 on Indicator 2a, the targets for 2010 on Indicator 5a are that 57% of aid makes use of national PFM systems (on average across the three systems in question), and that 90% of donors make use of all three systems for at least some projects/programmes. While Mozambique seems on track to meet the latter target, meeting the first will require significant increases in the use of national systems by donors. This could be achieved through a further expansion of budget support, or by the development of mechanisms which allow for the use of national PFM systems in sector programmes and projects.

Only 38% of aid uses Mozambican procurement systems, although all the donors responding to the survey use national procurement systems to disburse at least some aid. As with indicator 5a, use of national systems is restricted mostly to budget support funds, and a small number of sectoral programmes. Without data on Indicator 2b, no target can currently be set for Indicator 5b. Donors do not judge Mozambican procurement systems to be fully adequate to replace their own systems and will want to see major improvements to the system before they adopt them more fully.

AVOIDING PARALLEL IMPLEMENTATION STRUCTURES

The Paris Declaration invites donors to "avoid to the maximum extent possible, creating dedicated structures for day-to-day management and implementation of aid-financed projects and programmes". Mozambique currently has 40 parallel project implementation units (PIUs), including those which are "semi-integrated" into government agencies. Progress in phasing out parallel PIUs and meeting the target of reducing their number by two-thirds to 13 by 2010 will rely on changes in practice by those donors who use parallel PIUs, and should be encouraged by the assessment of donors against this criterion as part of the budget support donor performance matrix (see below).

INDICATOR 6
Table 23.4

How many PIUs are parallel to country structures?

	Parallel PIUs (units)
African Development Bank	13
Belgium	0
Canada	0
Denmark	4
European Commission	0
Finland	0
France	1
GAVI Alliance	0
Germany	0
Global Fund	0
International Monetary Fund	0
Ireland	0
Italy	0
Japan	0
Netherlands	0
Norway	0
Portugal	0
Spain	2
Sweden	0
Switzerland	0
United Kingdom	0
United Nations	3
United States	5
World Bank	12
Total	**40**

INDICATOR 7
Table 23.5

Are disbursements on schedule and recorded by government?

	Disbursements recorded by government in FY05 (USD m) a	Aid scheduled by donors for disbursement in FY05 (USD m) b	Aid actually disbursed by donors in FY05 (USD m) FOR REFERENCE ONLY	Baseline ratio* (%) c=a/b	c=b/a
African Development Bank	0	131	113	0%	
Belgium	0	7	6	0%	
Canada	0	24	26	0%	
Denmark	0	54	52	0%	
European Commission	0	172	136	0%	
Finland	0	24	22	0%	
France	0	6	5	0%	
GAVI Alliance	0	0	3		
Germany	0	38	38	0%	
Global Fund	0	15	15	0%	
International Monetary Fund	0	2	0	0%	
Ireland	0	8	38	0%	
Italy	0	25	20	0%	
Japan	0	14	14	0%	
Netherlands	0	40	42	0%	
Norway	0	47	52	0%	
Portugal	0	28	17	0%	
Spain	0	10	10	0%	
Sweden	0	60	64	0%	
Switzerland	0	13	13	0%	
United Kingdom	0	64	70	0%	
United Nations	0	126	97	0%	
United States	0	39	47	0%	
World Bank	0	282	232	0%	
Total	**861**	**1 228**	**1 133**	**70%**	

* Baseline ratio is c = a / b except where disbursements recorded by government are greater than aid scheduled for disbursement (c = b /a).

PROVIDING MORE PREDICTABLE AID

70% of aid scheduled for disbursement to the government sector in 2005 was recorded by the government as disbursed within that financial year. The in-year predictability of budget support was much higher than that for other forms of aid – if budget support is excluded from the calculation, the proportion of aid disbursed within the financial year for which it was scheduled is only 59%.

Mozambique might be able to meet the target of 85% of aid disbursed within the scheduled financial year by 2010 if budget support continues to increase as a percentage of aid, and remains predictable, but it seems likely that additional measures will be needed. Donors identify a number of reasons for delayed disbursements, including absorptive capacity constraints, delays in project implementation, bureaucratic procedures and reallocations of funds between financial years. The government is also concerned that, while in-year predictability (especially of budget support) has been improving, medium-term predictability remains low, which impedes medium-term budgeting processes.

UNTYING AID

INDICATOR 8

According to OECD data which covers 84% of aid to Mozambique, 89% of aid is untied.

HARMONISATION

AS WITH ALIGNMENT, the increased use of budget support and the development of sector-wide approaches have been key drivers of improved harmonisation between donors in Mozambique, for example through the "G18" group of budget support donors, but harmonisation outside these instruments is limited.

USING COMMON ARRANGEMENTS

Programme-based approaches are an effective means for donors to develop and use common procedures. In Mozambique, programme-based approaches include direct budget support; sector-wide approaches in health, education, agriculture and HIV/AIDS; pooled technical assistance, provincial budget support and other basket funds. These are all characterised by leadership from the government (programme-based approaches are also an important aspect of alignment), formalised processes for donor co-ordination and efforts to increase the use of national systems.

Although the government has a clearly stated preference for direct budget support, this accounts for a relatively small proportion of aid (27% in 2005). Even once the other programme-based approaches outlined above are taken into account, only 46% of aid to Mozambique was delivered in this way. In fact, project aid to Mozambique is increasing more rapidly than direct budget support, a trend which will need to be reversed if Mozambique is to meet the target for 66% of aid to be delivered via programme-based approaches by 2010.

INDICATOR 9
Table 23.6

How much aid is programme based?

	Budget support (USD m) a	Other PBAs (USD m) b	Total (USD m) c=a+b	Total disbursed (USD m) d	Baseline ratio (%) e=c/d
African Development Bank	43	0	43	115	37%
Belgium	2	1	4	8	46%
Canada	2	15	17	37	46%
Denmark	10	42	52	57	91%
European Commission	51	36	88	153	58%
Finland	5	7	12	24	51%
France	0	0	0	5	0%
GAVI Alliance	0	0	0	3	0%
Germany	5	0	5	41	11%
Global Fund	0	15	15	15	100%
International Monetary Fund	0	0	0	0	100%
Ireland	27	11	38	43	89%
Italy	8	2	11	20	53%
Japan	0	0	0	15	0%
Netherlands	22	17	40	48	82%
Norway	16	20	35	63	56%
Portugal	1	0	2	20	10%
Spain	4	2	6	23	26%
Sweden	18	28	46	74	62%
Switzerland	8	4	12	24	49%
United Kingdom	55	12	67	76	88%
United Nations	0	28	28	103	27%
United States	0	2	2	68	2%
World Bank	60	5	65	232	28%
Total	**337**	**249**	**586**	**1 267**	**46%**

INDICATOR 10a
Table 23.5

Table 40.7: How many donor missions are co-ordinated?

	Co-ordinated donor missions (missions) a	Total donor missions (missions) b	Baseline ratio (%) c=a/b
African Development Bank	5	24	21%
Belgium	6	6	100%
Canada	4	5	80%
Denmark	9	10	90%
European Commission	8	16	50%
Finland	5	22	23%
France	4	13	31%
GAVI Alliance	0	0	--
Germany	7	23	30%
Global Fund	3	5	60%
International Monetary Fund	4	4	100%
Ireland	5	8	63%
Italy	4	12	33%
Japan	0	6	0%
Netherlands	4	4	100%
Norway	12	13	92%
Portugal	3	3	100%
Spain	3	5	60%
Sweden	13	27	48%
Switzerland	4	7	57%
United Kingdom	10	16	63%
United Nations	20	106	19%
United States	0	58	0%
World Bank	11	37	30%
Total (discounted*)	**144**	**310**	**46%**

* The total of co-ordinated missions has been adjusted to avoid double counting. A discount factor of 35% has been applied.

CONDUCTING JOINT MISSIONS AND SHARING ANALYSIS

46% of missions to Mozambique were conducted jointly in 2005, which suggests that donors in Mozambique have already met the target of 40% joint mission by 2010. The government and donors nonetheless have agreed to develop a more effective system for monitoring this in Mozambique as part of ongoing donor performance assessments. The number of missions related to budget support has increased in recent years, while the number unrelated to budget support had declined. Although budget support-related missions are more often co-ordinated, this trend alone will not allow Mozambique to meet this target because the absolute number of non-budget support missions remains so high.

INDICATOR 10b
Table 23.8

How much country analysis is co-ordinated?

	Co-ordinated donor analytical work (units) a	Total donor analytical work (units) b	Baseline ratio (%) c=a/b
African Development Bank	0	2	0%
Belgium	0	0	--
Canada	0	2	0%
Denmark	5	9	56%
European Commission	4	7	57%
Finland	2	3	67%
France	0	2	0%
GAVI Alliance	0	0	--
Germany	0	1	0%
Global Fund	0	1	0%
International Monetary Fund	0	0	--
Ireland	0	1	0%
Italy	0	0	--
Japan	1	1	100%
Netherlands	0	0	--
Norway	7	8	88%
Portugal	0	0	--
Spain	0	0	--
Sweden	2	3	67%
Switzerland	0	1	0%
United Kingdom	0	0	--
United Nations	16	22	73%
United States	13	19	68%
World Bank	5	5	100%
Total (discounted*)	**55**	**87**	**63%**

* The total of co-ordinated analysis has been adjusted to avoid double counting. A discount factor of 25% has been applied.

63% of country analysis conducted by donors in Mozambique in 2005 was co-ordinated among donors. As with indicator 10a above, recent progress has come largely from budget support/sectoral programme donors and analysis. However, even in these areas, the government is concerned that analysis is not always shared with them.

MANAGING FOR RESULTS

INDICATOR 11

MANAGING FOR RESULTS IS CENTRAL to enhancing aid effectiveness. The Paris Declaration calls on donors to work alongside partner countries to manage resources on the basis of desired results, and to use information effectively to improve decision making. Indicator 11 focuses on one component of managing for results: the establishment by the partner country of a cost-effective, transparent and monitorable performance and assessment framework. Mozambique scored a C rating in the World Bank's 2005 Comprehensive Development Framework assessment, which provides the baseline for this indicator. This puts it within reach of achieving a B or an A by 2010.

According to the World Bank's 2006 Aid Effectiveness Review, the quality of development information in Mozambique has improved. The *Instituto de Estatistica* conducts regular household surveys, and the government has prepared a national statistical development strategy, ready for implementation. The government needs to explore how to disseminate development information if it is to meet the target of a B or an A on this indicator by 2010. This should build on current efforts to public development information online, but should also include better dissemination of strategies, budgets and policies.

The World Bank also notes that progress has been made in developing country-level monitoring and evaluation systems, and points to significant improvements made in 2005. The main challenge now is to integrate national and sectoral monitoring and evaluation systems. The monitoring and evaluation for the new Action Plan goes some way towards doing this.

MUTUAL ACCOUNTABILITY

INDICATOR 12

THE PARIS DECLARATION CALLS for donors and partner countries to be accountable to each other for the use of development resources, and in a way that tends to strengthen public support for national policies and development assistance. This in turn requires governments to take steps to improve country accountability systems and donors to help by being transparent about their own contributions.

Indicator 12 measures one important aspect of mutual accountability; whether country-level mutual assessments of progress in implementing agreed commitments take place. Mozambique has a well-developed mutual accountability framework for donors providing budget support. Government and donor performance is independently measured against a range of performance criteria drawn from the Paris indicators, and there is some evidence that this is having positive effects on performance. However, budget support accounts for only 27% of aid to Mozambique, and no system of mutual accountability is currently in place for non-budget support aid.

BASELINES AND TARGETS

THE TABLE BELOW presents the 2005 baselines and targets for Mozambique. The information is discussed in detail in the above chapter and draws from various sources of information. The main source is the Baseline survey undertaken in Mozambique under the aegis of the National Co-ordinator (Hanifa Ibrahimo).

Table 23.9 Baselines and targets

INDICATORS		2005 BASELINE	2010 TARGET
1	Ownership – Operational PRS	C	B or A
2a	Quality of PFM systems	3.5	4.0
2b	Quality procurement systems	Not available	Not applicable
3	Aid reported on budget	83%	92%
4	Co-ordinated capacity development	38%	50%
5a	Use of country PFM systems (aid flows)	36%	57%
5b	Use of country procurement systems (aid flows)	38%	Not applicable
6	Parallel PIUs	40	13
7	In-year predictability	70%	85%
8	Untied aid	89%	More than 89%
9	Use of programme-based approaches	46%	66%
10a	Co-ordinated missions	46%	40%
10b	Co-ordinated country analytical work	63%	66%
11	Sound performance assessment framework	C	B or A
12	Reviews of mutual accountability	Yes	Yes

ACRONYMS

GNI	gross national income
MDG	Millennium Development Goal
MTFF	Medium-Term Fiscal Framework (MTFF
ODA	official development assistance
PARPA II	Action Plan for the Reduction of Absolute Poverty
PFM	public financial management
PIU	project implementation unit
SWAp	sector-wide approach

24 NICARAGUA

NICARAGUA, WITH A POPULATION OF AROUND 6 MILLION, has an average annual income per head (gross national income per capita, 2004) of USD 790. At the time of the last household survey in 2001, some 45% of the national population fell below the dollar-a-day international poverty line and 80% under the two-dollars-a-day line. Nicaragua is a country where the effectiveness of aid is of the highest concern to both the government and the donor community. The Nicaraguan government has put itself at the forefront of Paris Declaration implementation by developing with development partners an ambitious Harmonisation and Alignment Action Plan.

Net official development assistance (ODA) to Nicaragua in 2004 was USD 1 232 million representing 29% of gross national income (GNI). A total of 21 donors responded to the 2006 baseline survey, accounting for at least 82% of official aid flows to Nicaragua.

OVERVIEW Box 24.1 Challenges and priority actions

DIMENSIONS	BASELINE	CHALLENGES	PRIORITY ACTIONS
Ownership	Moderate	Hiatus between Poverty Reduction Strategy 1 and Poverty Reduction Strategy 2 delayed implementation.	Avoid another hiatus after 2006 elections.
Alignment	Low	Aid remains largely fragmented and parallel to country systems, despite recent efforts.	Launch a government initiative on capacity development. Improve government's financial accounting for aid.
Harmonisation	Low	Harmonisation is only advanced in a few sectors and budget support.	Adopt programme-based approaches with common procedures in more sectors.
Managing for results	Moderate	Technical systems lack effective means of feeding back into policy.	Institute monitoring and evaluation feedback loops.
Mutual accountability	Moderate	Harmonisation and Alignment Action Plan not yet subject to mutual evaluations.	Institute a mutual accountability mechanism.

OWNERSHIP

INDICATOR 1

OWNERSHIP IS CRITICAL to achieving development results and is central to the Paris Declaration. It has been defined as a country's ability to exercise effective leadership over its development policies and strategies. Achieving this – especially in countries that rely heavily on aid to finance their development – is not a simple undertaking. Nor, of course, can it be measured by a single indicator. For donors, it means supporting countries' leadership, policies, institutions and systems. This is commonly referred to as "alignment" (see below). Donors are in a better position to do this when governments set out clear priorities and operational strategies – the main focus of Indicator 1 of the Paris Declaration.

The government of Nicaragua has made great strides in exercising leadership of development efforts in the country, notably by setting up a system for co-ordination of aid based on joint working groups or roundtables. Specifically, the Ministry of External Relations leads the co-ordination process, making use of one global roundtable (Mesa Global) and six sectoral roundtables covering education, health, good governance, production and competitiveness, infrastructure and social protection. The roundtables, generally chaired by government, vary considerably in experience and maturity. Some of the roundtables have developed results-oriented workplans.

Indicator 1 of the Paris Declaration follow-up measures the extent to which a country has an operational development strategy to guide the aid co-ordination effort and the country's overall development. In the World Bank's Comprehensive Development Framework (CDF) Progress Report, an operational strategy calls for: a coherent long-term vision and a medium-term strategy derived from it; specific targets serving a holistic, balanced and well-sequenced development strategy; and capacity and resources for its implementation. As of 2005, the reference year for the Progress Report and the Paris Declaration Baseline Survey, Nicaragua was considered to have only a few of these elements, and was consequently placed, along with 31% of the countries covered, in category D of the CDF's descending scale running from A to E. Only countries in categories A and B are considered to have an operational strategy. This assessment may reflect the particular circumstance that up to the middle of 2005 the country had invested heavily in national, sectoral and regionally planning but did not have a recognised Poverty Reduction Strategy Paper (PRSP).

Nicaragua's long-term vision for development and poverty reduction has been expressed in two strategies presented as the country's PRSP: the *Estrategia Reforzada de Crecimiento Económico y Reducción de la Pobreza* (ERCERP) of 2001 and the National Development Plan (NDP) of 2005. There are strong elements of continuity between the two strategies, notably the analysis of the challenges in the social sectors and the high priority accorded to overcoming these challenges. However, the different political stances of successive presidents and the polarised character of political debate in the country has limited the degree to which these documents are seen as expressing a national vision, as opposed to the programme of the incumbent administration. The political system tends to create periods of policy hiatus and non-implementation of strategies, while newly elected incumbents set about elaborating their own vision, as happened when President Bolaños succeeded Alemán in 2002.

The National Development Plan places more emphasis on the productive sectors and promotion of economic growth than the ERCERP. It has inspired sectoral and institutional plans. It is linked more systematically with emerging sector strategies and also draws quite heavily upon the five-year development plans elaborated during the last few years by departments and municipalities throughout Nicaragua. The consensual elements in the previous vision are now more elaborately

sequenced in the NDP. There is a better overall balance and more coverage of cross-sectoral issues including governance, state reforms and gender. However, the NDP incorporates a politically controversial proposal: to promote growth by identifying export-oriented strategic sectors in selected geographical areas. Depending on the outcome of the November 2006 national elections, this feature could weaken the adherence of the incoming administration to the NDP.

The NDP has more realistic macroeconomic assumptions than the ERCERP, and goals and targets that are more likely to be met. Work is being done to prepare sectoral Medium-Term Expenditure Frameworks for the social sectors to ensure a reliable flow of funding to them. Public expenditures to sectors identified as priorities in the ERCERP have been rising from one year to the next, as a proportion of the national budget. However, the scope for further reallocation of spending is very restricted due to public-sector salary awards and a large volume of domestic debt. There is no guarantee that there will be sufficient domestic resources for the implementation of the National Development Plan. There are also issues regarding the efficiency and effectiveness of existing spending which need to be more vigorously addressed in several sectors.

ALIGNMENT

THE DONOR COMMUNITY in Nicaragua has welcomed the Bolaños government's initiatives in the area of aid co-ordination, and the harmonisation and alignment agenda is taken seriously in the country. However, the full benefit of these efforts has not yet been realised. The political situation in the country, especially the exceptionally adversarial relationship between the executive branch and other organs of the state that prevailed from 2002 to late 2006, has been one factor preventing more rapid progress. The baseline survey confirms that in a number of respects, country systems fall short of providing a robust framework for the integration of aid to meet poverty-reduction objectives. An equally important factor has been the large number and scale of the projects which predate donor commitments to alignment and are still being executed on traditional lines. In order to meet the commitments contained in the Paris Declaration, donors and the incoming administration will need to work together to complete the tasks of alignment that have been started.

BUILDING RELIABLE COUNTRY SYSTEMS

The World Bank's Country Policy and Institutional Assessment (CPIA) gives Nicaragua a current score of 3.5 for the quality of budgetary and public financial management, which is barely above the average for International Development Association countries. The Aid Effectiveness Review (AER) reports that key reforms to improve public financial management and procurement are planned for the period covered by the National Development Plan (2005-09). On the basis of findings from the 2004 Country Financial Accountability Assessment and Country Procurement Assessment Report, the government is now breathing life into action plans. The group of donors that has been providing general budget support to Nicaragua under the Joint Financing Arrangement of 2005 is closely monitoring the policy actions being taken in these and other key reform areas, using a jointly agreed performance assessment matrix. Corruption is still perceived to be widespread in Nicaragua. The country ranks 107th out of 158 in Transparency International's Corruption Perceptions Index.

INDICATOR 3
Table 24.1

Are government budget estimates comprehensive and realistic?

	Government's budget estimates of aid flows for FY05 (USD m) a	Aid disbursed by donors for government sector in FY05 (USD m) b	Baseline ratio* (%) c=a/b	c=b/a
Austria	--	1		
Canada	1	2	44%	
Denmark	6	24	24%	
European Commission	24	50	49%	
Finland	78	8		11%
France	--	1		
Germany	5	22	24%	
Global Fund	--	0		
Inter-American Development Bank	83	110	76%	
International Fund for Agricultural Development	2	3	88%	
Japan	19	46	41%	
Netherlands	3	18	19%	
Norway	1	5	20%	
Organización de Estados Iberoamericanos	0	0	53%	
Spain	10	3		29%
Sweden	9	30	31%	
Switzerland	1	2	59%	
United Kingdom	14	2		12%
United Nations	12	27	45%	
United States	0	0		0%
World Bank	6	63	10%	
Total	**305**	**418**	**73%**	

* Baseline ratio is c = a / b except where government's budget estimates are greater than disbursements (c = b /a).

ALIGNING AID FLOWS ON NATIONAL PRIORITIES

Donors have responded in various ways to the difficulties created by the implementation hiatus between Nicaragua's first and second Poverty Reduction Strategy. The World Bank prepared an Interim Strategy Note, rather than a full Country Assistance Strategy (CAS) because CASs are required to be formally linked to an endorsed PRSP. Several donors whose commitments are mainly at sectoral level have taken the position that their activities are fully aligned with the relevant sector policy frameworks. The budget support performance matrix was prepared alongside the National Development Plan and is consequently highly consistent with it, although more operationally oriented. The proposal that is the basis of Nicaragua's compact with the Millennium Challenge Account focuses on two areas in Western Nicaragua to improve their infrastructure: access to markets and property rights. This is in line with the NDP.

Indicator 3 of the baseline survey provides a quantitative measure of the degree to which aid flows are aligned with national priorities, focusing on the degree to which donor financial commitments are reflected fully and accurately in the national budget. The general target for this indicator set by the Paris Declaration (87%) calls for both a high level of budget realism on the part of the country authorities and a high degree of willingness and ability of donors to provide information in a timely fashion and in a suitable form.

The table above provides government's budget estimates of aid flows for fiscal year 2005 (numerator) as a percentage of aid disbursed by donors

for the government sector for the same period (denominator). This ratio tells us the degree to which there is a discrepancy between budget estimates and actual disbursements. The discrepancy can be in two directions: indeed budget estimates can be either higher or lower than disbursements. In order to have a single measure of discrepancy that is always less than 100%, the ratio is flipped when budget estimates are higher than disbursements. The baseline value for Indicator 3 in Nicaragua is 73%. Achieving the target agreed in Paris of 87% (halving the gap) for this indicator will require concerted efforts by donors and government.

One problem affecting the ability of the government to reflect donor disbursements in the budget is that donors often notify their intentions before the end of the previous year, but not before the cut-off date for inclusion in the budget (15 October). A greater degree of inclusion becomes possible within supplementary budgets agreed during the fiscal year. Further, the government points out that donor countries and aid agencies could provide more information and adjust their policies to make it easier for Nicaragua to reflect contributions in the budget.

INDICATOR 4
Table 24.2

How much technical assistance is co-ordinated with country programmes?

	Co-ordinated technical co-operation (USD m) a	Total technical co-operation (USD m) b	Baseline ratio (%) c=a/b
Austria	2	9	20%
Canada	2	5	35%
Denmark	2	10	20%
European Commission	2	7	26%
Finland	2	2	76%
France	0	0	0%
Germany	1	8	15%
Global Fund	0	0	--
IDB	--	2	--
IFAD	0	0	70%
Japan	3	13	27%
Netherlands	--	--	--
Norway	0	1	31%
OEI	0	0	--
Spain	1	3	23%
Sweden	7	10	71%
Switzerland	2	7	23%
United Kingdom	1	1	82%
United Nations	2	37	6%
United States	0	0	--
World Bank	8	10	84%
Total	**36**	**124**	**29%**

CO-ORDINATING SUPPORT TO STRENGTHEN CAPACITY

The Paris Declaration recognises capacity development as an essential condition for country ownership of the development agenda and for strengthening country systems. Fragmented donor support to capacity development is a major obstacle. The Declaration therefore commits donors to providing more co-ordinated support to capacity development under country leadership, with a target of 50% provided in this form by 2010. For Nicaragua, the AER's assessment is that there is no comprehensive government strategy for capacity development and that much external capacity support is still fragmented. Partial exceptions to the general fragmentation are the joint support to the census and statistics system, and the joint programme for public sector management. The survey returns, on the other hand, indicate that 29% of reported technical assistance may be considered co-ordinated.

It is clear from the survey return that the numbers reported in the table reflect a local donor consensus position on the criterion that ought to be applied to identifying co-ordinated programmes. This consensus admits any technical assistance that supports priorities explicitly defined by the government, or by a sector-wide approach (SWAp) or other programme-based approach, so long as the co-ordination has been formalised by means of a bilateral agreement, memorandum of understanding or agreement of a sector roundtable. This is a weaker criterion than the one suggested in the survey guidance, that describes a country capacity development programme with clear objectives communicated by senior officials, which donors then support. According to the survey return, the government would prefer to adopt a more restrictive definition than the one agreed to by the donors. If the

INDICATOR 5
Table 24.3

How much aid for the government sectors uses country systems?

	Aid disbursed by donors for government sector (USD m) a	Public financial management: Budget execution (USD m) b	Public financial management: Financial reporting (USD m) c	Public financial management: Auditing (USD m) d	Public financial management: Baseline ratio (%) avg (b,c,d) / a	Procurement: Procurement systems (USD m) e	Procurement: Baseline ratio (%) e /a
Austria	1	1	1	0	52%	1	64%
Canada	2	2	2	2	89%	2	89%
Denmark	24	15	5	5	35%	15	62%
European Commission	50	16	16	12	30%	12	24%
Finland	8	7	5	3	60%	6	72%
France	1	1	1	1	89%	0	0%
Germany	22	13	5	5	35%	13	60%
Global Fund	0	--	--	--	--	--	--
IDB	110	110	0	0	33%	--	--
IFAD	3	3	3	3	100%	1	52%
Japan	46	6	6	6	13%	6	13%
Netherlands	18	16	16	16	85%	16	85%
Norway	5	4	3	3	68%	4	77%
OEI	0	--	0	--	--	0	0%
Spain	3	1	0	0	7%	1	21%
Sweden	30	17	17	13	52%	27	90%
Switzerland	--	--	--	--	--	--	--
United Kingdom	2	2	2	2	94%	2	94%
United Nations	27	6	3	1	13%	7	25%
United States	0	0	0	0	--	0	--
World Bank	63	63	63	36	86%	0	0%
Total	**418**	**287**	**152**	**112**	**44%**	**116**	**28%**

rigorous definition provided by the survey guidance were to be applied, no current programmes in Nicaragua would qualify as co-ordinated under government leadership. This suggests that further country-level dialogue on the subject would be justified.

USING COUNTRY SYSTEMS

Indicator 5a is a measure of the use of three components of country public financial management systems by donors. According to the survey data, the average rate of utilisation across the three components is only 44%. Given Nicaragua's moderately high CPIA score for public budgetary and financial management, this is a low figure. According to the agreed targets, the average should rise to at least 63% by 2010. Use of the country procurement system is even lower, at 28%. In the absence of a quantified assessment of the quality of the country systems, no target has been set for this indicator. However, government and donors need to examine together the degree to which the low rate of utilisation of the country procurement system is due to rigidities in the law or in donor practices, and the scope for movement and compromise on this issue.

The implementation of the joint financing arrangement on general budget support has generated greater use of country systems. In fact, country systems may be expected to increase further as the health and education SWAps surge forward with plans to harmonise financial management and procurement around country systems. The relatively low baseline level of utilisation of country systems is due (in part) to the backlog of uncompleted projects that were never designed to be aligned with national procedures

or that are governed by donor rules requiring use of their own systems. In the case of procurement, there are also some technical barriers in the form of financial ceilings for the use of different arrangements; these issues are being addressed by means of an amendment to Law 323.

AVOIDING PARALLEL IMPLEMENTATION STRUCTURES

The Paris Declaration calls for a substantial reduction in the number of project implementation units (PIUs) that are parallel, in the sense that appointment decisions and accounting relationships involve the donor alone. The current baseline figure for Nicaragua was established as 107 such structures, using the following procedure. An initial list was prepared by the government, including all units counting as parallel PIUs in terms of at least four of the five criteria indicated in the survey guidance. This was then checked and amended by the donors.

According to the World Bank's AER, action is being taken to phase out PIUs. While most of Nicaragua's 16 ongoing World Bank-financed projects incorporate PIUs in their implementation structure, efforts are under way to transfer responsibility to the government. As the survey return notes, the phasing out of parallel PIUs is dependent upon progress in getting donors to adopt country public financial management (PFM) and procurement systems. To integrate a PIU into a mainstream government office without giving up the requirement to use the donor's own systems would impose an intolerable administrative burden on the government. The responses also suggest that PIUs could be assessed more objectively by looking at numbers of staff contracted under PIUs and their salaries compared to those of government employees.

PROVIDING MORE PREDICTABLE AID

The table looks at predictability from two different angles. The first angle is donors' and government's combined ability to disburse aid on schedule. In Nicaragua, donors scheduled USD 549 million for disbursement in 2005 and actually disbursed – according to their own records – significantly less than expected (USD 418 million). The discrepancy varies considerably among donors and is mainly due to late disbursements carried over to 2005 and to delays in implementing programmes. The second angle is donors' and government's ability to record comprehensively disbursements made by donors for the government sector. In Nicaragua, government systems recorded USD 384 million out of the USD 418 million notified as disbursed by donors (70%), indicating that a significant proportion of disbursements were not captured, either because they were not appropriately notified by donors or because they were inaccurately recorded by government.

INDICATOR 6
Table 24.4

How many PIUs are parallel to country structures?

	Parallel PIUs (units)
Austria	5
Canada	4
Denmark	0
European Commission	7
Finland	0
France	0
Germany	0
Global Fund	0
IDB	35
IFAD	2
Japan	0
Netherlands	0
Norway	1
OEI	2
Spain	7
Sweden	3
Switzerland	4
United Kingdom	0
United Nations	9
United States	21
World Bank	7
Total	**107**

INDICATOR 7
Table 24.5

Are disbursements on schedule and recorded by government?

	Disbursements recorded by government in FY05 (USD m) a	Aid scheduled by donors for disbursement in FY05 (USD m) b	Aid actually disbursed by donors in FY05 (USD m) FOR REFERENCE ONLY	Baseline ratio* (%) c=a/b	c=b/a
Austria	0	0	1		0%
Canada	0	2	2	17%	
Denmark	12	29	24	41%	
European Commission	42	81	50	52%	
Finland	5	11	8	47%	
France	1	1	1	38%	
Germany	10	25	22	40%	
Global Fund	--	--	0		
IDB	97	148	110	66%	
IFAD	2	3	3	58%	
Japan	27	46	46	59%	
Netherlands	23	18	18		81%
Norway	6	5	5		83%
OEI	0	0	0	18%	
Spain	17	3	3		18%
Sweden	12	28	30	43%	
Switzerland	9	7	2		80%
United Kingdom	1	2	2	34%	
United Nations	13	26	27	49%	
United States	3	0	0		0%
World Bank	65	112	63	59%	
Total	**384**	**549**	**418**	**70%**	

* Baseline ratio is c = a / b except where disbursements recorded by government are greater than aid scheduled for disbursement (c = b /a).

Indicator 7 on predictability has been designed to encourage progress against both of these angles so as to gradually close the predictability gap by half by 2010. In other words, it seeks to improve not only the predictability of actual disbursements but also the accuracy of how they are recorded in government systems – an important feature of ownership, accountability and transparency. In Nicaragua, this combined predictability gap amounts to USD 165 million (30% of aid scheduled for disbursement). Closing this predictability gap will require donors and government to work increasingly together on various fronts at the same time. They might work at improving:

- the realism of predictions on volume and timing of expected disbursements;
- the way donors notify their disbursements to government;
- the comprehensiveness of government's records of disbursements made by donors.

UNTYING AID

INDICATOR 8

According to OECD data covering 94% of 2004 commitments, 85% of aid to Nicaragua is untied. However, the government views this as an extremely optimistic assessment of the situation. According to its own estimate, no more than 25% of aid to the country is untied. The reasons for this sizeable discrepancy would be worth investigating.

HARMONISATION

THE GOVERNMENT AND DONORS are making reasonable progress to improve the alignment of aid with country policies and systems in Nicaragua, and the obstacles remaining have been clearly identified. There also seems to be an emerging donor consensus on aspects of aid harmonisation, at least among those providing support to the government sector. This is being seen in the use of programme-based approaches and the sharing of missions and analytical work. If these efforts are sustained over the long term, they should provide a platform for actions to reduce aid fragmentation though specialisation and delegation, and to improve internal incentives to collaborative behaviour, both important Paris Declaration commitments not directly covered by the survey.

USING COMMON ARRANGEMENTS

The proportion of reported government-sector aid using PBAs (and, by that token, employing common arrangements) is currently reported as 48%, the bulk of this in the form of joint programmes within particular sectors. These numbers were arrived at on the basis of an initial government list which was then scrutinised by donors. The government view is that none of the listed programmes (other than the budget support agreement) could be considered fully compliant with the definition of a PBA in the survey guidance, but that several will become compliant in 2006 as a result of the sectoral Medium-Term Expenditure Framework exercise. The government would like to see a closer definition of the degree of country leadership expected in a PBA, and a more objective basis for assessing "efforts to increase the use of country systems".

INDICATOR 9
Table 24.6

How much aid is programme based?

	Budget support (USD m) a	Other PBAs (USD m) b	Total (USD m) c=a+b	Total disbursed (USD m) d	Baseline ratio (%) e=c/d
Austria	1	5	6	10	64%
Canada	2	0	2	7	25%
Denmark	0	29	29	29	100%
European Commission	12	0	12	60	20%
Finland	2	6	8	9	81%
France	1	0	1	3	54%
Germany	5	4	9	24	36%
Global Fund	--	--	--	3	--
IDB	--	30	30	121	25%
IFAD	0	0	0	3	0%
Japan	0	0	0	49	0%
Netherlands	11	3	15	24	61%
Norway	3	1	4	7	64%
OEI	0	0	0	0	0%
Spain	0	0	0	16	0%
Sweden	--	--	--	--	--
Switzerland	5	0	5	12	46%
United Kingdom	2	0	2	8	22%
United Nations	0	3	3	45	7%
United States	0	37	37	0	--
World Bank	36	9	45	63	72%
Total	**93**	**163**	**256**	**533**	**48%**

Taking all this into account, it would be fair to say that the baseline figure is somewhat inflated. Correspondingly greater efforts will be required to meet the 2010 target of 66% of flows using common arrangements within PBAs. This will call for strenuous efforts to consolidate the SWAps that are already established (health and education) and extend the model in the way the government wishes, into sectors that are still characterised by multiple projects with no operationalised policy framework or common procedures. An expansion of the proportion of aid channelled though the joint budget support programme would also be beneficial. During 2006, the budget support group has been discussing a streamlining of the performance assessment matrix that it uses to monitor effectiveness, so as to reduce transaction costs for government.

INDICATOR 10a
Table 24.5

Table 40.7: How many donor missions are co-ordinated?

	Co-ordinated donor missions (missions) a	Total donor missions (missions) b	Baseline ratio (%) c=a/b
Austria	0	2	0%
Canada	1	7	14%
Denmark	2	7	29%
European Commission	2	3	67%
Finland	6	14	43%
France	0	0	--
Germany	2	16	13%
Global Fund	0	0	--
IDB	4	44	9%
IFAD	2	2	100%
Japan	0	20	0%
Netherlands	4	6	67%
Norway	0	5	0%
OEI	0	0	--
Spain	1	20	5%
Sweden	--	--	--
Switzerland	6	10	60%
United Kingdom	13	22	59%
United Nations	9	118	8%
United States	--	0	--
World Bank	--	60	--
Total (discounted*)	**34**	**356**	**9%**

* The total of co-ordinated missions has been adjusted to avoid double counting. A discount factor of 35% has been applied.

CONDUCTING JOINT MISSIONS AND SHARING ANALYSIS

The original baseline figure for co-ordination of donor missions is given as 17%, compared with the Paris Declaration target of 40%. However, the country return points out that this indicator has been inflated, as each joint mission has been reported by each of the participating donors. If a discount factor is applied to adjust for this double counting, the baseline percentage would become very low indeed (9%). It is also the case that the absolute numbers of missions are high for a country the size of Nicaragua. Substantial new efforts are going to be needed if Nicaragua is to meet the Paris Declaration target on joint missions.

Jointly conducted analytical work is subject to the same problem of double counting. It is also possible that there was some under-counting of the denominator, because some donors are not familiar with the concept of "country analytical work" and may have excluded some relevant analysis. The government's perception is that even after taking into account such established joint exercises and the Country Financial Accountability Assessment, co-ordination of analytical work has barely started in Nicaragua.

INDICATOR 10b
Table 24.8

How much country analysis is co-ordinated?

	Co-ordinated donor analytical work (units) a	Total donor analytical work (units) b	Baseline ratio (%) c=a/b
Austria	0	0	--
Canada	1	1	100%
Denmark	2	4	50%
European Commission	0	1	0%
Finland	1	3	33%
France	--	0	--
Germany	2	3	67%
Global Fund	0	0	--
IDB	12	16	75%
IFAD	2	2	100%
Japan	0	0	--
Netherlands	--	--	--
Norway	0	1	0%
OEI	0	0	--
Spain	0	0	--
Sweden	0	0	--
Switzerland	3	6	50%
United Kingdom	6	6	100%
United Nations	11	18	61%
United States	1	3	33%
World Bank	4	--	--
Total (discounted*)	**34**	**64**	**53%**

* The total of co-ordinated analysis has been adjusted to avoid double counting. A discount factor of 25% has been applied.

MANAGING FOR RESULTS

INDICATOR 11

THE PARIS DECLARATION CALLS FOR PARTNER COUNTRIES AND DONORS to work together to manage resources on the basis of desired results and use information to improve decision making. This means both strengthening the capacity to undertake such management and helping to increase the demand for a focus on results. Indicator 11 focuses on one component of this effort: the establishment of cost-effective results-oriented reporting and assessment systems by the country.

Nicaragua is not among the group of International Development Association countries judged to have a "largely developed" results monitoring system according to the CDF. It falls in category C of this assessment along with the 42% of the sample that have some (but not all) of the elements of such a system. This reflects particular strengths and inadequacies in three areas: the quality of the available development information; the degree to which stakeholders have access to it; and the extent of co-ordinated monitoring and evaluation of the country's development efforts.

The AER reports that the availability and quality of poverty-related data are improving. For example, a full Living Standards Monitoring Survey and a Demographic and Health Survey, as well as a national census, were carried out in 2005. Financial information systems are also quite well developed, with an integrated system (*Sistema Integrado de Gestión Financiera y Auditoría*, or SIGFA) that generates budget execution reports for Congress. Efforts to integrate systems for monitoring donor and non-governmental organisation funding into SIGFA are under way. The AER also applauds actions to establish a country-level monitoring and evaluation system. The government has identified 51 indicators of NDP implementation to be monitored, and has set up a computer-based system for bringing together the relevant data from across the public sector. It is less clear how this technically sophisticated arrangement will contribute to the purposes of learning and accountability that a national monitoring and evaluation system should serve.

MUTUAL ACCOUNTABILITY

INDICATOR 12

THE PARIS DECLARATION calls for donors and partner countries to be accountable to each other for the use of development resources, and in a way that strengthens public support for national policies and development assistance. This in turn requires governments to improve country accountability systems and donors to be transparent about their own contributions. Is there a country-level mechanism permitting joint assessment of progress in implementing agreed commitments on aid effectiveness, including those in the Declaration itself?

Such a mechanism has been created and has made significant progress in Nicaragua. Nicaragua was a pilot country for the 2003 Rome Declaration on Harmonisation, and participated in an OECD/DAC Joint Country Learning Assessment intended to help Nicaragua inch forward in the harmonisation process. In 2004, the government adopted a Harmonisation and Alignment Action Plan, which is under implementation. The plan sets out specific actions to be undertaken and targets to be met over the period 2005-07. Baseline data for 2005 are being studied by a mixed group representing the government, the National Assembly, civil society and development partners. An institutionalised mechanism for reviewing progress on implementing the agreed commitments is due to be created but was not yet in place in 2006, according to the survey return. Nicaragua is represented on the Joint Venture on Monitoring the Paris Declaration.

BASELINES AND TARGETS

THE TABLE BELOW presents the 2005 baselines and the targets for Nicaragua. The baseline values are based on discussion above, which draws on various sources of information. The main source is the baseline survey undertaken in Nicaragua under the aegis of the National Co-ordinator (Mauricio Gómez).

Table 24.9 Baselines and targets

INDICATORS		2005 BASELINE	2010 TARGET
1	Ownership – Operational PRS	D	B or A
2a	Quality of PFM systems	3.5	4.0
2b	Quality Procurement systems	Not available	Not applicable
3	Aid reported on budget	73%	87%
4	Co-ordinated capacity development	29%	50%
5a	Use of country PFM systems (aid flows)	44%	63%
5b	Use of country procurement systems (aid flows)	28%	Not applicable
6	Parallel PIUs	107	36
7	In-year predictability	70%	85%
8	Untied aid	85%	More than 85%
9	Use of programme-based approaches	48%	66%
10a	Co-ordinated missions	9%	40%
10b	Co-ordinated country analytic work	53%	66%
11	Sound performance assessment framework	C	B or A
12	Reviews of mutual accountability	Yes	Yes

ACRONYMS

AER Aid Effectiveness Review
CAS Country Assistance Strategy
CDF Comprehensive Development Framework
CPIA Country Policy and Institutional Assessment
ERCERP *Estrategia Reforzada de Crecimiento Económico y Reducción de la Pobreza* (Poverty Reduction Strategy Paper)
GNI gross national income
NDP National Development Plan
ODA official development assistance
PFM public financial management
PIU project implementation unit
PRSP Poverty Reduction Strategy Paper
SIGFA *Sistema Integrado de Gestión Financiera y Auditoría* (integrated financial system)
SWAp sector-wide approach

25 NIGER

NIGER'S PEOPLE, NUMBERING ABOUT 12 MILLION, subsist on an average annual income of just USD 230 (gross national income per person). According to 2004 data, 61% of the population fall below the dollar-a-day international poverty line. Niger has endorsed the Paris Declaration and the effectiveness is aid is a key concern to the international community. Net official development assistance (ODA) to Niger was USD 536 million in 2004, or 17.5% of gross national income. This chapter is based on information provided by the government of Niger and 15 donors that together account for 86% of aid to Niger. 2005 was an exceptionally difficult year for Niger, as drought and a locust invasion brought high levels of food insecurity.

OVERVIEW Box 25.1 Challenges and priority actions

DIMENSIONS	BASELINE	CHALLENGES	PRIORITY ACTIONS
Ownership	Moderate	Linkage between the Poverty Reduction Strategy and resource allocation is achieved only at a general level via a Medium-Term Expenditure Framework.	Provide details of the activities required to meet Poverty Reduction Strategy II objectives, to enable closer linkage to funding and the budget.
Alignment	Low	Use of government systems is moderate and use of parallel structures is widespread. Co-ordinated capacity development is lacking, except in health, education and public finance.	Step up donor efforts to comply with country cycles and procedures. Draw up a government vision for a comprehensive strengthening of public administration capacity. Pursue efforts in implementing reforms in public finance and promote respect for national procedures.
Harmonisation	Low	Use of common procedures is mostly restricted to health and education sector-wide approaches.	Improve understanding of requirements and possibilities of direct budget support and sector-wide approaches.
Managing for results	Low	Information on results is uneven and poorly disseminated.	Support work of the General Directorate of Development Programme Assessment.
Mutual accountability	Low	No mechanism for mutual assessment is in place.	Conduct regular joint monitoring of a harmonisation plan consistent with the Paris Declaration.

OWNERSHIP

OWNERSHIP IS CRITICAL to achieving development results and is central to the Paris Declaration. It has been defined as a country's ability to exercise effective leadership over its development policies and strategies. Achieving this – especially in countries that rely heavily on aid to finance their development – is not a simple undertaking. Nor, of course can it be measured by a single indicator. For donors, it means supporting countries' leadership, policies, institutions and systems. This is commonly referred to as alignment (see below). Donors are in a better position to do this when governments set out clear priorities and operational strategies – which is the main focus of Indicator 1 of the Paris Declaration.

According to the draft text for the World Bank's 2006 Aid Effectiveness Review (AER), the government of Niger should strengthen its leadership of development assistance co-ordination. There appears to be a lack of continuity and regularity in the convening of joint government-donor forums. For example, the Ministry of Finance chaired a Government/Donor Committee up to June 2003 in connection with the first Poverty Reduction Strategy (PRS) but this was not continued. There was another Donors Forum chaired by government in March 2006 in Niamey, prompted by the need to replenish the grain reserve and finance a budget shortfall. A further meeting has been proposed for 2007 for the financing of PRS II, to be preceded by a conference on aid effectiveness in Niger that will breathe new life into aid co-ordination mechanisms. Thematic working groups have previously been convened by donors, but the government is assuming a greater role in health, education and public financial management.

INDICATOR 1

Indicator 1 of the Paris Declaration follow-up measures the extent to which a country has an operational development strategy to guide the aid co-ordination effort and the country's overall development, using the 2005 AER as the basis of this judgement. In the AER's terms, an operational strategy calls for: a coherent long-term vision and a medium-term strategy derived from it; specific targets serving a holistic, balanced and well-sequenced development strategy; and capacity and resources for its implementation.

Niger is not considered to have a national development strategy (poverty reduction strategy) that is largely developed towards good practice, putting it in category C of the World Bank Comprehensive Development Framework (CDF) descending scale running from A to E. Some 58% of the countries covered were judged to be in this position in 2005.

Niger has had a recognised PRS since 2002. This has provided a medium-term policy framework. The recent studies of analysis of poverty and annual progress reports on PRS implementation are currently feeding into the preparation of a second PRS covering the years 2007-11. Other inputs have been provided by sector strategies for education, health, rural development, transport infrastructures, urban and rural development, some of these predating the first PRS and others finalised more recently. Local development programmes are recognised as an area of weakness that needs to be addressed along with the finalisation of PRS II.

The PRS (2002-05) set broad goals that related to the Millennium Development Goals but were less ambitious in a number of respects. It described four pillars and three cross-cutting themes, with specific targets co-ordinated with sector strategies. The degree to which objectives and targets were translated into activity plans that could be costed and included in the budget is unclear from the available information. According to the draft 2006 AER, the use of sectoral Medium-Term Expenditure Frameworks (MTEFs) has helped to reorient public expenditures towards priority sectors, and to guide sectoral budget proposals. Through this mechanism, the linkage between the PRS and the allocation of public resources is increasing year by year. However, there must be further progress in specifying the government activities needed to reach PRS goals (and in ensuring that these are provided with the necessary resources and capacities), before Niger can be considered to have an adequate operational development strategy.

ALIGNMENT

NIGER AND ITS DONORS have taken several steps towards an alignment of aid with country policies and systems. The major donors believe that their programmes help the country to meet the objectives set out in the PRS, and some undertook specific revisions to bring their country strategy into line with PRS priorities. All are committed to aligning with PRS II at the next opportunity. On the other hand, according to several of the more demanding tests of alignment contained in the Paris Declaration, the alignment of aid with country policies and systems has some way to go. Public financial management and procurement country systems have been improving but do not yet provide a robust framework for the integration of aid to meet poverty reduction objectives. Donors must also work harder if the Paris Declaration commitments on alignment are to be fully realised.

BUILDING RELIABLE COUNTRY SYSTEMS

The World Bank's Country Policy and Institutional Assessment (CPIA) gives Niger a current score of 3.5 for the quality of budgetary and public financial management, which is somewhat above the average for International Development Association borrowers. The AER sees progress in strengthening public financial management. A new budget terminology based on the West African Economic and Monetary Union (WAEMU) directives was adopted in 2003. However, the Heavily Indebted Poor Countries tracking study carried out in 2004 found that Niger met only 5 of 16 standard public expenditure management indicators. A Public Expenditure Management and Financial Accountability Review (PEMFAR) assessment also conducted in 2004 pointed to a number of necessary reforms, and the government is reported to be taking action. Much will depend on the energy with which they are carried out.

INDICATOR 2a

The innovations include technical improvements such as an Integrated Financial Management System. However, the most important feature that will enable Niger to move forward on its Paris Declaration commitments is a firm resolve by the country's political leadership to use public expenditure management as an instrument for development.

INDICATOR 2b

Reforms are also under way to improve the country's procurement systems. A new Procurement Code consistent with WAEMU guidelines was adopted in 2003, and this is being applied throughout the public sector. Several important steps have been taken to implement the Code. Although the reform framework is progressing, the structures responsible for procurement are not operational, and will need to be reinforced in order to function fully. This is encouraging nevertheless, and should prompt more donors to make full use of the country arrangements for procurement over the coming years. A numerical score for Indicator 2b, an assessment of the quality of the procurement system, is not currently available, however. Niger ranks 126th out of 158 on Transparency International's Corruption Perception Index.

ALIGNING AID FLOWS ON NATIONAL PRIORITIES

Indicator 3 seeks to assess the degree to which aid flows are aligned with national priorities, using the proportion of aid recorded in the budget as a proxy.

The table provides government's budget estimates of aid flows for fiscal year 2005 (numerator) as a percentage of aid disbursed by donors for the government sector for the same period (denominator). This ratio tells us the degree to which there is a discrepancy between budget estimates and actual disbursements. The discrepancy can be in two directions: indeed budget estimates can be either higher or lower than disbursements. In order to have a single measure of discrepancy that is always less than 100%, the ratio is flipped when budget estimates are higher than disbursements.

INDICATOR 3
Table 25.1

Are government budget estimates comprehensive and realistic?

	Government's budget estimates of aid flows for FY05 (USD m) a	Aid disbursed by donors for government sector in FY05 (USD m) b	Baseline ratio* (%) c=a/b	c=b/a
African Dev. Bank	31	3		11%
Belgium	5	16	29%	
Canada	--	3		
Denmark	5	3		50%
EC	90	66		73%
Egypt	--	2		
France	53	40		76%
GAVI Alliance	--	1		
Germany	8	21	36%	
Global Fund	--	3		
IDB	16	11		69%
IFAD	--	1		
IMF	18	17		95%
Japan	4	24	19%	
Switzerland	5	3		52%
United Nations	22	35	62%	
World Bank	89	96	93%	
Total	**346**	**344**	**99%**	

* Baseline ratio is c = a / b except where government's budget estimates are greater than disbursements (c = b /a).

INDICATOR 4
Table 25.2

How much technical assistance is co-ordinated with country programmes?

	Co-ordinated technical co-operation (USD m) a	Total technical co-operation (USD m) b	Baseline ratio (%) c=a/b
African Dev. Bank	0	1	0%
Belgium	0	6	0%
Canada	0	0	0%
Denmark	0	1	0%
EC	0	3	0%
Egypt	--	--	--
France	2	11	21%
GAVI Alliance	0	0	--
Germany	0	7	0%
Global Fund	0	0	--
IDB	0	0	0%
IFAD	0	0	0%
IMF	0	0	0%
Japan	0	6	0%
Switzerland	1	3	17%
United Nations	6	16	37%
World Bank	0	3	0%
Total	**9**	**58**	**15%**

The baseline value for Indicator 3 in Niger is 99%. Achieving the target agreed in Paris of 100% for this indicator will require concerted efforts by donors and government.

According to the questionnaire return, there are problems arising from lack of synchronisation of donor planning cycles with those of the country, and others that are due to the absence of an effective system for ODA data collection. The two problems must be tackled in parallel, by a collaborative effort by donor agency planners and the budget authorities.

CO-ORDINATING SUPPORT TO STRENGTHEN CAPACITY

Capacity constraints are among the most significant obstacles to the ability of country systems to capture and co-ordinate aid flows more effectively. The Paris Declaration commits donors to providing more co-ordinated support to capacity development under country leadership, with a target of 50% provided in this form by 2010. The survey indicates that currently only 15% of reported technical assistance is considered co-ordinated in this sense. Moreover, this figure was arrived at using a relatively inclusive understanding of capacity development programmes led by government. Included within the 15% are the capacity-strengthening components that receive co-ordinated support of the National Education Development Programme, the PEMFAR, the *Programme d'appui au dispositif de gestion de crise alimentaire* (programme of support to managing the food crisis) and the *Programme d'appui au plan de développement sanitaire* (programme of support to the sanitation development plan). In the government's view, the shortage of co-ordinated capacity development is directly linked to limited joint donor support to sector programmes in Niger. In the donors' view, the difficulty comes from the absence of a global capacity-building programme.

INDICATOR 5a
Table 25.3

How much aid for the government sectors uses country systems?

	Aid disbursed by donors for government sector (USD m) a	Public financial management				Procurement	
		Budget execution (USD m) b	Financial reporting (USD m) c	Auditing (USD m) d	Baseline ratio (%) avg (b,c,d) / a	Procurement systems (USD m) e	Baseline ratio (%) e /a
African Dev. Bank	3	0	0	0	0%	0	0%
Belgium	16	2	2	2	12%	7	46%
Canada	3	2	2	0	33%	0	15%
Denmark	3	0	0	0	1%	3	100%
European Commission	66	41	0	0	21%	41	62%
Egypt	2	--	--	--	--	--	--
France	40	14	14	10	32%	33	82%
GAVI Alliance	1	0	0	0	0%	0	0%
Germany	21	0	0	0	0%	12	58%
Global Fund	3	0	0	0	0%	0	0%
IDB	11	0	0	0	0%	0	0%
IFAD	1	--	--	1	--	--	--
IMF	17	17	17	17	100%	17	100%
Japan	24	4	4	4	15%	4	15%
Switzerland	3	0	0	0	0%	3	100%
United Nations	35	9	0	0	8%	9	24%
World Bank	96	40	40	40	42%	40	42%
Total	**344**	**128**	**78**	**73**	**27%**	**168**	**49%**

It is critical to increase the contribution of sector programmes, with capacity-building components. However, this should not distract attention from the more ambitious objective to which countries and donors have committed themselves in the Paris Declaration. Partners must take a fresh approach to capacity development based on a well-considered, realistic and comprehensive country vision for capacity development, to which donors offer support. The 2006 AER reports that the government decided not to include a comprehensive capacity-building strategy in PRS II, but that donors have requested the development of such a framework.

USING COUNTRY SYSTEMS

Indicator 5a is a measure of the use of three components of country public financial management systems by donors. The average use of all three systems is 27%. Given Niger's relatively high CPIA score for public budgetary and financial management, this should rise to 51% by 2010. The utilisation of the national procurement system is somewhat greater, but this proportion could reasonably be expected to increase as the country's new procurement arrangements become embedded.

The government notes that the use of government systems is closely associated with direct budget support/balance of payments support, which has been provided by the European Community, International Monetary Fund, African Development Bank and France, with the World Bank beginning a Poverty Reduction Support Credit in 2006-07. When aid is provided to public-sector organisations by means other than direct budget support, the use of government audit and even execution arrangements is severely constrained by capacity limitations. However, the improvements in audit functions and capacities resulting from the implementation of the PEMFAR are expected to alleviate this problem.

INDICATOR 6
Table 25.4

How many PIUs are parallel to country structures?

	Parallel PIUs (units)
African Dev. Bank	0
Belgium	5
Canada	8
Denmark	2
European Commission	13
Egypt	--
France	4
GAVI Alliance	0
Germany	0
Global Fund	0
IDB	0
IFAD	2
IMF	0
Japan	0
Switzerland	7
United Nations	4
World Bank	7
Total	**52**

AVOIDING PARALLEL IMPLEMENTATION STRUCTURES

The Paris Declaration calls for a substantial reduction in the number of project implementation units (PIUs) that are parallel in the sense that appointment decisions and accounting relationships involve the donor alone. Survey results indicate that there are 52 PIUs in Niger. The government of Niger believes that this is an underestimate. Certain donors, including the Arab Fund, did not answer this question. Most donors consider the use of PIUs to be more effective, given the poor quality and low numbers of staff available in government. However, they could strengthen the administration by redirecting the resources currently used to recruit staff for PIUs at salaries well above normal administration rates into the administration for the purposes of project management.

The 2006 AER points to limited efforts by external partners to phase out PIUs except in the health and education sectors, where the central ministries are playing a key role in implementing programmes linked to the sector strategies. This is clearly an issue deserving greater attention in Niger from both government and donors. It has obvious links to the question of a capacity development strategy for the public administration as a whole, because the perceived lack of project-management capacity in the administration reflects a number of concerns apart from human resource limitations.

PROVIDING MORE PREDICTABLE AID

There is a need to improve the predictability of support and the measurement of performance in this regard. Indicator 7 focuses on the government's ability to record disbursements in its accounting system for the appropriate year.

The table looks at predictability from two different angles. The first angle is donors' and government's combined ability to disburse aid on schedule. In Niger, donors scheduled USD 151 million for disbursement in 2005 and actually disbursed – according to their own records – significantly more than expected (USD 344 million). The discrepancy varies considerably among donors and is mainly due to late disbursements carried over to 2005 and to delays in implementing programmes. The second angle is donors' and government's ability to record comprehensively disbursements made by donors for the government sector. In Niger, government systems recorded USD 110 million out of the USD 344 million notified as disbursed by donors (32%), indicating that a significant proportion of disbursements were not captured, either because they were not appropriately notified by donors or because they were inaccurately recorded by government.

Indicator 7 on predictability has been designed to encourage progress against both of these angles so as to gradually close the predictability gap by half by 2010. In other words, it seeks to improve not only the predictability of actual disbursements but also the accuracy of how they are recorded in government systems – an important feature of ownership, accountability and transparency. In Niger, this combined predictability gap amounts to USD 41 million (27% of aid scheduled for disbursement). Closing this predictability gap will require donors and government to work increasingly together on various fronts at the same time.

INDICATOR 7
Table 25.5

Are disbursements on schedule and recorded by government?

	Disbursements recorded by government in FY05 (USD m) a	Aid scheduled by donors for disbursement in FY05 (USD m) b	Aid actually disbursed by donors in FY05 (USD m) FOR REFERENCE ONLY	Baseline ratio* (%) c=a/b	c=b/a
African Dev. Bank	--	0	3		
Belgium	--	2	16		
Canada	--	3	3		
Denmark	--	0	3		
European Commission	39	38	66		98%
Egypt	--	--	2		
France	14	11	40		74%
GAVI Alliance	--	4	1		
Germany	--	21	21		
Global Fund	--	6	3		
IDB	--	0	11		
IFAD	--	1	1		
IMF	18	3	17		16%
Japan	--	24	24		
Switzerland	--	0	3		
United Nations	0	0	35		
World Bank	40	40	96	100%	
Total	**110**	**151**	**344**		**73%**

* Baseline ratio is c = a / b except where disbursements recorded by government are greater than aid scheduled for disbursement (c = b /a).

They might work at improving:

- the realism of predictions on volume and timing of expected disbursements;
- the way donors notify their disbursements to government;
- the comprehensiveness of government's records of disbursements made by donors.

Against this background, 2005 may be an untypical year in which to consider the factors influencing predictability of external funding for Niger. Additional funding provided directly or indirectly in response to the drought substantially distorted the normal patterns between intended and actual flows, and between both flows and the government accounts. The text of the survey return points to a number of other factors that reduce predictability of aid flows to Niger, which may be important issues to consider in the long term.

On the budget support side, they include delays in meeting conditionalities. Project support is hampered by weak understanding of the procedures and execution difficulties. Donors could remedy the first problem by taking into account the real capacities of the country when fixing conditionalities. The second problem could be alleviated if there were a single government window with responsibility for assisting the execution of projects. The AER calls for better alignment of programme reviews with the agricultural and budget cycles, as well as timely disbursement of budgetary support consistent with the budget execution cycle of the year. Action is being taken on these issues. There is also a need for greater efforts to get project funds included in the budget and the national accounts.

UNTYING AID

INDICATOR 8

According to OECD data covering 88% of 2004 commitments, 84% of aid to Niger is untied. The Paris Declaration commits countries and donors to make progress in further untying aid.

INDICATOR 9
Table 25.6

How much aid is programme based?

	Programme-based approaches			Total disbursed	Baseline ratio
	Budget support (USD m) a	Other PBAs (USD m) b	Total (USD m) c=a+b	(USD m) d	(%) e=c/d
African Dev. Bank	0	0	0	12	0%
Belgium	2	6	8	16	51%
Canada	0	2	2	4	40%
Denmark	0	0	0	3	4%
European Commission	5	0	5	74	6%
Egypt	--	--	--	2	--
France	10	4	14	47	31%
GAVI Alliance	0	0	0	1	52%
Germany	0	22	22	22	100%
Global Fund	0	13	13	13	100%
IDB	0	0	0	15	0%
IFAD	--	--	--	1	--
IMF	17	0	17	17	100%
Japan	0	0	0	24	0%
Switzerland	0	0	0	9	1%
United Nations	0	35	35	38	91%
World Bank	0	7	7	96	7%
Total	**33**	**89**	**123**	**393**	**31%**

HARMONISATION

PROGRESS IS BEING MADE in aligning aid with country policies and systems in Niger, and several of the obstacles remaining have been pinpointed. Donors are coming to a consensus on aspects of aid harmonisation, at least among those providing support to the government sector. This applies to programme-based approaches, joint missions and joint analytical work. If this is truly the case, it should be possible to organise a platform for action that will help reduce aid fragmentation through specialisation and delegation, and to improve internal processes that contribute to collaboration, recognising that this study does not look directly at these two important commitments of the Paris Declaration.

USING COMMON ARRANGEMENTS

The proportion of reported government-sector aid using programme-based approaches (PBAs) and by that token employing common arrangements is currently reported as 31%. This reflects a small volume of direct budget support involving three donors, the International Monetary Fund programme (counted here as budget support) and a somewhat larger set of contributions to sector programmes. Overall, the contribution of PBAs is quite small in relation to total aid to the government sector.

Niger has seen a gradual transition from project funding to more collaborative approaches, with France, Belgium, Denmark and the World Bank now pooling funds in the basic education sector, while France and the World Bank are pooling funds in the health sector. The more advanced type of sector-wide approach (SWAp) arrangement is in place in health and in education, including common reporting requirements, common auditing rules and a common assessment of financial management capacity.

It may be wise for Niger's government and donors to focus on consolidating and deepening what has been achieved so far before moving towards the Paris Declaration target of 66% of government-sector aid using programme-based approaches.

The government considers that the rural and infrastructure sectors may be ready for programme-based approaches in the near future. However, government and donor staff need an understanding of the requirements and possibilities of these approaches.

CONDUCTING JOINT MISSIONS AND SHARING ANALYSIS

The baseline figure for co-ordination of donor missions is 21%, compared with the Paris Declaration target of 40%. The absolute numbers of missions are nonetheless very large, particularly for the agencies belonging to the United Nation system, which account for no less than 41% of the total. As in other countries, a substantial proportion of the reported joint missions is accounted for by the UN system (70% of the total). Otherwise, joint missions are still largely restricted to the health and education sector programmes. The government has not until now taken a firm position in favour of joint missions, according to the AER. However, it does invite donors to respect the calendar for budget preparation in fixing the timing of missions. This request could be translated into a firmer ruling on "quiet periods" in which missions that require the attention of senior officials should not be scheduled, as is the case in a number of countries.

The numbers of pieces of analytical work undertaken and undertaken jointly are also dominated by the information from the UN system. The baseline figure of 40 % is hard to interpret. It is encouraging in the sense that several donors undertook all or much of their reported analytical work jointly. However, it also implies that little analytical work is undertaken in Niger by donors not belonging to the UN system and not involved in joint activities in the field of health, education and public finance.

INDICATOR 10a
Table 25.7

How many donor missions are co-ordinated?

	Co-ordinated donor missions (missions) a	Total donor missions (missions) b	Baseline ratio (%) c=a/b
African Dev. Bank	2	3	67%
Belgium	1	1	100%
Canada	0	0	--
Denmark	1	3	33%
EC	2	13	15%
Egypt	--	--	--
France	1	29	3%
GAVI Alliance	0	0	--
Germany	0	1	0%
Global Fund	0	2	0%
IDB	3	5	60%
IFAD	1	1	100%
IMF	1	3	33%
Japan	0	7	0%
Switzerland	0	1	0%
United Nations	37	69	54%
World Bank	5	30	17%
Total (discounted*)	**35**	**168**	**21%**

* The total of co-ordinated missions has been adjusted to avoid double counting. A discount factor of 35% has been applied.

INDICATOR 10b
Table 25.8

How much country analysis is co-ordinated?

	Co-ordinated donor analytical work (units) a	Total donor analytical work (units) b	Baseline ratio (%) c=a/b
African Dev. Bank	0	2	0%
Belgium	3	3	100%
Canada	1	1	100%
Denmark	1	1	100%
EC	7	7	100%
Egypt	--	--	--
France	2	2	100%
GAVI Alliance	0	0	--
Germany	0	0	--
Global Fund	1	1	100%
IDB	0	0	--
IFAD	2	2	100%
IMF	1	3	33%
Japan	0	0	--
Switzerland	1	2	50%
United Nations	21	50	42%
World Bank	1	3	33%
Total (discounted*)	**31**	**77**	**40%**

* The total of co-ordinated analysis has been adjusted to avoid double counting. A discount factor of 25% has been applied.

MANAGING FOR RESULTS

INDICATOR 11

THE PARIS DECLARATION urges partner countries and donors to work together to manage resources on the basis of desired results, and to use information to improve decision making. This means both strengthening the capacity to undertake such management and helping to increase the demand for a focus on results. Indicator 11 targets one component of this effort, the establishment of cost-effective results-oriented reporting and assessment systems by the country.

Niger is not among the few countries judged to have a "largely developed" results monitoring system according to the World Bank's CDF Progress Report. It falls in category D of this assessment, along with the 54% of the sample that have only the very rudimentary elements of such a system.

The quality of available development information is not yet good. The National Institute of Statistics has plans to provide strategic vision and co-ordination for the statistical system of the country, yet there are serious gaps and delays. The 2006 AER reports that a much delayed national household survey is expected in 2007, but will come too late to feed into the revision of the Poverty Reduction Strategy. On the other hand, a Core Welfare Indicators Survey, a study of basic human needs, and a Demographic and Health Survey were completed in 2005, and the results of the 2001 census were released in 2003. Government efforts to disseminate information about the PRS and its implementation have been limited, but a more ambitious communications strategy is being considered for PRS II.

Integrating the various arrangements for generating and using data into a co-ordinated monitoring and evaluation system is a major task. Formerly, the Monitoring and Evaluation Department of the Ministry of Economy and Finance was responsible along with the PRSP Secretariat for preparing PRS and Millennium Development Goals progress reports. Other monitoring and evaluation work was undertaken by the Directorate of Statistics and National Accounts, and sectoral and regional departments. In 2004 a new General Directorate of Development Programme Assessment was created within the Ministry of Economy and Finance. It will work closely with the National Institute of Statistics to monitor progress towards PRS II goals. Sectoral indicators will be defined that link to PRS II, so that the intermediate variables influencing progress can feed back into the policy process. The headway that is made in this work will crucially affect the degree to which Niger can be considered to have an adequate performance assessment system in future years.

MUTUAL ACCOUNTABILITY

INDICATOR 12

THE PARIS DECLARATION calls for donors and partner countries to be accountable to each other for the use of development resources, and in a way that strengthens public support for national policies and development assistance. This in turn requires governments to improve country accountability systems and donors to be transparent about their own contributions. Indicator 12 seeks to establish whether there is a country-level mechanism permitting joint assessment of progress in implementing agreed commitments on aid effectiveness, including those in the Declaration itself.

There is no such system in Niger. However, this may be about to change. The AER reports that the Ministry of Economy and Finance and the Poverty Reduction Strategy Paper Secretariat (together with external partners) have prepared a draft action plan for aid harmonisation consistent with the Paris Declaration. This will be examined in 2007 at a donor conference and should lead to the establishment of a joint mechanism for monitoring progress on harmonisation and alignment in Niger. Other mechanisms for mutual accountability include the 10-year education development plan, the plan for sanitary development, joint sector reviews, a system for the co-ordination of food aid and crisis management.

BASELINES AND TARGETS

THE TABLE BELOW presents the 2005 baselines and the targets for Niger. The baseline values are taken from the discussion above, which draws on various sources of information. The main source is the baseline survey undertaken in Niger under the aegis of the National Co-ordinator (Yakoubou Mahaman Sani).

Table 25.9 Baselines and targets

INDICATORS		2005 BASELINE	2010 TARGET
1	Ownership – Operational PRS	C	B or A
2a	Quality of PFM systems	25.5	4.0
2b	Quality procurement systems	Not available	Not applicable
3	Aid reported on budget	99%	100%
4	Co-ordinated capacity development	15%	50%
5a	Use of country PFM systems (aid flows)	27%	51%
5b	Use of country procurement systems (aid flows)	49%	Not applicable
6	Parallel PIUs	52	17
7	In-year predictability	73%	87%
8	Untied aid	84%	More than 84%
9	Use of programme-based approaches	31%	66%
10a	Co-ordinated missions	21%	40%
10b	Co-ordinated country analytical work	40%	66%
11	Sound performance assessment framework	D	B or A
12	Reviews of mutual accountability	No	Yes

ACRONYMS

AER	Aid Effectiveness Review
CDF	Comprehensive Development Framework
CPA	Country Policy and Institutional Assessment
MTEF	Medium-Term Expenditure Framework
ODA	official development assistance
PBA	programme-based approach
PEMFAR	Public Expenditure Management and Financial Accountability Review
PIU	project implementation unit
PRS	Poverty Reduction Strategy
SWAp	sector-wide approach
WAEMU	West African Economic and Monetary Union

26 PERU

WITH A POPULATION OF ABOUT 28 MILLION, Peru has the gross national income (GNI) per capita of a lower middle-income country (USD 2 360 in 2004). National income is quite unequally distributed, however, and a large number of Peruvians live in very poor conditions. Around 18% of the population fall below the dollar-a-day international poverty line, and as much as 38% of the population fall below the two-dollars-a-day line. Many of the poor and the extremely poor live in highland areas at considerable distances from both the national capital and departmental headquarters.

Peru has endorsed the Paris Declaration and is concerned that its middle-income status should not lead the international community to underestimate its need for poverty-focused assistance. Although aid harmonisation and alignment have not been prominent issues in the country until lately, there has been a recent change of government, and the dialogue on the Paris Declaration commitments is now intensifying. Peru is not an aid-dependent country. Net official development assistance (ODA) in 2004 was USD 487 million, which represented 0.7% of GNI. A total of nine donors responded to the 2006 baseline survey, and these agencies are responsible for around 87% of official aid flows to Peru.

OVERVIEW Box 26.1 Challenges and priority actions

DIMENSIONS	BASELINE	CHALLENGES	PRIORITY ACTIONS
Ownership	Moderate	No overarching strategy for reducing poverty and inequality.	Consider a government initiative to fill this gap. Donors should adapt their strategies and programmes to the approved Peruvian co-operation policies and plans.
Alignment	Low	Low integration of aid information in the budget. Low effective participation of government in grant-funded projects.	Improve co-ordination between the Ministry of Finance and the Peruvian Agency for International Cooperation. Increase effective participation.
Harmonisation	Low	Programme-based approaches, particularly those calling for common procedures, are rare.	Set an appropriate target for programme-based approaches.
Managing for results	Not available	Not available	Not available
Mutual accountability	Low	No mechanism for mutual accountability currently exists.	Build on the recent initiatives to increase government oversight of aid.

OWNERSHIP

INDICATOR 1

OWNERSHIP, A CENTRAL CONCEPT in the Paris Declaration, is considered critical to achieving development results in circumstances of low as well as high aid dependency. Ownership has been defined as a country's ability to exercise effective leadership over its development policies and strategies. In these terms, ownership has several dimensions and cannot be measured by a single indicator. For donors, it implies a commitment to supporting countries' leadership, policies, institutions and systems. This is commonly referred to as "alignment" (see below). Donors are in a better position to do this when governments set out clear priorities and operational strategies – the main focus of Indicator 1 of the Paris Declaration.

For countries eligible to receive aid through the International Development Association, the baseline data for Indicator 1 are being drawn from the World Bank's Comprehensive Development Framework Progress Report. This provides an assessment and numerical score determining the degree to which the country has a well-articulated medium-term development plan, with priorities and targets, and the extent to which this governs the allocation of resources through the national budget and a Medium-Term Expenditure Framework. However, equivalent information is not available for Peru.

Development planning is technically quite well developed in Peru. However, there are numerous thematic and sectoral documents that are not drawn together in a single National Development Plan, and there is no strategy specifically aimed at the reduction of inequality and poverty. The consistency with which these policies are pursued is also undermined by the high turnover of senior officials after elections. In the poorest regions of the country where much of the donor-supported activity is located, the presence of the government, and particularly the influence of government policy guidelines, is limited. Finally, the national budget is characterised by a high degree of rigidity, with limited resources for reallocation in light of new strategic priorities. A clear plan for addressing this limitation has not yet been developed.

Against this backdrop, the government of Peru is starting to co-ordinate external assistance to the country. The *Agencia Peruana de Cooperación Internacional* (APCI) (Peruvian Agency for International Cooperation), formed in 2002, has put in place a Cooperation Forum for official donors, obtained approval for a National Policy on International Cooperation in 2006, and formulated an Annual Plan for donor interventions with thematic and territorial priorities beginning in 2006. These strategic documents were approved by all the ministries of the Executive branch and sub-national representatives after a long period of joint work. Peruvian law establishes that these documents constitute the legitimate guidelines to co-ordinate external assistance. Therefore, donors will need to adapt their respective strategies, policies and programmes to this framework to promote ownership.

ALIGNMENT

PERU AND ITS DONORS have announced their commitment to align aid with country policies and systems. According to the results of the baseline survey, this is a welcome initiative, and there is much to be done to give substance to it. The immediate obstacles to be overcome include the weaknesses of the government's policy framework for addressing inequality and poverty, indicated above, together with other weaknesses in country systems, discussed below. Donors will need to step up efforts to encourage the government to take action on these points, and match these actions with more comprehensive alignment efforts.

BUILDING RELIABLE COUNTRY SYSTEMS

INDICATOR 2a

Public financial management in Peru is rated as only "moderately strong" by the World Bank's Country Policy and Institutional Assessment (CPIA). It is given a score of 3.5 on a scale running from 1 to 6 which measures the extent to which a country has:

- a comprehensive and credible budget linked to policy priorities;
- effective management of budget expenditure and budget revenues;
- timely and accurate fiscal reporting;
- clear and balanced assignment of expenditures and revenues.

The Paris Declaration invites donors to significantly increase their use of country financial management systems where these are at least moderately strong. It expects countries to improve their rating by at least half a point by the target year of 2010. To meet its Paris Declaration commitments, Peru would therefore need to raise its rating to at least 4.0.

INDICATOR 2b

A similar approach is being taken to national procurement systems. However, an assessment of Peru's baseline position with respect to the quality of procurement legislation, institutions and practices is not yet available.

ALIGNING AID FLOWS ON NATIONAL PRIORITIES

The absence of a National Development Plan, and in particular the lack of a coherent strategy for tackling inequality and poverty, places some constraints on external partners to align their support with the country's policies. The efforts of APCI to draw together the relevant country policy documents in such a way as to provide a framework for aid co-ordination are considered very significant. However, as some donors point out, this would carry more weight if it were backed up by a National Plan or poverty-reduction initiative benefiting from political support at the highest level.

INDICATOR 3
Table 26.1

Indicator 3 of the Paris Declaration follow-up aims to provide a quantitative baseline for overall aid alignment. It measures the degree to which donor financial commitments are reflected fully and accurately in the national budget. The general target for this indicator set by the Paris Declaration (85%) calls for two kinds of achievement: a high level of budget realism on the part of the country authorities, and a high degree of willingness and ability of donors to provide information in a timely fashion and in a suitable form.

The table provides government's budget estimates of aid flows for fiscal year 2005 (numerator) as a percentage of aid disbursed by donors for the government sector for the same period (denominator).

Are government budget estimates comprehensive and realistic?

	Government's budget estimates of aid flows for FY05 (USD m) a	Aid disbursed by donors for government sector in FY05 (USD m) b	Baseline ratio* (%) c=a/b c=b/a
Belgium	2	8	23%
European Commission	33	47	69%
Finland	0	3	0%
Germany	16	50	32%
Global Fund	--	0	
Japan	125	136	91%
Spain	0	30	0%
Sweden	1	1	79%
Switzerland	1	11	5%
United Nations	4	19	21%
United States	16	124	13%
Total	**197**	**429**	**46%**

* Baseline ratio is c = a / b except where government's budget estimates are greater than disbursements (c = b /a).

This ratio tells us the degree to which there is a discrepancy between budget estimates and actual disbursements. The discrepancy can be in two directions: indeed budget estimates can be either higher or lower than disbursements. In order to have a single measure of discrepancy that is always less than 100%, the ratio is flipped when budget estimates are higher than disbursements. The baseline value for Indicator 3 in Peru is 46%. Achieving the target agreed in Paris of 73% (halving the gap) for this indicator s will require concerted efforts by donors and government.

A principal reason for under-reporting of aid flows in the budget is that responsibility for maintaining the database on ODA is split between the Ministry of Finance, which deals with concessional loans, and APCI, which deals with grants. In general, grants are poorly captured in the budget. The budget also does not include the finances of levels of government below the department or quasi-autonomous public bodies, which are significant in the portfolios of several donors. Furthermore, aid disbursed may include administrative costs of the donor that are not recorded on budget. The current figures do not allow any conclusions about the performance of donors as providers of information to the Peruvian authorities. However, they do indicate that there is considerable scope to improve the realism of the budget in respect of development co-operation funds. It should be noted that, even though the Ministry of Finance tends to exclude grant figures from the budget, APCI keeps detailed records of ODA disbursements (capturing information from both executors and donors). As an illustration, APCI registered USD 429 million in disbursements for the 11 donors mentioned on Table 26.1 during FY05.

INDICATOR 4
Table 26.2

How much technical assistance is co-ordinated with country programmes?

	Co-ordinated technical co-operation (USD m) a	Total technical co-operation (USD m) b	Baseline ratio (%) c=a/b
Belgium	1	5	29%
European Commission	0	45	0%
Finland	0	1	0%
Germany	10	15	68%
Global Fund	0	0	--
Japan	0	8	3%
Spain	0	72	0%
Sweden	0	6	4%
Switzerland	1	14	6%
United Nations	0	15	0%
United States	1	88	2%
Total	**14**	**267**	**5%**

CO-ORDINATING SUPPORT TO STRENGTHEN CAPACITY

The Paris Declaration underlines the need for greater co-ordination of external support to capacity development, spearheaded by government. In many low-income countries, capacity deficits are a major obstacle to country ownership of the development agenda, and poorly delivered technical assistance is considered a major source of aid misalignment. In Peru, capacity limitations affect the conduct of government but they arise fundamentally from the absence of a professionalised permanent public administration, the frequent rotation of public officials which ensues, and the difficulties thereby created for the accumulation of institutional capacities. Although this is a problem that concerns donors, it is not to any significant degree the result of ill-coordinated aid nor susceptible to improvement on the basis of better co-ordination. In these respects, Indicator 4 has a different significance than in most survey countries.

In fact, identifying even a small number of donor activities meeting the survey's definition of a co-ordinated capacity development programme proved quite difficult for the joint donor-government group in Peru. The numbers in Table 26.2 include all projects and programmes where there is some element of collaboration between at least two donors. They also include projects that are not strictly supporting the government sector, but involve the private sector, non-governmental organisations and communities.

INDICATOR 5
Table 26.3

How much aid for the government sectors uses country systems?

	Aid disbursed by donors for government sector (USD m) a	Public financial management				Procurement	
		Budget execution (USD m) b	Financial reporting (USD m) c	Auditing (USD m) d	Baseline ratio (%) avg (b,c,d) / a	Procurement systems (USD m) e	Baseline ratio (%) e /a
Belgium	8	4	4	0	30%	4	45%
European Commission	47	19	0	17	25%	18	39%
Finland	3	0	0	0	0%	0	0%
Germany	50	32	32	32	63%	32	63%
Global Fund	0	--	--	--	--	--	--
Japan	136	127	127	127	93%	127	93%
Spain	30	18	0	0	20%	1	3%
Sweden	1	0	0	0	5%	0	8%
Switzerland	11	0	0	0	2%	0	2%
United Nations	19	1	0	0	1%	0	0%
United States	124	7	0	7	4%	5	4%
Total	**429**	**209**	**163**	**183**	**43%**	**188**	**44%**

The table includes Japanese programmes that support Peru along with other Latin American countries. Few, if any, of the programmes considered co-ordinated here benefit from a strong sense of direction imparted by the government of Peru.

The Paris Declaration follow-up sets as a general target that a country should receive half of its technical assistance on a co-ordinated basis, with government taking a leadership role, by 2010. When partners discuss harmonisation and alignment of international co-operation in Peru, they will need to fix an appropriate objective in this regard, given the public-sector capacity constraints.

USING COUNTRY SYSTEMS

Indicator 5a is a measure of the use of three components of country public financial management systems by donors. The average utilisation across the three components is 43%, reflecting donors' greater propensity to rely on budget execution than on financial reporting arrangements, with audit (under the responsibility of the *Contraloría de la República*) occupying an intermediate position. Given Peru's reasonably high CPIA score for public budgetary and financial management, this average should rise to 62% by 2010.

The results for Peru on this indicator reflect in part the situation described above, where the budget system is more oriented towards capturing information on loans than on grants. Increased co-ordination between the Ministry of Finance and APCI should help. Greater use of government financial reporting systems would also be expected to follow if the government were to become less reliant on the national budget as its sole or principal instrument of financial accountability (discussed under "predictability" below). Other obstacles to the use of public financial management systems include the fact that many donor-financed activities take place in zones of the country where the presence of the government is limited and that the government itself sometimes favours donors' using their own systems to speed up execution of projects.

According to the survey results, 44% of the aid from reporting donors made use of the country's procurement system. The targets for this indicator depend on an authoritative assessment of the quality of the country system, which is not currently available.

Donors in Peru have been taking steps towards alignment with country systems that are not captured by these quantitative measures. They include efforts to present information in a form that is consistent with the *Sistema Nacional de Inversión Pública*, reported by the EC and Spain, and a study to promote harmonisation of reporting formats and timetables so that they conform to standards of the Peruvian public sector, being undertaken by Belgium.

AVOIDING PARALLEL IMPLEMENTATION STRUCTURES

The Paris Declaration calls for a substantial reduction in the number of project implementation units (PIUs) that are parallel in the sense that appointment decisions and accounting relationships involve the donor alone. The respondents in Peru took care to collect data that complied with the spirit of this commitment, discounting the fact that all public-sector projects in the country are in principle co-directed by a donor nominee and a government representative, and recognising the reality that the commonest pattern is for project management to be accountable only to the donor. Using this rigorous and realistic definition of a parallel PIU, the current baseline figure for Peru is 55 such structures.

INDICATOR 6
Table 26.4

How many PIUs are parallel to country structures?

	Parallel PIUs (units)
Belgium	8
European Commission	4
Finland	0
Germany	0
Global Fund	0
Japan	0
Spain	29
Sweden	0
Switzerland	5
United Nations	8
United States	1
Total	**55**

The Paris Declaration target is to reduce the stock of parallel PIUs by two-thirds, meaning a 2010 number of just 18 in Peru. Again, success will be affected by the fact that grant-funded projects often take place in isolated rural areas where government presence is limited, a situation that will be difficult to alter in the medium term. On the other hand, donors and the government may tackle the fact that the use of parallel systems reflects the low quality of execution observed in projects that are fully integrated in government offices. The EC and other donors have pledged to gradually enhance the substantive involvement of government counterparts in the management of PIUs.

PROVIDING MORE PREDICTABLE AID

It is an ambitious task for any country to improve the predictability of support, and measure performance in this regard. In the case of Peru, a number of issues make it even more difficult.

The table looks at predictability from two different angles. The first angle is donors' and government's combined ability to disburse aid on schedule. In Peru, donors scheduled USD 440 million for disbursement in 2005 and actually disbursed – according to their own records – slightly less than expected (USD 429 million). The discrepancy varies considerably among donors and is mainly due to late disbursements carried over to 2005 and to delays in implementing programmes. The second angle is donors' and government's ability to record comprehensively disbursements made by donors for the government sector. In Peru, government systems recorded USD 211 million out of the USD 429 million notified as disbursed by donors (48%), indicating that a significant proportion of disbursements were not captured, either because they were not appropriately notified by donors or because they were inaccurately recorded by government.

INDICATOR 7
Table 26.5

Are disbursements on schedule and recorded by government?

	Disbursements recorded by government in FY05 (USD m) a	Aid scheduled by donors for disbursement in FY05 (USD m) b	Aid actually disbursed by donors in FY05 (USD m) FOR REFERENCE ONLY	Baseline ratio* (%) c=a/b	c=b/a
Belgium	2	11	8	18%	
European Commission	33	49	47	67%	
Finland	0	3	3	0%	
Germany	31	40	50	75%	
Global Fund	--	--	0		
Japan	125	136	136	91%	
Spain	0	30	30	0%	
Sweden	1	2	1	28%	
Switzerland	1	14	11	4%	
United Nations	4	14	19	27%	
United States	16	140	124	12%	
Total	**211**	**440**	**429**	**48%**	

* Baseline ratio is c = a / b except where disbursements recorded by government are greater than aid scheduled for disbursement (c = b /a).

Indicator 7 on predictability has been designed to encourage progress against both of these angles so as to gradually close the predictability gap by half by 2010. In other words, it seeks to improve not only the predictability of actual disbursements but also the accuracy of how they are recorded in government systems – an important feature of ownership, accountability and transparency. In Peru, this combined predictability gap amounts to USD 229 million (52% of aid scheduled for disbursement). Closing this predictability gap will require donors and government to work increasingly together on various fronts at the same time. They might work at improving:

- the realism of predictions on volume and timing of expected disbursements;
- the way donors notify their disbursements to government;
- the comprehensiveness of government's records of disbursements made by donors.

UNTYING AID

INDICATOR 8

According to OECD data covering 37% of 2004 commitments, 63% of aid to Peru is untied. The low proportion of reported untying combined with the low coverage of the data suggests that the tying of aid remains a major limitation on aid quality in Peru. The Paris Declaration commits donors to making progress year by year on the proportion of their aid that is untied.

HARMONISATION

WHILE PARTNERS SHARE A VISION of how to promote alignment of aid with country policies and systems in Peru, there is not the same level of support for aid harmonisation. In fact, harmonisation – which refers to forms of co-ordination among donors that reduce the transaction costs for the country – enjoys far less prominence than in many aid-dependent countries. This may reflect, in part, the government's relatively relaxed view on some aspects of the transaction-cost problem, because capacity constraints are less stretched (*e.g.* headquarters has ample capacity to deal with multiple donor missions). The lack of concern for harmonisation might also be due to the fact that grant-funded projects often call for only nominal government involvement (as described above). However, this will no doubt change if officials are given greater responsibility in projects.

INDICATOR 9
Table 26.6

How much aid is programme based?

	Budget support (USD m) a	Other PBAs (USD m) b	Total (USD m) c=a+b	Total disbursed (USD m) d	Baseline ratio (%) e=c/d
Belgium	4	1	5	9	57%
European Commission	14	0	14	56	25%
Finland	0	0	0	3	0%
Germany	15	0	15	57	26%
Global Fund	--	--	--	18	--
Japan	0	51	51	137	37%
Spain	0	0	0	90	0%
Sweden	0	0	0	6	4%
Switzerland	0	0	0	14	3%
United Nations	0	0	0	25	0%
United States	0	1	1	144	1%
Total	**33**	**54**	**87**	**559**	**16%**

INDICATOR 10a
Table 26.7

How many donor missions are co-ordinated?

	Co-ordinated donor missions (missions) a	Total donor missions (missions) b	Baseline ratio (%) c=a/b
Belgium	0	1	0%
European Commission	0	6	0%
Finland	0	2	0%
Germany	9	24	38%
Global Fund	0	2	0%
Japan	0	8	0%
Spain	0	18	0%
Sweden	0	1	0%
Switzerland	1	5	20%
United Nations	4	13	31%
United States	0	3	0%
Total (discounted*)	**9**	**81**	**11%**

* The total of co-ordinated missions has been adjusted to avoid double counting. A discount factor of 35% has been applied.

USING COMMON ARRANGEMENTS

The proportion of government sector aid using programme-based approaches (PBAs) is reported as 16%. However, this represents an overestimate. Given the near absence from the Peruvian scene of sector-wide approaches (SWAps) and other PBAs (aside from direct budget support), the joint donor-government group decided to adopt a more inclusive definition of PBAs (excluding common procedures). This may provide a more realistic baseline against which to assess progress in Peru, although it will somewhat distort the survey's aggregate findings. The joint group will need to decide whether the Paris Declaration target of 66% of aid based on programme approaches is appropriate for Peru.

CONDUCTING JOINT MISSIONS AND SHARING ANALYSIS

The baseline figure for co-ordination of donor missions is quite low at 11% compared with the Paris Declaration target of 40% (these numbers only include high-level missions requiring the attention of senior officials). However, as mentioned above, the government does not regard this as a priority issue, given that attending to visiting missions does not seriously disrupt officials' other duties.

For most donors involved in few country analyses, 100% of their country analytical work is conducted jointly. In other cases, the proportion is low, resulting in a low total. There are, however, a number of recent initiatives to promote greater sharing of the results of work that may have been done separately, including a virtual library being promoted by the UNDP and APCI, and a joint matrix covering the activities of European Union member states and the European Commission.

INDICATOR 10b
Table 26.8

How much country analysis is co-ordinated?

	Co-ordinated donor analytical work (units) a	Total donor analytical work (units) b	Baseline ratio (%) c=a/b
Belgium	0	1	0%
European Commission	2	2	100%
Finland	0	0	--
Germany	1	1	100%
Global Fund	0	0	--
Japan	0	0	--
Spain	0	14	0%
Sweden	0	0	--
Switzerland	1	1	100%
United Nations	5	18	28%
United States	2	18	11%
Total (discounted*)	**8**	**55**	**15%**

* The total of co-ordinated analysis has been adjusted to avoid double counting. A discount factor of 25% has been applied.

MANAGING FOR RESULTS

INDICATOR 11

THE PARIS DECLARATION RECOMMENDS that partner countries and donors work together to manage resources on the basis of desired results and use information to improve decision making. This means both strengthening the capacity to undertake such management and helping to increase the demand for a focus on results. Indicator 11 looks at one component of this effort: the establishment of cost-effective results-oriented reporting and assessment systems by the country. For information on this indicator, the baseline survey draws on the World Bank's Comprehensive Development Framework Progress Report, which covers only those countries eligible for aid from the International Development Association. Therefore, no baseline can be set for Peru on this indicator.

MUTUAL ACCOUNTABILITY

INDICATOR 12

THE PARIS DECLARATION CALLS FOR DONORS AND PARTNER COUNTRIES to be accountable to each other for the use of development resources, and in a way that tends to strengthen public support for national policies and development assistance. Therefore, governments must take steps to improve country accountability systems and donors must be transparent about their own contributions. The indicator looks at monitoring to determine whether there is a country-level mechanism permitting joint assessment of progress in implementing agreed commitments on aid effectiveness, including those in the Declaration itself.

Such a mechanism does not yet exist in Peru, although some of the guidelines on good practice that will be provided by the APCI Strategic Framework for Cooperation may be useful for monitoring. The theme of aid effectiveness is quite recent as a subject of discussion in Peru. In fact, Peru's endorsement of the Paris Declaration and the consultations prompted by the baseline survey represent the country's first steps in addressing the issues raised. The discussion will no doubt intensify in the coming months and years, particularly after the new government of President Alan Garcia has settled in.

BASELINES AND TARGETS

THE TABLE BELOW presents the 2005 baselines and the targets for Peru. The baseline values are a summary of the discussion above, which draws on various sources of information. The main source is the baseline survey undertaken in Peru under the aegis of the National Co-ordinator (Agustín Haya de la Torre).

Table 26.9 Baselines and targets

INDICATORS		2005 BASELINE	2010 TARGET
1	Ownership – Operational PRS	Not available	Not applicable
2a	Quality of PFM systems	3.5	4.0
2b	Quality procurement systems	Not available	Not applicable
3	Aid reported on budget	46%	85%
4	Co-ordinated capacity development	5%	50%
5a	Use of country PFM systems (aid flows)	43%	62%
5b	Use of country procurement systems (aid flows)	44%	Not applicable
6	Parallel PIUs	55	18
7	In-year predictability	48%	74%
8	Untied aid	63%	More than 63%
9	Use of programme-based approaches	16%	66%
10a	Co-ordinated missions	11%	40%
10b	Co-ordinated country analytical work	15%	66%
11	Sound performance assessment framework	Not available	Not applicable
12	Reviews of mutual accountability	No	Yes

ACRONYMS

APCI *Agencia Peruana de Cooperación Internacional* (Peruvian Agency for International Cooperation)
CPIA Country Policy and Institutional Assessment
GNI gross national income
ODA official development assistance
PBA programme-based approach
PIU project implementation unit
SWAp sector-wide approach

27 RWANDA

WITH A POPULATION OF 9 MILLION, Rwanda has a gross national income (GNI) of USD 230 per person (gross national income per capita). In 2005/06, 56% of the population were living in absolute poverty, and 37% were below the extreme poverty line – that is, unable to afford enough food to eat every day. Total net official development assistance (ODA) to Rwanda in 2004 was USD 468 million: this accounted for 26% of GNI, and approximately half of the government budget. The nature, volume and management of aid to Rwanda have changed significantly since the genocide and civil war of 1994, and are increasingly focused on long-term development.

Responses to the 2006 survey in Rwanda accounted for 96% of ODA. Seventeen survey responses were looked at alongside World Bank desk reviews that form the basis for the baselines/targets for some indicators. Together, they demonstrate that the Rwandan government and its donors are ushering the aid effectiveness agenda forward, although there is still some way to go to meeting the Paris Declaration targets for 2010. The implementation of the newly agreed aid policy should provide a focus for these efforts. Key challenges and priority actions are summarised below

OVERVIEW Box 27.1 Challenges and priority actions

DIMENSIONS	BASELINE	CHALLENGES	PRIORITY ACTIONS
Ownership	Strong	Lack of clear links between local plans/budgets and national strategy.	Continue capacity building at the local level.
Alignment	Moderate	Limited use of national systems, low reporting of aid in the budget.	Improve data on aid disbursements, step up donor use of public financial management systems.
Harmonisation	Low-Moderate	Reliance on stand-alone project aid in most sectors.	Develop sector-wide approaches in health, agriculture, land and decentralisation.
Managing for results	Low-Moderate	Lack of capacity in line ministries.	Build on national monitoring and evaluation framework, bring other sectors up to the standard of education.
Mutual accountability	Low-Moderate	Lack of formal mutual accountability mechanism.	Establish mutual accountability mechanism focused on Rwandan priorities.

OWNERSHIP

INDICATOR 1

OWNERSHIP IS CRITICAL TO ACHIEVING development results and is central to the Paris Declaration. It has been defined as a country's ability to exercise effective leadership over its development policies and strategies. Achieving this – especially in countries that rely heavily on aid to fund their development – is not a simple undertaking. Nor, of course, can it be measured by a single indicator. It requires a combination of cross-cutting factors that engage both donor and government. For donors it means supporting countries' leadership and policies. It also means basing their overall support on countries' national development strategies, institutions and systems. This is commonly referred to as "alignment". Donors are in a better position to do that when governments set out clear priorities and operational strategies – this is the main focus of Indicator 1 of the Paris Declaration, which is assessed below with reference to the World Bank's 2006 Aid Effectiveness Review of Rwanda.

Rwanda's long-term vision is set out in Vision 2020, and the goals provide the framework for the Poverty Reduction Strategy Paper (PRSP). The PRSP includes a medium-term development strategy clearly derived from the long-term vision, and is updated annually. The new Economic Development and Poverty Reduction Strategy (EDPRS), expected to be completed in 2007, builds on medium-term strategies developed by sector ministries. Some sector strategies are strong (for example, education and health), but others require further development. Five-year development plans are also being developed at the district level, drawing on recently published guidelines from central government to ensure fit with the EDPRS. The World Bank judges Rwanda's long-term vision and medium-term strategy to be "largely in place", but the government should prioritise improvements at the sectoral and district level to ensure that the process is fully institutionalised.

The first-generation PRSP goals were consistent with the Millennium Development Goals (MDGs), and Rwanda has made progress towards achieving some of the targets, particularly in the social sectors. The PRSP strategy is built on six pillars: transformation of the agricultural economy, human development through education, economic infrastructure, human resources and capacity building, private-sector development and good governance. The PRSP also examines cross-cutting issues such as gender and the environment. The new Economic Development and Poverty Reduction Strategy is expected to concentrate more on productive sectors as well as these cross-cutting issues, including by setting monitorable indicators and targets.

Rwanda's development strategy is linked to the budget process by a Medium-Term Expenditure Framework (MTEF), in place since 2002. The MTEF is a key instrument for ensuring that resources are directed to priority areas, and that ministries' budget submissions are based on clearly articulated strategic planning choices and their own sectoral MTEFs. The 2005 budget framework clearly identifies the PRSP as its priority. Real progress has been made in developing sub-national budgeting processes linked to the MTEF.

Rwanda received a B rating in the World Bank's 2005 Comprehensive Development Framework assessment, which provides the baseline for Indicator 1. This means that it meets the target of having "largely developed" operational development strategies, but should aim to achieve an A rating by 2010. The new Economic Development and Poverty Reduction Strategy should improve Rwanda's national development targets, and consistent efforts to strengthen planning and budgeting processes at the district level should be a priority.

ALIGNMENT

THE GOVERNMENT TAKES A STRONG ROLE in managing its aid. The External Finance Unit in the Ministry of Finance and Economic Planning provides a focal point for government efforts to ensure that aid is aligned with its policies and systems. The new aid policy should further improve alignment.

BUILDING RELIABLE COUNTRY SYSTEMS

INDICATOR 2a

Indicator 2a provides an indication of the quality of Rwanda's public financial management (PFM) systems. The score is based on the World Bank's Country Policy and Institutional Assessment (CPIA Indicator 13). In 2005 Rwanda's rating was 3.5 on a six-point scale that ranges from 1 (lowest score) to 6 (highest score).

The government is currently carrying out a comprehensive reform of national PFM systems, partly geared to decentralisation, and has created new independent agencies to improve PFM including the Rwanda Revenue Authority, the National Tender Board and the Office of the Auditor General. In 2003, a Financial Accountability Review and Action Plan was launched to co-ordinate different efforts in this area, and the government is developing a new budget law to consolidate all existing laws governing PFM systems. A new financial management system (SIBET) has recently been introduced by the Ministry of Finance to monitor budget preparation and execution. The priority for the government should be to ensure the implementation and success of all these new mechanisms and institutions, in order to meet the target of 4.0 on CPIA Indicator 13 by 2010.

INDICATOR 2b

No score is currently available for Indicator 2b on the quality of Rwanda's procurement systems. According to the World Bank's Aid Effectiveness Review, the government has started to tackle problems with national procurement systems: it adopted a new national procurement code in 2004 and submitted a new public procurement law for parliamentary approval. The main problem now is one of capacity, although recent efforts to build capacity at the local level should foster progress in this area.

ALIGNING AID FLOWS ON NATIONAL PRIORITIES

INDICATOR 3
Table 27.1

Are government budget estimates comprehensive and realistic?

	Government's budget estimates of aid flows for FY05 (USD m) a	Aid disbursed by donors for government sector in FY05 (USD m) b	Baseline ratio* (%) c=a/b c=b/a
African Dev. Bank	37	40	94%
Belgium	13	15	84%
Canada	2	3	68%
European Commission	68	94	72%
France	1	3	45%
Germany	3	13	22%
Global Fund	13	30	44%
IFAD	6	7	80%
IMF	0	3	0%
Japan	1	2	36%
Netherlands	4	15	24%
Sweden	7	21	32%
Switzerland	0	2	0%
United Kingdom	57	81	70%
United Nations	4	29	15%
United States	1	84	2%
World Bank	55	112	50%
Total	**272**	**554**	**49%**

* Baseline ratio is c = a / b except where government's budget estimates are greater than disbursements (c = b /a).

Most donors in Rwanda have aligned their strategies with PRSP priorities. However, this has not yet, in most cases, been translated into real alignment with sector strategies or use of country systems. Indicator 3 is a proxy for measuring alignment: it actually measures the proportion of aid reported in Rwanda's budget.

The table provides government's budget estimates of aid flows for fiscal year 2005 (numerator) as a percentage of aid disbursed by donors for the government sector for the same period (denominator). This ratio tells us the degree to which there is a discrepancy between budget estimates and actual disbursements.

The discrepancy can be in two directions: indeed budget estimates can be either higher or lower than disbursements. In order to have a single measure of discrepancy that is always less than 100%, the ratio is flipped when budget estimates are higher than disbursements. The baseline value for Indicator 3 in Rwanda is 49%. Achieving the target agreed in Paris of 74% (halving the gap) for this indicator will require concerted efforts by donors and government.

In Rwanda, around half of the budget is funded with development assistance, so it is very important that the government gain an accurate picture of how much aid it receives, and that this aid be recorded in the budget. The government has emphasised the importance of on-budget aid in its new aid policy. Yet the survey results suggest that only 49% of aid disbursed for the government sector is recorded in the national budget.

INDICATOR 4
Table 27.2

How much technical assistance is co-ordinated with country programmes?

	Co-ordinated technical co-operation (USD m) a	Total technical co-operation (USD m) b	Baseline ratio (%) c=a/b
African Dev. Bank	0	3	0%
Belgium	0	15	0%
Canada	0	0	--
European Commission	0	2	0%
France	0	3	0%
Germany	0	7	0%
Global Fund	0	0	--
IFAD	0	0	--
IMF	1	1	100%
Japan	1	2	52%
Netherlands	0	0	--
Sweden	0	1	11%
Switzerland	0	1	0%
United Kingdom	3	15	20%
United Nations	8	10	80%
United States	64	64	100%
World Bank	1	11	6%
Total	**78**	**135**	**58%**

This reflects a number of factors. First, donors often do not provide timely information on planned disbursements for inclusion in the budget. Second, some donors provide very little information on project support to the budget department and some have a poor record of project execution. As a consequence, project disbursements are discounted (at variable rates) in the budget preparation process. In addition, some projects (such as those funded by the United States) are implemented by non-governmental organisations and other partners financed directly by the donor. As a result, the government department responsible for monitoring project implementation (CEPEX) does not have information on projected disbursements against individual activities that it can then communicate to the budget department during the budget preparation process. The International Monetary Fund (IMF) discrepancy occurs because all assistance from the IMF is provided to the central bank rather than the treasury. The IMF's figure for ODA disbursements includes a technical assistance component. This technical assistance tends to be short term and *ad hoc*, responding to the central bank's needs as they arise. As such, the IMF's assistance does not find its way into the budget preparation process.

Although much off-budget aid may be aligned with government priorities, significant improvements in the quality and communication of data on aid flows will be needed if Rwanda is to meet the target of 74% of aid for the government sector recorded in the budget by 2010. The government is currently building a development assistance database to manage such data, and donors will need to ensure that they make full use of this system in order to meet the target.

INDICATOR 5
Table 27.3

How much aid for the government sectors uses country systems?

	Aid disbursed by donors for government sector (USD m) a	Public financial management				Procurement	
		Budget execution (USD m) b	Financial reporting (USD m) c	Auditing (USD m) d	Baseline ratio (%) avg (b,c,d) / a	Procurement systems (USD m) e	Baseline ratio (%) e /a
African Dev. Bank	40	24	24	24	61%	24	61%
Belgium	15	0	14	10	52%	11	75%
Canada	3	0	0	0	0%	0	0%
European Commission	94	26	26	26	28%	26	28%
France	3	0	0	0	0%	0	0%
Germany	13	5	5	5	37%	5	37%
Global Fund	30	0	0	0	0%	30	100%
IFAD	7	0	0	0	0%	0	0%
IMF	3	2	2	2	74%	2	74%
Japan	2	0	0	1	9%	1	26%
Netherlands	15	0	0	0	0%	0	0%
Sweden	21	16	16	16	75%	16	75%
Switzerland	2	2	2	2	67%	2	67%
United Kingdom	81	67	71	71	86%	71	87%
United Nations	29	0	0	0	0%	3	10%
United States	84	0	0	0	0%	0	0%
World Bank	112	65	65	65	58%	65	58%
Total	**554**	**207**	**224**	**221**	**39%**	**255**	**46%**

CO-ORDINATING SUPPORT TO STRENGTHEN CAPACITY

Capacity building is one of the six key priorities identified in Rwanda's PRSP, and the new aid policy reflects government concerns that current capacity-building programmes do not adequately transfer knowledge and skills. The government has established a Multi-Sector Capacity Building Programme to provide a framework for technical assistance. This has encouraged technical assistance co-ordinated with country programmes – 58% of technical assistance provided in 2005 was co-ordinated, exceeding the target of 50% set in Paris. That said, this overstates the amount that is integrated into country-led or multi-donor programmes, as some donors counted all technical assistance in agreements with the government as "co-ordinated" for the purposes of the survey. (While donors were invited to include data on embedded technical assistance, this was not always possible. Field offices do not always have at their disposal detailed information on the execution of projects by component, and identifying such embedded technical assistance becomes very difficult for donors with large and diverse portfolios.)

Examples of good practice in co-ordinated technical assistance in Rwanda include the Integrated Support Project to the Ministry of Finance and Economic Planning (a pooled instrument).

USING COUNTRY SYSTEMS

The Paris Declaration encourages donors to make increasing use of country systems where these provide assurance that aid will be provided for agreed purposes. Indicator 5 looks in particular at donors' use of countries' PFM and procurement systems.

Table 27.3 shows that 39% of aid to the government sector uses the government's budget execution, financial reporting and audit systems. Given that Rwanda scores 3.5 on Indicator 2a, the targets for 2010 on Indicator 5a are that 59% of aid makes use of national PFM systems (on average across the three systems in question).

A total of 46% of aid uses Rwandan procurement systems. Without data on Indicator 2b, no target can currently be set for Indicator 5b.

Almost all the aid which makes use of Rwandan PFM and procurement systems is general budget support. As outlined above, the government is taking steps to improve its systems, but efforts to increase the use of national systems outside budget support have had very limited success. A number of donors cite headquarters regulations or domestic legislative constraints as the main reason that they cannot use national systems, or are required to make additional requirements. Although the government must continue to improve its PFM and procurement systems, the onus is on donors to find ways to make greater use of national systems if the targets for Indicator 5a are to be met and progress is to be made on 5b.

AVOIDING PARALLEL IMPLEMENTATION STRUCTURES

The Paris Declaration invites donors to "avoid, to the maximum extent possible, creating dedicated structures for day-to-day management and implementation of aid-financed projects and programmes". There are now 48 parallel project implementation units (PIUs) in Rwanda. The vast majority of these are accounted for by the World Bank and the United Nations. In order to make progress towards the 2010 target of reducing the number of PIUs to 16, the government is discussing with donors the possibility of combining existing PIUs so that there would be only one per implementing ministry.

INDICATOR 6
Table 27.4

How many PIUs are parallel to country structures?

	Parallel PIUs (units)
African Dev. Bank	0
Belgium	0
Canada	0
European Commission	1
France	0
Germany	0
Global Fund	0
IFAD	3
IMF	0
Japan	0
Netherlands	0
Sweden	0
Switzerland	2
United Kingdom	1
United Nations	30
United States	0
World Bank	11
Total	**48**

PROVIDING MORE PREDICTABLE AID

In 2005, 66% of aid scheduled for disbursement to the government sector was recorded by the government as disbursed within that financial year.

Where there are significant disparities, this is usually because information is not communicated for use in the budget execution report, or because the projects were not included in the budget in the first place (as with much of the United States' assistance). In some instances, it appears that donors disbursed more than scheduled. This may occur for a number of reasons. In the case of some donors (such as the World Bank and African Development Bank), programming is undertaken on a multi-year basis, and any annual schedule is a crude estimate of anticipated disbursements. Where a project is implemented ahead of schedule, the actual disbursements may exceed what was anticipated by the donor.

The table above looks at predictability from two different angles. The first angle is donors' and government's combined ability to disburse aid on schedule. In Rwanda, donors scheduled USD 519 million for disbursement in 2005 and actually disbursed – according to their own records – slightly more than expected (USD 554 million). The discrepancy varies considerably among donors and is mainly due to late disbursements carried over to 2005 and to delays in implementing programmes. The second angle is donors' and government's ability to record comprehensively disbursements made by donors for the government sector. In Rwanda, government systems recorded USD 340 million out of the USD 554 million notified as disbursed by donors (61%), indicating that a significant proportion of disbursements were not captured, either because they were not appropriately notified by donors or because they were inaccurately recorded by government.

INDICATOR 7
Table 27.5

Are disbursements on schedule and recorded by government?

	Disbursements recorded by government in FY05 (USD m) a	Aid scheduled by donors for disbursement in FY05 (USD m) b	Aid actually disbursed by donors in FY05 (USD m) FOR REFERENCE ONLY	Baseline ratio* (%) c=a/b	c=b/a
African Dev. Bank	38	--	40		
Belgium	16	20	15	79%	
Canada	1	3	3	39%	
European Commission	86	119	94	72%	
France	0	0	3		
Germany	0	4	13	5%	
Global Fund	0	26	30	0%	
IFAD	8	10	7	84%	
IMF	0	2	3	0%	
Japan	0	2	2	0%	
Netherlands	1	5	15	29%	
Sweden	16	19	21	87%	
Switzerland	0	2	2	0%	
United Kingdom	68	81	81	83%	
United Nations	6	28	29	21%	
United States	0	84	84	0%	
World Bank	100	113	112	89%	
Total	**340**	**519**	**554**		**66%**

* Baseline ratio is c = a / b except where disbursements recorded by government are greater than aid scheduled for disbursement (c = b /a).

Indicator 7 on predictability has been designed to encourage progress against both of these angles so as to gradually close the predictability gap by half by 2010. In other words, it seeks to improve not only the predictability of actual disbursements but also the accuracy of how they are recorded in government systems – an important feature of ownership, accountability and transparency. In Rwanda, this combined predictability gap amounts to USD 216 million (42% of aid scheduled for disbursement). Closing this predictability gap will require donors and government to work increasingly together on various fronts at the same time. They might work at improving:

- the realism of predictions on volume and timing of expected disbursements;
- the way donors notify their disbursements to government;
- the comprehensiveness of government's records of disbursements made by donors.

Against this backdrop, it is important to note, however, that due to Rwanda's cash budgeting system, this may somewhat understate the predictability of aid, particularly of project aid, where budget execution (rather than disbursement) figures have been used to reach this baseline. The baseline may also somewhat overstate the predictability of budget support – some donors delayed 2004 disbursements into 2005. It is certainly the case, however, that the in-year predictability of budget support was higher than that for other forms of aid. Budget support donors have also moved towards frontloading disbursements in the first quarter of the financial year, which improves the government's capacity to plan and budget effectively.

UNTYING AID

INDICATOR 8

According to OECD data covering 59% of aid to Rwanda, 82% of aid is untied. Most initiatives aimed at untying aid are led by donor headquarters, and there has been little in the way of high-level dialogue in Rwanda.

HARMONISATION

SOME 27 DONORS (including numerous UN agencies) are permanently represented in Rwanda, underlining the importance of co-ordination among donors in order to minimise the burdens on government of managing aid. Harmonisation is relatively limited in Rwanda, but steps are being taken to improve the situation.

USING COMMON ARRANGEMENTS

The proportion of aid using programme-based approaches (PBAs), and thus common procedures, stood at 42% in Rwanda in 2005 – significantly below the 2010 target level of 66%. The use of programme-based approaches in Rwanda is a fairly recent development, and so far aid disbursed in this way has mostly taken the form of general budget support. Education is the only sector to have an active sector-wide approach (SWAp), built on the government's Education Sector Strategic Plan and governed by a memorandum of understanding between government and donors.

If the 2010 target for 66% of aid to be programme based is to be met, Rwanda will need to develop SWAps beyond education. A week-long event with government and donors was held in June 2006 to explore the possibility of developing SWAps in health, agriculture, land and environment, and decentralisation. Support for programme-based approaches in these sectors seems to be high, and their development would help Rwanda meet the target for Indicator 9.

INDICATOR 9
Table 27.6

How much aid is programme based?

	Budget support (USD m) a	Other PBAs (USD m) b	Total (USD m) c=a+b	Total disbursed (USD m) d	Baseline ratio (%) e=c/d
African Dev. Bank	24	0	24	40	61%
Belgium	0	0	0	16	0%
Canada	0	0	0	5	0%
European Commission	26	0	27	96	28%
France	0	2	2	4	43%
Germany	0	4	4	13	28%
Global Fund	0	30	30	30	100%
IFAD	0	0	0	7	0%
IMF	0	2	2	3	74%
Japan	0	0	0	3	0%
Netherlands	0	0	0	19	0%
Sweden	16	0	16	23	69%
Switzerland	0	0	0	3	0%
United Kingdom	67	1	68	83	82%
United Nations	0	0	0	29	0%
United States	0	0	0	84	0%
World Bank	65	0	65	112	58%
Total	**198**	**39**	**237**	**571**	**42%**

CONDUCTING JOINT MISSIONS AND SHARING ANALYSIS

Only 9% of donor missions to Rwanda were conducted jointly in 2005, which leaves much room for improvement if the 2010 target of 40% joint missions is to be met. The government already organises joint sector reviews on an annual basis, and encourages donors to use these in place of parallel missions. A number of donors participate in this process, and others have made suggestions for changes that would facilitate their participation. Donors and government should also place increasing emphasis on the Joint Budget Support Reviews held on a bi-annual basis in order to bring them closer to the target.

In Rwanda, 36% of donor analyses were conducted jointly in 2005, within reach of the 2010 target for 66% to be joint. Bilateral donors have made headway in co-ordinating analytical work with multilateral agencies, and UN agencies are now co-ordinating analytical work among themselves. The government has asked donors to post analytical work on the Ministry of Finance and Economic Planning website to spark interest in further collaboration.

INDICATOR 10a
Table 27.7

Table 40.7: How many donor missions are co-ordinated?

	Co-ordinated donor missions (missions) a	Total donor missions (missions) b	Baseline ratio (%) c=a/b
African Dev. Bank	0	14	0%
Belgium	0	3	0%
Canada	1	3	33%
European Commission	3	12	25%
France	2	4	50%
Germany	3	14	21%
Global Fund	1	2	50%
IFAD	0	7	0%
IMF	1	27	4%
Japan	0	12	0%
Netherlands	4	25	16%
Sweden	0	2	0%
Switzerland	0	6	0%
United Kingdom	2	8	25%
United Nations	10	68	15%
United States	0	0	--
World Bank	5	37	14%
Total (discounted*)	**21**	**244**	**9%**

* The total of co-ordinated missions has been adjusted to avoid double counting. A discount factor of 35% has been applied.

INDICATOR 10b
Table 27.8

How much country analysis is co-ordinated?

	Co-ordinated donor analytical work * (units) a	Total donor analytical work (units) b	Baseline ratio (%) c=a/b
African Dev. Bank	0	0	--
Belgium	1	1	100%
Canada	0	0	--
European Commission	0	0	--
France	0	0	--
Germany	1	8	13%
Global Fund	0	0	--
IFAD	2	3	67%
IMF	3	6	50%
Japan	0	0	--
Netherlands	0	0	--
Sweden	1	3	33%
Switzerland	1	2	50%
United Kingdom	1	1	100%
United Nations	17	35	49%
United States	2	2	100%
World Bank	4	7	57%
Total (discounted*)	**25**	**68**	**36%**

* The total of co-ordinated analysis has been adjusted to avoid double counting. A discount factor of 25% has been applied.

MANAGING FOR RESULTS

INDICATOR 11

MANAGING FOR RESULTS IS KEY to enhancing aid effectiveness. The Paris Declaration recommends that donors work alongside partner countries to manage resources on the basis of desired results, and to use information effectively to improve decision making. Indicator 11 focuses on one component of managing for results: the establishment by the partner country of a cost-effective, transparent and monitorable performance and assessment framework. Rwanda scored a C rating in the World Bank's 2005 Comprehensive Development Framework assessment, which provides the baseline for this indicator. This puts it within reach of the target of achieving a B or an A by 2010.

According to the World Bank's 2006 Aid Effectiveness Review, the quality and availability of poverty and development data in Rwanda is improving. The government has completed a National Statistical Development Strategy, and established a Rwandan National Institute of Statistics. Information on government policies is easily accessible, and the government plans to publicise the new Economic Development and Poverty Reduction Strategy.

The government has laid the foundation for a monitoring and evaluation system that meets international standards, and the World Bank judges that significant progress has been made through sectoral monitoring and evaluation systems. However, the Bank cautions that capacity constraints in most sectors will need to be overcome if fully effective performance monitoring processes are to be established.

MUTUAL ACCOUNTABILITY

INDICATOR 12

THE PARIS DECLARATION CALLS for donors and partner countries to be accountable to each other for the use of development resources, and in a way that tends to strengthen public support for national policies and development assistance. This in turn requires governments to take steps to improve country accountability systems and donors to help by being transparent about their own contributions.

Indicator 12 measures one important aspect of mutual accountability: whether country-level mutual assessments of progress in implementing agreed commitments take place. Existing donor-government fora (including sector working groups, the Development Partners Co-ordination Group and the Budget Support Harmonisation Group) in Rwanda provide opportunities for discussion of mutual progress, though the focus of discussions remains on the performance of the government, with little scope for discussion of donor performance against commitments. No formal mutual accountability mechanism currently exists in Rwanda, but discussions are ongoing within government, and with donors, to design a mechanism suited to Rwanda's particular needs. It is expected that this will draw on independent elements of review, with the aim of ensuring a balanced assessment of the performance of both the government of Rwanda and its donors.

BASELINES AND TARGETS

THE TABLE BELOW presents the 2005 baselines and targets for Rwanda. The information is discussed in detail in the above chapter and draws from various sources of information. The main source is the baseline survey undertaken in Rwanda under the aegis of the National Co-ordinator (Jean-Jacques Nyirubutama).

Table 27.9 Baselines and targets

INDICATORS		2005 BASELINE	2010 TARGET
1	Ownership – Operational PRS	B	A
2a	Quality of PFM systems	3.5	4.0
2b	Quality procurement systems	Not available	Not applicable
3	Aid reported on budget	49%	74%
4	Co-ordinated capacity development	58%	50%
5a	Use of country PFM systems (aid flows)	39%	59%
5b	Use of country procurement systems (aid flows)	46%	Not applicable
6	Parallel PIUs	48	16
7	In-year predictability	66%	83%
8	Untied aid	82%	More than 82%
9	Use of programme-based approaches	42%	66%
10a	Co-ordinated missions	9%	40%
10b	Co-ordinated country analytic work	36%	66%
11	Sound performance assessment framework	C	B or A
12	Reviews of mutual accountability	No	Yes

ACRONYMS

CPIA Country Policy and Institutional Assessment
EDPRS Economic Development and Poverty Reduction Strategy
GNI gross national income
IMF International Monetary Fund
MDG Millennium Development Goal
MTEF Medium-Term Expenditure Framework
ODA official development assistance
PFM public financial management
PIU project implementation unit
PRSP Poverty Reduction Strategy Paper
SWAp Sector-Wide Approach

28 SENEGAL

IN 2005, SENEGAL HAD A POPULATION OF APPROXIMATELY 11 MILLION. According to the latest survey conducted in 2001-02, the level of poverty in Senegal remains high despite the fact that the poverty level decreased significantly during the period of 1994-2002. The proportion of the population which lives under the poverty line has decreased from 67.9% in 1994-95 to 57.1% in 2001-02, which is a reduction by 10.8 points in absolute terms, or 16% in relative terms.

The donors providing responses to the 2006 survey accounted for over 92% of Senegal's official development assistance (ODA). These responses were considered alongside the World Bank's desk reviews to create the baseline for 2005 and targets for 2010. The key challenges and priority actions arising from this analysis are summarised below. The ongoing development of Senegal's Action Plan on Aid Harmonisation and Effectiveness should provide an important focus for these efforts.

OVERVIEW Box 28.1 Challenges and priority actions

DIMENSIONS	BASELINE	CHALLENGES	PRIORITY ACTIONS
Ownership	Moderate	Need to reflect development priorities more effectively in budgeting process.	Embed medium-term expenditure frameworks (MTEFs) and clarify relationship with other external budget planning frameworks.
Alignment	Low-Moderate	Limited use of national systems, low reporting of aid in the budget.	Improve data on aid disbursements, step up donor use of public financial management systems.
Harmonisation	Moderate	Limited use of harmonised procedures or budget support in programme-based approaches (PBAs).	Identify obstacles in using pooled systems and budget support.
Managing for results	Moderate	Monitoring and evaluation systems only partially in place for monitoring *Document de Stratégie de Réduction de la Pauvreté* (DRSP) implementation.	Support implementation of co-ordinated approach to monitoring and evaluation at national, regional, sectoral levels.
Mutual accountability	Low	Lack of formal mutual accountability mechanism.	Establish mutual accountability mechanism within the Action Plan for Aid Harmonisation and Effectiveness.

OWNERSHIP

INDICATOR 1

OWNERSHIP IS CRITICAL to achieving development results and is central to the Paris Declaration. The Paris Declaration defines ownership in terms of a country's ability to exercise effective leadership and co-ordination of its development policies and strategies. Achieving this – especially in countries that rely heavily on aid to fund their development – is not a simple undertaking. Nor, of course, can it be measured by a single indicator. Indicator 1 assesses the extent to which a country has translated its national development strategies into 'prioritised, results-oriented operational programmes' with which donors can align their assistance.

Senegal received a C rating in the World Bank's 2005 Comprehensive Development Framework (CDF) assessment, which provides the baseline for Indicator 1. According to the CDF, an operational strategy calls for a coherent long-term vision and a medium-term strategy derived from it; specific targets serving a holistic, balanced, and well-sequenced development strategy; capacity and resources for its implementation; and the participation of national stakeholders in strategy formulation and implementation.

A C rating implies that Senegal has 'taken action' towards achieving good practice in its operational development strategy. Although Senegal does not have a unified national long-term vision in place, the World Bank's Aid Effectiveness Report (AER) for 2006 reports that long-term reference points include a long-term perspective study, Senegal 2020, currently in preparation; the Millennium Development Goals (MDGs); the New Partnership for Africa's Development (NEPAD); and the African Union strategic plan. Medium-term development plans are articulated through Senegal's second *Document de Stratégie de Réduction de la Pauvreté* (DSRP2). This was developed with inputs from a wide range of national stakeholders before being approved by the executive in October 2006. It sets out national development strategies from 2006-10.

In response to some of the challenges arising during the implementation of the first DRSP, the AER reports that Senegal's DSRP2 demonstrates a number of improvements in relation to the identification, prioritization, and sequencing of development targets. It has increased its emphasis on rural poverty and healthcare; it has improved integration of the MDGs, including improvements to costing and prioritization of social programmes; and it has added a fourth area of focus, namely governance and decentralized/participatory development. This latter is intended to strengthen the effectiveness of public sector reform.

The government is using the DSRP as the basis of budgetary reform. Since 2005, it has begun to introduce medium-term expenditure frameworks (MTEFs) to guide the general budget as well as some sectoral budgets. Spending on DSRP priority areas such as education and health has increased. However, more needs to be done to embed MTEFs in the budgeting process, and to clarify the relationship between the global and sectoral MTEFs and the government's triennial investment plans which also impact on budget decisions.

The AER reports that capacity for implementation is improving although more efforts are needed to turn plans into effective actions. Local government powers and resources to support the delivery of social services have increased through a programme of decentralization.

Senegal should aim for at least a B rating by 2010, corresponding to having operational development strategies that are 'largely developed' or 'substantially in place'. The ongoing development of Senegal's Action Plan for Aid Harmonisation and Effectiveness should provide a framework for improvements in relation to the areas of weakness listed above.

ALIGNMENT

INDICATOR 2a

THE PARIS DECLARATION REQUIRES DONORS TO MOVE TOWARDS aligning their assistance with national development strategies, institutions and procedures. Improving alignment requires action on the part of both governments and donors. Governments are required to strengthen financial and programme management capacities, and to elaborate coherent and effective policies and plans, while donor agencies are required to overcome institutional blocks to the use of national systems and management structures. Indicators 2 to 8 seek to assess the extent to which assistance is being aligned with Senegal's national development strategies and plans. They consider the extent to which donors are aligning their assistance with Senegal's national development and poverty reduction policies, and also provide an indication of the extent to which donors and government are achieving systems alignment.

BUILDING RELIABLE COUNTRY SYSTEMS

Under the World Bank's Country Policy and Institutional Assessment (CPIA) for 2005, the quality of Senegal's budget and financial management systems was rated at 3.5 on a scale of 1 (lowest score) to 6 (highest score), just above the average of 3.2 for all International Development Assistance (IDA) borrowers.

Following the adoption of an action plan based on a Country Financial Accountability Assessment (CFAA) in 2003, the government has taken a number of measures intended to improve the management of public expenditure. The World Bank's AFR 2006 report notes that progress has been made in several areas, such as budget preparation and control, simplification of expenditure channels, and stronger cash and debt management. The introduction of Medium-Term Expenditure Frameworks (MTEFs) is expected to improve expenditure tracking and transfers to beneficiaries. Since the end of 2004, an integrated public financial management system (SIGFIP) has been operational within the Ministry of Economy and Finance. SIGFIP is now integrated into the financial management structures of six ministries (with plans for further extension), and into the budget preparation process for 18 ministries. However, the report also notes that control of budget execution and of state-owned enterprises requires further strengthening.

The government should work to strengthen these weak areas, and must also maintain and extend the improvements that have already taken place, if Senegal is to meet the Country Policy and Institutional Assessment (CPIA) target of 4.0 set for 2010.

INDICATOR 2b

No score is currently available for Indicator 2b on the assessment of the quality of Senegal's procurement systems. Following a review of procurement systems in 2003, the government adopted improved procurement procedures in 2004. However, the World Bank AER 2006 report notes that implementation of the new measures has been slow. The new procurement code has been adopted by the Ministerial Council in March 2006, and its signature by high-level authorities should facilitate speedy implementation. However, the code will only come into effect when all the relevant institutional bodies (Government Procurement Regulatory Board and the Central Government Office for Public Markets) and various decrees related to its implementation are taken up by the Ministry of Economy and Finance. The effective implementation of this will be essential for the improvement of procurement practices, and will require both leadership and capacity.

INDICATOR 3
Table 28.1

Are government budget estimates comprehensive and realistic?

	Government's budget estimates of aid flows for FY05 (USD m) a	Aid disbursed by donors for government sector in FY05 (USD m) b	Baseline ratio* (%) c=a/b	c=b/a
African Development Bank	6	22	29%	
BADEA	11	3		23%
Belgium	8	7		86%
Canada	26	7		27%
European Commission	76	43		57%
France	32	36	90%	
Germany	18	31	59%	
Global Fund	3	12	25%	
IFAD	8	14	61%	
International Monetary Fund	0	5	0%	
Italy	1	2	42%	
Japan	4	27	16%	
Luxembourg	11	10		92%
Netherlands	5	13	35%	
Switzerland	0	0	38%	
United Nations	7	23	31%	
United States	20	30	66%	
World Bank	165	168	98%	
Total	**403**	**453**	**89%**	

* Baseline ratio is c = a / b except where government's budget estimates are greater than disbursements (c = b /a).

ALIGNING AID FLOWS ON NATIONAL PRIORITIES

The introduction of the DSRP as the guiding framework for external assistance in Senegal has created the conditions for better alignment of aid flows with national priorities. The World Bank AER 2006 report indicates that several major donors are using the DSRP priorities to guide their assistance strategies. However, this has not yet, in most cases, been translated into use of country systems.

Indicator 3 is a proxy for measuring the alignment of aid flows with national priorities: it measures the extent to which donors' aid disbursements were accurately reflected in the national budget for the year in question. Where planned aid disbursements are accurately reflected in the budget approved by the legislature, this suggests the existence of accurate planning and timely information flow between the government and its external partners, as well as a high level of budget realism.

The table above provides two measures for Indicator 3. The first is based on the ratio between the volume of aid recorded in the budget (numerator) and the amount of aid disbursed for the government sector (denominator). This ratio tells us the degree to which there is overall under-inclusion of aid in the budget (ratio under 100%) or over-inclusion (ratio over 100%). The survey indicates that 89% of the aid disbursed in 2005 had been recorded in the budget, a result which already exceeds the global target figure of 85% for 2010. However, this high overall figure obscures the fact that there were significant variances between the government's budgeted figures and the actual disbursements for 18 donors recorded here. Because the ratios for each donor are either under or above 100% the average value for a country does not provide a good indication of aggregate discrepancies. This is why, in addition to measuring the ratio, a measure of the 'budget gap' is also provided. This better reflects the degree of discrepancy between aid reported by donors as disbursed for the government sector, and that recorded in the budget.

The survey suggests a number of explanations for this variance. For example, donors do not always provide timely information on planned disbursements to enable their accurate inclusion in the budget. Secondly, the budget may itself reflect inaccuracies or lack of realism in the estimation of the rate of programme execution and hence spending; and thirdly, it is a challenge to keep track of expenditures arising from externally-resourced projects and programmes.

The survey also notes that aid disbursed directly to non-governmental organisations and other organisations is not reflected in the national accounts, and nor is spending by donors managing their own operational programmes.

Although the overall percentage of aid on budget was high for the 2005 fiscal year, the line-by-line variances indicate that there is significant room for improvements in planning and communication between donors and government in relation to aid disbursements and their relation in the budget, and that donor participation in budgeting could be strengthened. The survey recommends that the procedures for aid disbursement within the framework of the annual budget exercise be speeded up. The government should put in place a better system for managing information relating to aid flows, and donors should commit to supporting this through improved information provision. Within this context, the process of finalising the implementation of the project on the Action Plan on Aid Harmonisation and Effectiveness in Senegal offers an opportunity to find solutions thin in area. A consultative group, which brings together donors and the government, has been established since February 2007 to analyse how public aid flows are recorded. The group has decided to hire a consultant on this issue to provide a more in-depth analysis.

CO-ORDINATING SUPPORT TO STRENGTHEN CAPACITY

Capacity constraints significantly undermine the ability of country systems to capture and co-ordinate aid flows effectively. The Paris Declaration commits donors to providing more co-ordinated support for capacity building under country leadership, with the target that 50% of such support should be co-ordinated by 2010.

The survey indicates that only 18% of technical assistance is currently defined as co-ordinated, although the majority of donors state that they have contributed to co-ordinated programmes. Lack of agreement on the definition of co-ordinated support may have led to some under-reporting. (For example, the European Commission response states that none of its technical assistance is coordinated, yet the World Bank AER 2006 report lists the Commission as one of the donors co-ordinating capacity development for fiduciary systems.) The survey also notes that lack of disaggregation of donor data made this indicator difficult to verify.

INDICATOR 4
Table 28.2

How much technical assistance is co-ordinated with country programmes?

	Co-ordinated technical co-operation (USD m) a	Total technical co-operation (USD m) b	Baseline ratio (%) c=a/b
African Dev. Bank	1	1	100%
BADEA	0	0	100%
Belgium	1	1	59%
Canada	6	15	38%
European Commission	0	6	0%
France	2	25	10%
Germany	2	8	29%
Global Fund	0	0	--
IFAD	0	0	--
IMF	0	0	--
Italy	0	0	0%
Japan	3	18	19%
Luxembourg	0	0	0%
Netherlands	1	1	100%
Switzerland	0	1	0%
United Nations	3	10	27%
United States	0	23	0%
World Bank	0	0	30%
Total	**20**	**111**	**18%**

INDICATOR 5
Table 28.3

How much aid for the government sectors uses country systems?

	Aid disbursed by donors for government sector (USD m) a	Public financial management				Procurement	
		Budget execution (USD m) b	Financial reporting (USD m) c	Auditing (USD m) d	Baseline ratio (%) avg (b,c,d) / a	Procurement systems (USD m) e	Baseline ratio (%) e /a
African Dev. Bank	22	0	0	0	0%	0	0%
BADEA	3	3	3	3	100%	3	100%
Belgium	7	0	0	0	0%	2	33%
Canada	7	0	0	0	0%	0	0%
European Commission	43	13	13	13	29%	13	29%
France	36	18	18	16	49%	22	63%
Germany	31	20	20	0	44%	21	68%
Global Fund	12	0	0	0	0%	0	0%
IFAD	14	0	0	0	0%	14	100%
IMF	5	--	--	--	--	--	--
Italy	2	2	0	0	33%	2	100%
Japan	27	1	1	1	3%	1	3%
Luxembourg	10	0	0	0	0%	--	--
Netherlands	13	11	11	12	89%	12	92%
Switzerland	0	0	0	0	46%	0	0%
United Nations	23	6	0	5	17%	2	8%
United States	30	0	0	0	0%	0	0%
World Bank	168	39	39	39	23%	39	23%
Total	**453**	**114**	**106**	**89**	**23%**	**131**	**29%**

Senegal's DSRP includes capacity building as a key development objective, and identifies a range of specific sectoral capacity needs. The World Bank AER 2006 reports that some donors have responded to several of these needs through co-ordinated action, and the survey reports that some sectoral initiatives are now in place. However, despite the existence of the DSRP framework, no national capacity building programme exists so far, and interventions remain fragmented. There is also is no comprehensive list of existing co-ordinated capacity building programmes, which would facilitate donor targeting.

Going forward, the survey recommends that donors and government should work together to identify the continued obstacles to co-ordination of technical assistance. On the basis of the findings, the DSRP and the development of the national Action Plan for Aid Harmonisation and Effectiveness could provide a guiding framework for the development of a co-ordinated national capacity building programme effective at global, sectoral and thematic levels with selected time-bound targets.

USING COUNTRY SYSTEMS

The Paris Declaration encourages donors to make increasing use of country systems where these provide assurance that aid will be provided for agreed purposes. Indicator 5 looks in particular at donors' use of countries' public financial management (PFM) and procurement systems.

Table 28.3 shows that 23% of aid to the government sector uses the government's budget execution, financial reporting and audit systems. Seven of the ten donors surveyed make some use of all three systems. The low figures in part reflect the relatively low use of direct budget support by many donors (see also Table 28.6 below).

Senegal remains a long way from its 2010 target of 49% of aid flows making use of country PFM systems. Although the World Bank AER report notes that there have been some moves towards reliance on country systems, particularly as a result of moves towards budget support by some partners, the majority of externally-financed projects do not yet rely on national financial management or procurement systems. The AER reports

that support for PFM systems is being built into the move towards budget support, as well as into some areas of project implementation, for example a World Bank nutrition programme contributes to building fiduciary capacity within the *Cellule de la Lutte contre la Malnutrition*.

All of the donors listed in table 28.3 make use of national procurement systems to some degree, but this reflects only about 29% of aid disbursements in total. The survey notes that 'the weak alignment of donors with national procurement systems means that they have to use other procedures for the remaining 71% of aid disbursements to the public sector, with the transaction costs that this implies'.

As set out in relation to Indicator 2, above, the survey reports that the government is in the process of implementing a number of measures intended to improve PFM and procurement practices, including the implementation of the CFAA and the adoption of a new national procurement code. The data from 2005 do not yet show the effects of these reforms. It is to be hoped that these actions will increase donor confidence in the country systems, and that this in turn will lead to increased usage of country systems for aid disbursements.

AVOIDING PARALLEL IMPLEMENTATION STRUCTURES

The Paris Declaration invites donors to 'avoid, to the maximum extent possible, creating dedicated structures for day-to-day management and implementation of aid-financed projects and programmes'. The survey identifies 23 parallel project implementation units (PIUs) in Senegal.

The survey indicates that difficulties in agreeing a shared definition of PIUs affected the data provided by donors for this indicator: 'different positions emerged, based on differing interpretations of the definitions, which led to some donors reporting overly high numbers of parallel units, while others reported very low numbers or none at all… In future, the survey should use either the international DAC/OECD definitions or definitions adapted to the local context.' Assessment of Senegal's position in relation to the 2010 target will therefore depend on further work to iron out inconsistencies in the interpretation of the definition.

The survey notes that many semi-autonomous programme and project implementation structures have already been integrated into sectoral ministries, where they maintain dual accountability to both government and donors. The survey identifies other management structures, particularly those of bilateral donors, which it considers to be 'more autonomous but which cannot be considered to be PIUs as such.' The World Bank's AER report suggests that the integration of many such implementation units remains only partial, but that there is general agreement on the need to phase out PIUs and to move towards increasing integration into country structures.

INDICATOR 6
Table 28.4

How many PIUs are parallel to country structures?

	Parallel PIUs (units)
African Development Bank	0
BADEA	0
Belgium	0
Canada	--
European Commission	11
France	1
Germany	0
Global Fund	0
IFAD	5
International Monetary Fund	--
Italy	0
Japan	0
Luxembourg	--
Netherlands	1
Switzerland	1
United Nations	4
United States	0
World Bank	0
Total	**23**

INDICATOR 7
Table 28.5

Are disbursements on schedule and recorded by government?

	Disbursements recorded by government in FY05 (USD m) a	Aid scheduled by donors for disbursement in FY05 (USD m) b	Aid actually disbursed by donors in FY05 (USD m) FOR REFERENCE ONLY	Baseline ratio* (%) c=a/b	c=b/a
African Development Bank	36	69	22	52%	
BADEA	1	--	3		
Belgium	7	8	7	88%	
Canada	1	7	7	10%	
European Commission	8	54	43	15%	
France	18	2	36		14%
Germany	14	27	31	50%	
Global Fund	--	8	12		
IFAD	9	12	14	76%	
International Monetary Fund	5	21	5	23%	
Italy	0	2	2	0%	
Japan	--	27	27		
Luxembourg	5	11	10	48%	
Netherlands	12	13	13	91%	
Switzerland	--	--	0		
United Nations	2	21	23	7%	
United States	24	30	30	80%	
World Bank	191	165	168		87%
Total	**332**	**479**	**453**	**69%**	

* Baseline ratio is c = a / b except where disbursements recorded by government are greater than aid scheduled for disbursement (c = b /a).

PROVIDING MORE PREDICTABLE AID

The table above looks at predictability from two different angles. The first angle is donors' and government's combined ability to disburse aid on schedule. In Senegal, donors scheduled USD 479 million for disbursement in 2005 and actually disbursed — according to their own records — slightly less than expected (USD 453 million). The discrepancy varies considerably between donors and is mainly due to late disbursements carried over to fiscal year 2006 and to delays in implementing programmes. The second angle is donors' and government's ability to record comprehensively disbursements made by donors for the government sector. In Senegal, government systems recorded USD 332 million out of the USD 453 million notified as disbursed by donors 69%) indicating that a significant proportion of disbursements were not captured either because they were not appropriately notified by donors or inaccurately recorded by government.

Indicator 7 on predictability has been designed to encourage progress against both of these angles so as to gradually close the predictability gap by half by 2010. In other words it seeks to improve not only the predictability of actual disbursements but also the accuracy of how they are recorded in government systems — an important feature of ownership, accountability and transparency. In Senegal, this combined predictability gap amounts to USD 147 million (31% of aid scheduled for disbursement). Closing this predictability gap will require donors and government to work increasingly together on various fronts at the same time: be more realistic on their ability to disburse on schedules, for donors to notify these disbursements to government and for governments to accurately record disbursements in their systems.

Several possible reasons for this predictability gap is put forth by the study group on recording aid flows within the Action Plan on Aid Harmonisation and Effectiveness. Some of the reasons centre around the lack of information

sharing, including the lack of communication by the donors on the information on annual disbursements of aid to Senegal, and more specifically, lack of sharing financial information by donors for which projects they finance themselves. Other reasons include the fact that the Ministry of Economy and Finance does not keep track of projects that are directly executed by donors, nor keep track of all the projects carried out by grass-roots institutions (non-governmental organizations and local communities), particularly those without signed agreements with the government. Donors not respecting disbursement agreements and the government not meeting conditionalities set for aid mobilisation are also factors that affect the predictability of aid. Currently, the study group is carrying out an in-depth study which will shed light on the concrete reasons, and also propose an improved mechanism for recording aid flows.

UNTYING AID

INDICATOR 8

According to OECD data covering 89% of aid committed to Senegal in 2004, 91% of aid was untied. No specific target has been set for aid untying for 2010.

HARMONISATION

AID IS INCREASINGLY BEING ALIGNED WITH COUNTRY POLICIES in Senegal, with the growing adoption of Programme-Based Approaches (PBAs) ensuring increased co-ordination of assistance, and with evidence of some efforts towards co-ordinating donor missions and analytical work. The ongoing development of Senegal's Action Plan for Harmonisation and Aid Effectiveness should provide a platform for donors and government to identify actions to support further improvements to harmonisation.

USING COMMON ARRANGEMENTS

The survey reports the proportion of aid using programme-based approaches (PBAs) as 57% in Senegal in fiscal year 2005. The survey notes that there are some 17 programmes already adopting this approach, albeit at varying stages of maturity, and that further extension to new sectors and activities is envisaged. Ostensibly, Senegal is well on the way to meeting its target of 66% of aid using PBAs by 2010.

INDICATOR 9
Table 28.6

How much aid is programme based?

	Budget support (USD m) a	Other PBAs (USD m) b	Total (USD m) c=a+b	Total disbursed (USD m) d	Baseline ratio (%) e=c/d
African Development Bank	0	10	10	22	45%
BADEA	0	2	2	3	81%
Belgium	0	6	6	17	37%
Canada	0	6	6	24	25%
European Commission	0	0	0	55	0%
France	2	10	13	47	27%
Germany	0	28	28	33	86%
Global Fund	0	12	12	12	100%
IFAD	0	0	0	14	0%
International Monetary Fund	5	0	5	5	100%
Italy	0	0	0	5	0%
Japan	0	27	27	27	100%
Luxembourg	0	0	0	11	0%
Netherlands	11	0	12	15	77%
Switzerland	--	2	2	3	64%
United Nations	1	17	18	23	77%
United States	0	19	19	33	59%
World Bank	39	96	135	168	80%
Total	**60**	**235**	**295**	**515**	**57%**

However, the survey return also indicates that the figures may reflect a more inclusive understanding of what constitutes a PBA than the definition suggested in the survey guidance, but that it is difficult to assess this on the basis of the limited information submitted by donors for the survey. It seems likely that the true baseline for PBAs may lie somewhere below 57%, and that more work is needed to determine the proportion of these aid flows that rigorously meet all four specified identifiers of a PBA.

Particular concerns are raised in relation to the continued use of donors' own financial systems and procedures in the management of PBAs. Only 20% of the aid for PBAs was given as direct budget support, with 80% being delivered through other mechanisms. It is unclear how much of the PBA funding, defined as being delivered through 'other mechanisms' in this survey, actually adopts joint funding approaches. The survey states that no pooled funding mechanisms exist as yet in Senegal, although basket funding or trust fund implementation is expected as part of the Project for the Co-ordination of Budgetary and Financial Reforms. Although the World Bank AER report cites a number of examples of the development of co-ordinated parallel financing mechanisms between donors, the survey reports that: 'Donors use their own procedures for the majority of resources allocated to programme approaches. The total resources allocated to programme approaches obscures the fact that donors can continue to use their own procedures. Conversely, the quantity of resources using common mechanisms gives us a real indication on the level of efforts being made to reduce transaction costs.' The government and donors need to work together to identify and overcome continuing obstacles to the use of pooled or country systems. Further, considering the broad and diverse understanding of the concept, further discussion and clarifications at the OECD-level are called for.

INDICATOR 10a
Table 28.7

How many donor missions are co-ordinated?

	Co-ordinated donor missions (missions) a	Total donor missions (missions) b	Baseline ratio (%) c=a/b
African Dev. Bank	1	27	4%
BADEA	3	3	100%
Belgium	2	9	22%
Canada	4	10	40%
European Commission	3	37	8%
France	10	58	17%
Germany	8	10	80%
Global Fund	0	2	0%
IFAD	5	7	71%
IMF	2	2	100%
Italy	0	7	0%
Japan	0	10	0%
Luxembourg	2	5	40%
Netherlands	1	6	17%
Switzerland	0	2	0%
United Nations	24	52	46%
United States	0	18	0%
World Bank	7	45	16%
Total (discounted*)	**47**	**310**	**15%**

* The total of co-ordinated missions has been adjusted to avoid double counting. A discount factor of 35% has been applied.

CONDUCTING JOINT MISSIONS AND SHARING ANALYSIS

Of the 310 donor missions to Senegal reported to have taken place by donors in fiscal year 2005, only 47, or 15%, were conducted jointly. Given the large numbers of missions involved, both government and – increasingly – donors recognise the burden that this imposes. The country survey and the World Bank AER both report that donors have made some efforts towards increasing mission co-ordination. However, more needs to be done both to track and manage numbers of missions, and to identify areas where there is scope for more co-ordinated approaches, particularly amongst the larger donors. The survey suggests that the development of Senegal's Action Plan for Aid Harmonisation and Effectiveness offers a forum for donors and government to identify and commit to key steps in support of reaching the 2010 target of 40% joint missions.

INDICATOR 10b
Table 28.8

How much country analysis is co-ordinated?

	Co-ordinated donor analytical work (units) a	Total donor analytical work (units) b	Baseline ratio (%) c=a/b
African Dev. Bank	0	1	0%
BADEA	38	38	100%
Belgium	2	4	50%
Canada	0	4	0%
European Commission	0	4	0%
France	2	10	20%
Germany	3	5	60%
Global Fund	0	2	0%
IFAD	2	2	100%
IMF	0	0	--
Italy	0	3	0%
Japan	0	0	--
Luxembourg	1	2	50%
Netherlands	0	3	0%
Switzerland	--	0	--
United Nations	12	24	50%
United States	1	6	17%
World Bank	0	5	0%
Total (discounted*)	**46**	**113**	**40%**

* The total of co-ordinated analysis has been adjusted to avoid double counting. A discount factor of 25% has been applied.

In terms of coordinating country analysis, the overall picture is more positive, with some 40% of analysis having been co-ordinated in fiscal year 2005. The World Bank AER report also indicates that there has been important progress in this area by several major donors. However, it is important to note that the survey result is strongly influenced by the efforts of a single donor, the Arab Bank for the Economic Development in Africa (BADEA), which carried out 34% of the analyses listed for Senegal, of which 100% were conducted jointly. The overall percentage therefore hides the fact that the majority of donors performed rather less of their analysis jointly: the co-ordinated figure drops to 29% if BADEA is removed.

The country survey notes that it is also important to consider the quality and depth of collaboration on joint analysis, aspects which do not emerge from this survey. It proposes that better overall monitoring of country analysis would help to identify more opportunities for co-ordination. All of these issues will be subject to the discussion within the framework of the Action Plan for Aid Harmonisation and Effectiveness.

MANAGING FOR RESULTS

INDICATOR 11

MANAGING FOR RESULTS IS KEY to enhancing aid effectiveness. The Paris Declaration recommends that donors work alongside partner countries to manage resources on the basis of desired results, and to use information effectively to improve decision making. Indicator 11 focuses on one component of managing for results: the establishment by the partner country of a cost-effective, transparent and monitorable performance and assessment framework. Senegal scored a C rating in the World Bank's 2005 Comprehensive Development Framework assessment, which provides the baseline for this indicator.

According to the World Bank's 2006 AER report, the quality and availability of poverty and development data in Senegal is improving as a result of a range of new activities and structures. Following the 2001-02 census, a demographic and health survey was conducted in 2004, and a poverty monitoring survey is being finalised. The government has established a Directorate of Forecasting and Economic Study and a National Statistics and Demographics Agency. These measures, in conjunction with a new national statistical development strategy, are expected to strengthen national data collection and analysis still further.

Although some efforts have been made to increase stakeholder access to development information in Senegal, more efforts are needed to increase the accessibility of information to the majority of citizens, who neither speak or read French, nor benefit from internet access. To date, the majority of efforts to communicate about the DSRP in local languages have been led by religious groups and local media.

A national level monitoring and evaluation system to track progress in the implementation of the DSRP is planned through the establishment of a National Poverty Observatory and the development of a national monitoring and evaluation (M&E) strategy. Currently, progress in DSRP implementation is tracked at sub-national level by Regional Monitoring Units. However, gaps in data and the need for improvements in some key indicators mean that the coverage remains patchy.

The World Bank AER report also reports that a number of sectoral M&E systems have been established, such as a results-based management system for the education sector, and an energy information system. Although a national HIV/AIDS M&E system has been established in conjunction with a national surveillance system, its capacity to analyse captured data remains low.

The continued implementation of these measures, combined with adequate attention by the government and its partners to capacity needs in data collection and analysis, should place Senegal within reach of the target of achieving a B or an A by 2010.

MUTUAL ACCOUNTABILITY

INDICATOR 12

THE PARIS DECLARATION calls for donors and partner countries to be accountable to each other for the use of development resources, in such as way as to strengthen public support for national policies and development assistance. This in turn requires governments to take steps to improve country accountability systems and donors to help by being transparent about their own contributions.

Indicator 12 measures one important aspect of mutual accountability: whether country-level mutual assessments of progress in implementing agreed commitments take place. No mutual assessment of progress has taken place in Senegal to date, and as yet there is no framework in place to support such an assessment. However, the government is currently engaged in the development of an Action Plan for Aid Harmonisation and Effectiveness, in consultation with external partners. The Government and its partners should ensure that the resulting action plan provides the framework and impetus for regular country-level mutual assessments to take place.

BASELINES AND TARGETS

THE TABLE BELOW presents the 2005 baselines and the 2010 targets for Senegal. The baseline values are based on the discussion above, which draws on a range information sources. The primary source is the 2006 baseline survey undertaken in Senegal under the aegis of the national co-ordinator (Thierno Seydou Niane).

Table 28.9 Baselines and targets

INDICATORS		2005 BASELINE	2010 TARGET
1	Ownership – Operational PRS	C	B or A
2a	Quality of PFM systems	3.5	4.0
2b	Quality procurement systems	Not available	Not applicable
3	Aid reported on budget	89%	94%
4	Co-ordinated capacity development	18%	50%
5a	Use of country PFM systems (aid flows)	23%	48%
5b	Use of country procurement systems (aid flows)	29%	Not applicable
6	Parallel PIUs	23	8
7	In-year predictability	69%	85%
8	Untied aid	91%	More than 91%
9	Use of programme-based approaches	57%	66%
10a	Co-ordinated missions	15%	40%
10b	Co-ordinated country analytical work	40%	66%
11	Sound performance assessment framework	C	B or A
12	Reviews of mutual accountability	No	Yes

ACRONYMS

AER Aid Effectiveness Review
BADEA Arab Bank for the Economic Development in Africa
CDF Comprehensive Development Framework
CFAA Country Financial Accountability Assessment
CPIA Country Policy and Institutional Assessment
DRSP2 *Document de Stratégie de Réduction de la Pauvreté*
IDA International Development Assistance
MDGs Millennium Development Goals (MDGs)
M & E monitoring and evaluation
MTEF medium-term expenditure frameworks
ODA official development assistance
NEPAD New Partnership for Africa's Development
PFM public financial management
SIGFIP integrated public financial management system

29 SOUTH AFRICA

SOUTH AFRICA'S POPULATION OF 46 MILLION PEOPLE have an average annual income of USD 3 630 per person (gross national income per capita, 2004). This makes South Africa an upper middle-income country. According to the latest survey, conducted in 2000, 11% of the population lived below the dollar-a-day international poverty line, with 34% falling below the two-dollars-a-day threshold. In 2004, net official development assistance (ODA) to South Africa was USD 617 million, up from USD 505 million in 2002. As a percentage of gross national income (GNI), net ODA in 2004 amounted to only 0.3%, a figure which has been falling as GNI has increased faster than aid. South Africa is one of the least aid-dependent countries taking part in the survey. Nevertheless, aid effectiveness remains an important issue and South Africa has endorsed the Paris Declaration.

OVERVIEW
Box 29.1
Challenges and priority actions

DIMENSIONS	BASELINE	CHALLENGES	PRIORITY ACTIONS
Ownership	Moderate-Strong	Long-term vision partially translated into action plans with time-bound targets.	Wider use of action plans with time-bound targets.
Alignment	Strong	Some donors remain unable to use country systems.	Explore what can be done to enable more use of country systems.
Harmonisation	Moderate	Limited use made of common procedures.	Step up donor co-ordination of analysis.
Managing for results	Moderate	Lack of a country-level monitoring and evaluation system.	Make information available about South Africa 2015.

OWNERSHIP

INDICATOR 1

OWNERSHIP IS CRUCIAL TO AID EFFECTIVENESS and good development results, and is central to the Paris Declaration. It has been defined in terms of a country's ability to exercise effective leadership over its development policies and strategies. Achieving this is not a simple undertaking. Nor, of course, can it be measured by a single indicator. Country ownership of development plans is an essential building block, without which there will be little alignment of aid with national priorities. Donors will only align their assistance when governments set out clear priorities and operational strategies – which is the main focus of Indicator 1 of the Paris Declaration.

OPERATIONALISING DEVELOPMENT STRATEGIES

South Africa was not included in the assessment of countries' development strategies in the World Bank's review of the Comprehensive Development Framework. It is, however, included in the World Bank's Aid Effectiveness Review (AER).

The AER reports that "some agreement is emerging among policy makers within and outside government on South Africa's long-term development goals." The Reconstruction and Development Programme that ran from 1994 aimed at boosting production and household income through job creation, productivity and efficiency; improving employment conditions; improving access to basic physical and social services, health care, and education and training; and establishing a social security system and other safety nets to protect poor and other vulnerable groups. In 2003, the government, in consultation with national stakeholders, revised its long-term priorities and singled out job creation, investment, equity and local development as focus areas. These priorities are integrated in the government's annual Programme of Action. South Africa 2015 integrates these priorities, mapping out a development path for the coming years.

Medium-term strategy is set out in a number of policy instruments. The Growth, Employment and Redistribution (GEAR) strategy, established in 1996, remains the overarching strategy, but since 2005 it has been complemented by the Accelerated and Shared Growth Initiative for South Africa. Medium-term strategies and priorities are translated into government action through the annual President's State of the Nation Address, the Government's Programme of Action and the Medium-Term Budget Policy Statement.

Provinces also prepare integrated development plans. A range of sectoral plans – on public works, rural development, urban renewal, crime prevention, HIV/AIDS and industrial policy – are aligned with medium-term strategies and long-term vision. Less positively, as the AER notes, "time-bound targets linked to a sequenced development strategy are yet to be clearly defined."

Since 1998, public expenditures have been managed through a three-year, rolling, Medium-Term Expenditure Framework, and have followed the priorities set out in the Reconstruction and Development Programme and GEAR. The budget for 2007 is designed to correct backlogs in social services and infrastructure. An increasing proportion of financial resources is being transferred to the provincial level, but capacity constraints at this level still need to be addressed.

OTHER ASPECTS OF OWNERSHIP

Within government, the Directorate for International Development Cooperation is responsible for co-ordinating development assistance, engaging with donors through established mechanisms.

Cross-government participation in policy-making processes is well developed. Beyond government, the National Economic, Development and Labour Council brings together a wide range of stakeholders including civil-society organisations, business, labour and community organisations. Parliament does not approve development plans, but is consulted about the Medium-Term Budget Policy Statement.

ALIGNMENT

FOR AID TO BE EFFECTIVE, it must be aligned with national priorities and procedures. Indicators 2 to 8 measure various dimensions of alignment. In South Africa, most of the elements needed to ensure alignment are in place. South Africa has generally reliable country systems, and has the capacity to effectively co-ordinate aid flows.

BUILDING RELIABLE COUNTRY SYSTEMS

INDICATOR 2

South Africa does not receive a score for the quality of its country systems under the Country Policy and Institutional Assessment (CPIA) framework, because – with a per capita income in excess of USD 1 025 – it is not an International Development Association (IDA) country. The World Bank's AER reports that South Africa's fiduciary systems are generally sound, and that it is working to improve procurement systems. South Africa is ranked among the least corrupt countries in Africa: this should provide donors with the confidence needed to align their aid and to make use of national systems.

ALIGNING AID FLOWS ON NATIONAL PRIORITIES

INDICATOR 3
Table 29.1

The objective of Indicator 3 is to increase the credibility of the budget as a mechanism for governing actual allocation and utilisation of development resources – an important criterion for making alignment a reality rather than a loose principle. To this end, it seeks to encourage a reasonable degree of congruence between how much aid is reported in the budget and how much aid is actually disbursed. In doing so, it recognises that the formulation of the budget is a central feature of the formal policy process. So the degree to which donor financial contributions are fully and accurately reflected in the budget provides a relevant indicator of the degree to which there is a serious effort to align aid with country policies and policy processes, and to be transparent.

The table provides government's budget estimates of aid flows for fiscal year 2005 (numerator) as a percentage of aid disbursed by donors for the government sector for the same period (denominator).

Are government budget estimates comprehensive and realistic?

	Government's budget estimates of aid flows for FY05 (USD m) a	Aid disbursed by donors for government sector in FY05 (USD m) b	Baseline ratio* (%) c=a/b c=b/a
Australia	--	1	
Austria	--	0	
Belgium	--	6	
Canada	--	0	
Denmark	--	14	
European Commission	--	139	
Finland	--	9	
France	--	1	
Germany	--	21	
Global Fund	--	10	
Ireland	--	8	
Italy	--	3	
Japan	--	15	
Netherlands	--	22	
New Zealand	--	0	
Norway	--	8	
Sweden	--	7	
Switzerland	--	0	
United Kingdom	--	41	
United Nations	--	2	
United States	--	43	
Total	**249**	**351**	**71%**

* Baseline ratio is c = a / b except where government's budget estimates are greater than disbursements (c = b /a).

INDICATOR 4
Table 29.2

How much technical assistance is co-ordinated with country programmes?

	Co-ordinated technical co-operation (USD m) a	Total technical co-operation (USD m) b	Baseline ratio (%) c=a/b
Australia	1	1	87%
Austria	0	1	0%
Belgium	0	5	0%
Canada	12	12	100%
Denmark	13	19	67%
European Commission	50	50	100%
Finland	1	1	100%
France	1	2	42%
Germany	20	20	99%
Global Fund	0	0	--
Ireland	0	0	--
Italy	3	3	100%
Japan	5	5	100%
Netherlands	0	0	--
New Zealand	0	1	0%
Norway	8	8	100%
Sweden	7	7	100%
Switzerland	0	0	88%
United Kingdom	29	29	100%
United Nations	2	2	100%
United States	127	127	100%
Total	**279**	**293**	**95%**

This ratio tells us the degree to which there is a discrepancy between budget estimates and actual disbursements. The discrepancy can be in two directions: indeed budget estimates can be either higher or lower than disbursements. In order to have a single measure of discrepancy that is always less than 100%, the ratio is flipped when budget estimates are higher than disbursements. The baseline value for Indicator 3 in South Africa is 71%. Achieving the target agreed in Paris of 85% (halving the gap) for this indicator will require concerted efforts by donors and government.

CO-ORDINATING SUPPORT TO STRENGTHEN CAPACITY

For many developing countries, capacity constraints play a major role in hindering their development and in preventing the effective use of aid. Technical support, when provided in a co-ordinated manner in support of national priorities, can strengthen capacity substantially. The Paris Declaration commits donors to providing more of their technical assistance so that it is co-ordinated with, and supports, country programmes.

The baseline figure for South Africa is 95%, well in excess of the 2010 target of 50%. Half of the country's donors provide all of their technical assistance so that it is co-ordinated with country programmes. The quality of such technical assistance is not assessed by this indicator.

INDICATOR 5
Table 29.3

How much aid for the government sectors uses country systems?

	Aid disbursed by donors for government sector (USD m) a	Public financial management				Procurement	
		Budget execution (USD m) b	Financial reporting (USD m) c	Auditing (USD m) d	Baseline ratio (%) avg (b,c,d) / a	Procurement systems (USD m) e	Baseline ratio (%) e /a
Australia	1	0	0	0	0%	0	20%
Austria	0	0	0	0	--	0	--
Belgium	6	4	4	4	75%	4	75%
Canada	0	0	0	0	100%	0	100%
Denmark	14	0	8	8	37%	10	75%
European Commission	139	58	58	58	42%	58	42%
Finland	9	7	7	7	85%	7	85%
France	1	0	0	0	2%	0	7%
Germany	21	1	15	5	33%	7	33%
Global Fund	10	10	10	0	67%	10	100%
Ireland	8	8	8	8	100%	8	100%
Italy	3	0	0	3	33%	0	0%
Japan	15	0	0	0	0%	0	0%
Netherlands	22	22	22	22	100%	22	100%
New Zealand	0	0	0	0	100%	0	100%
Norway	8	8	8	8	100%	8	100%
Sweden	7	3	3	3	42%	3	42%
Switzerland	0	0	0	0	88%	0	88%
United Kingdom	41	0	0	0	0%	12	29%
United Nations	2	2	2	1	81%	0	0%
United States	43	0	0	0	0%	2	4%
Total	**351**	**126**	**147**	**128**	**38%**	**153**	**44%**

The South African government intends to further increase the impact of technical assistance, by applying the following tests: Does the respective department have sufficient leadership over the technical co-operation programme (strategy, objectives, activities, decision making)? Is the programme aligned with government programmes to support capacity development or is the technical co-operation programme part of a government-driven programme? Was the programme independently evaluated in order to demonstrate that the outcome of strengthening capacity was achieved?

USING COUNTRY SYSTEMS

Under the Paris Declaration, donors are committed to make use of country systems where those country systems are of sufficient quality to merit their use. Although South Africa's country systems are not rated under the World Bank's CPIA framework, the AER reports that they are generally sound. However, while some donors rely on the country's systems, the average for all donors averaged across all three systems is only 38% in part because some donors' report that their regulations do not allow them to use country systems.

Some 44% of aid makes use of the country's procurement systems. This again is in part the result of restrictions placed on donors by their own legislatures. With no rating for the country's systems provided, no targets are set for 2010.

AVOIDING PARALLEL IMPLEMENTATION STRUCTURES

The Paris Declaration calls for a substantial reduction in the number of project implementation units (PIU) that are parallel in the sense that appointment decisions and accounting relationships involve the donor alone.

In South Africa, there are currently only 15 parallel PIUs established by donors. Meeting the 2010 target – a two-thirds reduction in the number of parallel PIUs – will entail reducing the number to five. In absolute terms this is a minor reduction, but if the other 10 parallel PIUs are firmly entrenched in the system, then reaching the target may not be an easy task.

INDICATOR 6
Table 29.4

How many PIUs are parallel to country structures?

	Parallel PIUs (units)
Australia	2
Austria	0
Belgium	0
Canada	0
Denmark	0
European Commission	0
Finland	0
France	0
Germany	0
Global Fund	0
Ireland	1
Italy	0
Japan	0
Netherlands	0
New Zealand	0
Norway	0
Sweden	0
Switzerland	2
United Kingdom	4
United Nations	1
United States	5
Total	**15**

PROVIDING MORE PREDICTABLE AID

Improving the predictability of support is a challenge, as is the measurement of performance in this regard. Indicator 7 focuses on the government's ability to record disbursements in its accounting system for the appropriate year.

The table above looks at predictability from two different angles. The first angle is donors' and government's combined ability to disburse aid on schedule. In South Africa, donors scheduled USD 359 million for disbursement in 2005 and actually disbursed – according to their own records – slightly less than expected (USD 351 million). The discrepancy varies considerably among donors and is mainly due to late disbursements carried over to 2005 and to delays in implementing programmes. The second angle is donors' and government's ability to record comprehensively disbursements made by donors for the government sector. In South Africa, government systems recorded USD 159 million out of the USD 351 million notified as disbursed by donors (45%), indicating that some disbursements were not captured, either because they were not appropriately notified by donors or because they were inaccurately recorded by government.

Indicator 7 on predictability has been designed to encourage progress against both of these angles so as to gradually close the predictability gap by half by 2010. In other words, it seeks to improve not only the predictability of actual disbursements but also the accuracy of how they are recorded in government systems – an important feature of ownership, accountability and transparency.

INDICATOR 7
Table 29.5

Are disbursements on schedule and recorded by government?

	Disbursements recorded by government in FY05 (USD m) a	Aid scheduled by donors for disbursement in FY05 (USD m) b	Aid actually disbursed by donors in FY05 (USD m) FOR REFERENCE ONLY	Baseline ratio* (%) c=a/b	c=b/a
Australia	--	1	1		
Austria	--	0	0		
Belgium	--	6	6		
Canada	--	6	0		
Denmark	--	18	14		
European Commission	--	157	139		
Finland	--	11	9		
France	--	3	1		
Germany	--	19	21		
Global Fund	--	11	10		
Ireland	--	8	8		
Italy	--	4	3		
Japan	--	15	15		
Netherlands	--	34	22		
New Zealand	--	0	0		
Norway	--	10	8		
Sweden	--	10	7		
Switzerland	--	0	0		
United Kingdom	--	41	41		
United Nations	--	4	2		
United States	--	2	43		
Total	**159**	**359**	**351**	**45%**	

* Baseline ratio is c = a / b except where disbursements recorded by government are greater than aid scheduled for disbursement (c = b /a).

In South Africa, this combined predictability gap amounts to USD 200 million (56% of aid scheduled for disbursement). Closing this predictability gap will require donors and government to work increasingly together on various fronts at the same time. They might work at improving:

- the realism of predictions on volume and timing of expected disbursements;
- the way donors notify their disbursements to government;
- the comprehensiveness of government's records of disbursements made by donors.

UNTYING AID

INDICATOR 8

According to OECD data covering 63% of 2004 commitments, 97% of aid to South Africa is untied. However, the AER notes that a recent independent study found only 30% of aid to be untied. As such, there is considerable room for improvement.

INDICATOR 9
Table 29.6

How much aid is programme based?

	Budget support (USD m) a	Other PBAs (USD m) b	Total (USD m) c=a+b	Total disbursed (USD m) d	Baseline ratio (%) e=c/d
Australia	0	0	0	6	0%
Austria	0	0	0	1	0%
Belgium	0	0	0	14	0%
Canada	0	0	0	12	3%
Denmark	0	14	14	22	61%
European Commission	0	88	88	147	60%
Finland	0	6	6	13	49%
France	0	0	0	35	0%
Germany	0	13	13	23	56%
Global Fund	0	10	10	10	100%
Ireland	0	4	4	13	29%
Italy	0	3	3	3	100%
Japan	0	1	1	16	5%
Netherlands	0	0	0	34	0%
New Zealand	0	0	0	2	23%
Norway	0	0	0	15	0%
Sweden	0	0	0	23	0%
Switzerland	0	0	0	4	1%
United Kingdom	0	12	12	60	20%
United Nations	0	--	--	--	--
United States	0	0	0	128	0%
Total	**0**	**154**	**154**	**583**	**27%**

HARMONISATION

IN SOME CONTRAST to the commendable alignment picture, the aid harmonisation agenda in South Africa requires attention. Donors make little use of common arrangements, and have much to do in terms of co-ordinating missions and analysis.

USING COMMON ARRANGEMENTS

Over one-quarter (27%) of government-sector aid makes use of programme-based approaches (PBAs) and by that token employs common arrangements. No direct budget support is provided to South Africa, therefore all of the aid making use of PBAs is aid provided as sector support. As the AER notes, external partners mainly provide their assistance in the form of grants and technical assistance through co-ordinated parallel mechanisms. Meeting the target of 66% by 2010 calls for major changes in how donors provide aid to South Africa.

CONDUCTING JOINT MISSIONS AND SHARING ANALYSIS

Only 19% of donor missions to South Africa were co-ordinated. As the AER notes, increasing the proportion represents a major undertaking. The government has proposed to donors that they limit and consolidate their own internal missions to South Africa: if donors heed the recommendation, then the 2010 target of 40% ought to be within reach.

However, for country analysis, 75% is co-ordinated and shared among donors, well over the target of 66%.

INDICATOR 10a
Table 29.7

How many donor missions are co-ordinated?

	Co-ordinated donor missions (missions) a	Total donor missions (missions) b	Baseline ratio (%) c=a/b
Australia	0	0	--
Austria	0	0	--
Belgium	0	0	--
Canada	0	3	0%
Denmark	0	6	0%
European Commission	2	10	20%
Finland	0	2	0%
France	0	25	0%
Germany	1	9	11%
Global Fund	0	4	0%
Ireland	0	3	0%
Italy	1	1	100%
Japan	0	7	0%
Netherlands	0	3	0%
New Zealand	0	1	0%
Norway	0	5	0%
Sweden	0	12	0%
Switzerland	0	1	0%
United Kingdom	10	37	27%
United Nations	0	0	--
United States	35	40	88%
Total (discounted*)	**32**	**169**	**19%**

* The total of co-ordinated missions has been adjusted to avoid double counting. A discount factor of 35% has been applied.

INDICATOR 10b
Table 29.8

How much country analysis is co-ordinated?

	Co-ordinated donor analytical work * (units) a	Total donor analytical work (units) b	Baseline ratio (%) c=a/b
Australia	0	0	--
Austria	0	0	--
Belgium	1	1	100%
Canada	0	0	--
Denmark	1	1	100%
European Commission	3	3	100%
Finland	0	0	--
France	0	0	--
Germany	1	1	100%
Global Fund	0	0	--
Ireland	0	0	--
Italy	0	0	--
Japan	0	0	--
Netherlands	1	1	100%
New Zealand	1	1	100%
Norway	0	0	--
Sweden	0	0	--
Switzerland	0	0	--
United Kingdom	0	0	--
United Nations	0	0	--
United States	1	1	100%
Total (discounted*)	**7**	**9**	**75%**

* The total of co-ordinated analysis has been adjusted to avoid double counting. A discount factor of 25% has been applied.

MANAGING FOR RESULTS

INDICATOR 11

THE PARIS DECLARATION calls for partner countries and donors to work together to manage resources on the basis of desired results and use information to improve decision making. This means both strengthening the capacity to undertake such management and helping to increase the demand for a focus on results. Indicator 11 examines one component of this effort: the establishment of a cost-effective results-oriented reporting and assessment system by the country.

South Africa receives no rating from the World Bank for its performance assessment system because it is not an IDA country. However, the AER points out that the country is well advanced in terms of having a quality results-oriented framework. The government has in recent years taken action to strengthen data availability and quality, with Statistics South Africa now able to conduct regular surveys. With the important exception of information about the long-term vision, South Africa 2015, information on government strategies and policies is widely available, including on the Development Co-operation Information System website. The government is working (with the support of UNDP) to build a more effective country-level monitoring and evaluation system.

MUTUAL ACCOUNTABILITY

INDICATOR 12

THE PARIS DECLARATION calls for donors and partner countries to be accountable to each other for the use of development resources, and in a way that tends to strengthen public support for national policies and development assistance. This requires governments to take steps to improve country accountability systems, and donors to help by being transparent about their own contributions. This indicator looks at whether there is a country-level mechanism permitting joint assessment of progress in implementing agreed commitments on aid effectiveness, including those in the Declaration itself.

Such a mechanism does not yet exist in South Africa, although the Country Strategy Paper provides the basis for mutual assessment. The South African government hosts annual review sessions with donors and government departments to assess strides in reaching development objectives. Future consultations will also explore progress against the indicators on aid effectiveness which are part of the Paris Declaration.

BASELINES AND TARGETS

THE TABLE BELOW presents the 2005 baselines and the targets for South Africa. The baseline values are taken from the discussion above, which draws on various sources of information. The main source is the baseline survey undertaken in South Africa under the aegis of the National Co-ordinator (Elaine Venter).

Table 29.9 Baselines and targets

INDICATORS		2005 BASELINE	2010 TARGET
1	Ownership – Operational PRS	Not available	Not applicable
2a	Quality of PFM systems	3.0	3.5
2b	Quality procurement systems	Not available	Not applicable
3	Aid reported on budget	71%	85%
4	Co-ordinated capacity development	95%	50%
5a	Use of country PFM systems (aid flows)	38%	No target
5b	Use of country procurement systems (aid flows)	44%	Not applicable
6	Parallel PIUs	15	5
7	In-year predictability	44%	72%
8	Untied aid	97%	More than 97%
9	Use of programme-based approaches	27%	66%
10a	Co-ordinated missions	19%	40%
10b	Co-ordinated country analytical work	75%	66%
11	Sound performance assessment framework	Not available	Not applicable
12	Reviews of mutual accountability	No	Yes

ACRONYMS

AER Aid Effectiveness Review
CPIA Country Policy and Institutional Assessment
GEAR Growth, Employment and Redistribution
GNI gross national income
IDA International Development Association
ODA official development assistance
PBA programme-based approach
PIU project implementation unit

30 TANZANIA

WITH A POPULATION OF 37 MILLION, Tanzania has a national income of USD 330 per person (gross national income per capita). According to data collected in 1991, 42% of the population were in extreme poverty, falling under the international dollar-a-day poverty line. A further 24% fell under the two-dollars-a-day poverty line. In 2001, 36% of Tanzanians lived below the national basic needs poverty line, down from 39% in 1992, and 19% were below the food poverty line. The incidence of poverty in rural areas decreased from 41% to 39% between 1992 and 2001.

Total net official development assistance (ODA) to Tanzania in 2004 was USD 1.75 billion, which accounted for 16% of gross national income (GNI). Tanzania has been at the forefront of efforts to improve the quality of aid based on ownership, alignment and harmonisation.

Responses to the 2006 survey in Tanzania accounted for 94% of ODA. They referred to the Tanzanian financial year 2004/05 as baseline period, which started in July 2004 and ended in June 2005. The survey responses (taken together with the World Bank desk reviews which form the basis for the baselines/targets for some of the indicators) demonstrate that Tanzania has already made significant strides towards meeting the targets set in Paris. The main challenges and priorities for the future are summarised below.

OVERVIEW Box 30.1 Challenges and priority actions

DIMENSIONS	BASELINE	CHALLENGES	PRIORITY ACTIONS
Ownership	Strong	Limited capacity, in particular at local level.	Strengthen national capacity for development management.
Alignment	Moderate	Continued use of parallel project implementation units.	Align technical assistance with overall aid strategy to build capacity.
Harmonisation	Moderate	Continued use of poorly co-ordinated project modalities.	Increase use of sector-wide approaches.
Managing for results	Strong	Lack of up-to-date development data.	Implement Statistical Master Plan.
Mutual accountability	Strong	Need to integrate Independent Monitoring Group process with ongoing aid strategy development.	Implement Joint Assistance Strategy for Tanzania (JAST).

OWNERSHIP

OWNERSHIP IS CRITICAL to achieving development results and is central to the Paris Declaration. It has been defined as a country's ability to exercise effective leadership over its development policies and strategies. Achieving this – especially in countries that rely heavily on aid to fund their development – is not a simple undertaking. Nor, of course, can it be measured by a single indicator. It requires a combination of cross-cutting factors that engage both donor and government. For donors it means supporting countries' leadership and policies. It also means gearing their overall support to countries' national development strategies, institutions and systems. This is commonly referred to as "alignment". Donors are in a better position to do that when governments set out clear priorities and operational strategies: the main focus of Indicator 1 of the Paris Declaration.

Tanzania's long-term vision is set out in its National Development Vision 2025, which was drafted in 1999. Vision 2025 presents long-term objectives for Tanzania focused on livelihoods, peace and security, good governance, education and a competitive economy. Vision 2025 is backed by the National Poverty Eradication Strategy, which presents a more detailed set of policies for poverty reduction up to 2010. The long-term vision is reflected in national policy. The World Bank judges Tanzania's long-term vision to be "largely developed".

Tanzania's medium-term strategy is the National Strategy for Growth and Reduction of Poverty (NSGRP) 2006-10, which lays out detailed goals, operational targets and strategies to meet the long-term objectives identified in Vision 2025 and the National Poverty Eradication Strategy. The NSGRP is supported by sector strategies and policies. Although the World Bank judges Tanzania's medium-term strategy to be "largely developed", more work is needed to ensure that all strategies, policies and plans are fully aligned with the national strategy.

The NSGRP identifies country-specific targets based on the Millennium Development Goals (MDGs). Tanzania aims to meet the MDGs by 2010, building on significant progress made in recent years. Targets and priorities are focused around three clusters (growth and income poverty reduction, improvement of quality of life and social well-being, and governance and accountability). The NSGRP emphasises the importance of private sector-led growth; this moves beyond the previous Poverty Reduction Strategy's emphasis on a few priority sectors.

The government has made significant progress in implementing its strategy through the budget process. A Medium-Term Expenditure Framework (MTEF) has been in place since 1998, and is supported by participatory public expenditure reviews. Since 2004, local government has also been using the MTEF approach to prepare local budgets. The government is implementing output-based budgeting in the form of its Strategic Budget Allocation System (SBAS), which links budget allocations to specific targets and cluster strategies of the NSGRP.

Tanzania received a B rating in the World Bank's 2005 Comprehensive Development Framework assessment, which provides the baseline for Indicator 1. This means that Tanzania meets the target of having "largely developed" operational development strategies, but should aim to achieve an A rating by 2010. The government continues to make good progress, but should focus in particular on strengthening the links between local and national strategies and budgets, and on rolling out output-based budgeting.

ALIGNMENT

THE TANZANIAN GOVERNMENT has a solid track record of taking leadership in managing its aid. The Ministry of Finance plays a lead role in co-ordinating donors. In 2002, the government adopted the Tanzania Assistance Strategy (TAS), which sets out a framework for managing aid. In 2006, the TAS was replaced by the Joint Assistance Strategy for Tanzania (JAST) as the new framework for managing and guiding development co-operation in Tanzania. Donors have also proved willing to work with the Tanzanian government to support national policies and systems. This productive working relationship between government and donors has fostered effective alignment between donors and government.

BUILDING RELIABLE COUNTRY SYSTEMS

INDICATOR 2a

Indicator 2a provides an indication of the quality of Tanzania's public financial management (PFM) systems. The score is based on the World Bank's Country Policy and Institutional Assessment Indicator 13). In 2005 Tanzania's rating was 4.5 on a six-point scale (ranging from a lowest score of 1 to a highest score of 6), significantly higher than the average for International Development Association countries.

The government has strengthened its public financial management systems. The audit process has been updated. Action is also being taken to tackle corruption. The National Anti-Corruption Strategy and Action Plan (established in 1999) empowers line ministries to fight corruption, and the Prevention of Corruption Bureau co-ordinates anti-corruption activities. Although Tanzania's Transparency International Corruptions Perceptions Index rating has improved from 1.9 to 2.9 since 1998, perceived corruption continues to be a problem for PFM systems. The government will need to sustain its efforts in this area if it is to achieve the target of increasing its PFM score by 0.5 to 5.0 by 2010.

INDICATOR 2b

No score is currently available for Indicator 2b on the quality of Tanzania's procurement systems. According to the World Bank's Aid Effectiveness Review, a new Procurement Act came into force in 2005. As a result, a Public Procurement Appeals Authority and a Public Procurement Regulatory Authority were established to strengthen the regulatory framework. The government needs to focus on building capacity in line ministries' procurement units in order to improve its procurement systems effectively over time.

ALIGNING AID FLOWS ON NATIONAL PRIORITIES

Donor strategies in Tanzania are generally aligned with the government's priorities as set out in the National Strategy. The government and donors have recently agreed to a JAST, which will bring different donors' country assistance strategies in line with a single government-led framework supporting the NSGRP. Indicator 3 is a proxy for measuring alignment. It measures the proportion of expected aid flows recorded by the government in Tanzania's national budget estimates against actual aid disbursements as reported by donors (Table 30.1).

The table provides government's budget estimates of aid flows for fiscal year 2005 (numerator) as a percentage of aid disbursed by donors for the government sector for the same period (denominator). This ratio tells us the degree to which there is a discrepancy between budget estimates and actual disbursements. The discrepancy can be in two directions: indeed budget estimates can be either higher or lower than disbursements. In order to have a single measure of discrepancy that is always less than 100%, the ratio is flipped when budget estimates are higher than disbursements. The baseline value for Indicator 3 in Tanzania is 90%. Achieving the target agreed in Paris of 95% (halving the gap) for this indicator will require efforts by donors and government.

Higher aid disbursements than aid recorded in the budget estimates should however not lead to the conclusion that all aid recorded in the budget was fully disbursed. As Indicator 7 shows, actual disbursements recorded in the government accounting system are less than aid in the budget (but also less than actual disbursements reported by donors). Some disbursements may have been

INDICATOR 3
Table 30.1

Are government budget estimates comprehensive and realistic?

	Government's budget estimates of aid flows for FY05 (USD m) a	Aid disbursed by donors for government sector in FY05 (USD m) b	Baseline ratio* (%) c=a/b
African Dev. Bank	51	42	83%
Belgium	5	8	57%
Canada	27	22	83%
Denmark	51	66	77%
European Commission	109	121	90%
Finland	7	9	71%
France	10	5	53%
GAVI Alliance	0	6	0%
Germany	32	31	96%
Global Fund	4	22	17%
IFAD	12	10	88%
Ireland	22	20	89%
Japan	12	27	44%
Netherlands	56	62	90%
Norway	38	36	93%
Sweden	58	67	86%
Switzerland	16	15	95%
United Kingdom	130	163	80%
United Nations	13	73	18%
United States	15	29	51%
World Bank	452	459	99%
[Unallocated donors]	40	--	
Total	**1 158**	**1 294**	**90%**

* Baseline ratio is c = a / b except where government's budget estimates are greater than disbursements (c = b /a).

made to projects that have not been included in the national budget estimates, whereas others that were included may not have received the full amount of funds budgeted for (only disbursements to projects that are already included in the budget estimates can be accounted for in the government system).

Donors provide information to the Ministry of Finance about their planned disbursements well in advance of the start of the government's financial year. This information is relayed to implementing ministries, departments and agencies for review and verification before being included in the MTEF and annual budgets. Although the government relies on donors' projections of general budget support and basket fund disbursements, budget estimates for project funds are based on confirmed figures from government implementing agencies and on the government's own assessment of the reliability of project aid commitments, reflecting its concern that project-based aid is less reliable than other modalities. However, aid disbursements do not always meet government expectations – demonstrated by the fact that the government included more aid from some donors in its 2005 budget (yet less than donors had scheduled) than it actually received.

The baseline of 90% for Indicator 3 shows that significant progress has been made in Tanzania in recording aid disbursements on the national budget. This is thanks to improvements in the quality and timeliness of donor's MTEF projections reported to the Ministry of Finance, a better system for gathering and maintaining this data within the Ministry of Finance, improved dialogue between the Ministry of Finance and government implementing agencies, increased channelling of project funds through the Exchequer, and in

particular a greater shift towards general budget support. The government has a clear preference for general budget support, in part because it can be more effectively reflected in the national budget.

The government is nevertheless concerned that donors do not provide reliable and complete information about planned disbursements for the second and third year of the MTEF cycle, which constrains the government's medium-term planning.

The target for Indicator 3 in Tanzania is that 95% of aid to the government sector should be recorded in the budget by 2010. The JAST includes measures agreed between the government and donors which will no doubt contribute to this target. These measures include the increased use of general budget support, and the improvement of donors' disbursement forecasts. The most significant progress will need to be made by donors providing a large proportion of aid in project form, and the government will need to find ways to work with these donors to ensure that more of their aid can be reflected in the budget. Important measures in this respect relate to increasing government ownership over project management, avoiding parallel structures for project management, channelling project funds directly through the Exchequer, and better information sharing by donors on direct project funds, in particular on in-kind support.

CO-ORDINATING SUPPORT TO STRENGTHEN CAPACITY

Capacity constraints create challenges for the government in Tanzania as it implements its development strategy and seeks to manage its aid effectively.

The government has been implementing a range of co-ordinated capacity development programmes, including the Public Service Reform Programme and the Local Government Reform Programme. It is estimated that 50% of donor technical assistance is co-ordinated with these programmes, which means that Tanzania has already met the 2010 target for Indicator 4. However, the result should be interpreted with caution, as the collection of data for Table 30.2 above has been complicated by the challenges of disaggregating the technical assistance elements of broader projects and programmes. For this reason, technical assistance for capacity development (in particular for co-ordinated capacity development programmes) may have been overestimated, while technical assistance that is not capacity development-related (such as for capital project execution) might have been underestimated, possibly resulting in an underestimated denominator and overestimated numerator.

Despite notable progress in using technical assistance for capacity development, the government is committed to making even greater strides. The Joint Assistance Strategy for Tanzania includes measures to step up the contribution of technical assistance to long-term capacity development, and the government plans to formulate a national technical assistance policy to frame the use of technical assistance in the future.

INDICATOR 4
Table 30.2

How much technical assistance is co-ordinated with country programmes?

	Co-ordinated technical co-operation (USD m) a	Total technical co-operation (USD m) b	Baseline ratio (%) c=a/b
African Dev. Bank	0	1	0%
Belgium	0	1	33%
Canada	2	8	27%
Denmark	10	22	45%
European Commission	4	29	12%
Finland	1	3	46%
France	0	0	18%
GAVI Alliance	0	0	--
Germany	7	10	67%
Global Fund	0	0	--
IFAD	0	0	--
Ireland	1	3	21%
Japan	0	5	9%
Netherlands	7	11	62%
Norway	4	5	78%
Sweden	3	5	57%
Switzerland	1	5	30%
United Kingdom	25	27	93%
United Nations	27	47	59%
United States	0	22	0%
World Bank	30	44	68%
[Unallocated donors]	--	--	--
Total	**123**	**248**	**50%**

INDICATOR 5
Table 30.3

How much aid for the government sectors uses country systems?

	Aid disbursed by donors for government sector (USD m) a	Public financial management				Procurement	
		Budget execution (USD m) b	Financial reporting (USD m) c	Auditing (USD m) d	Baseline ratio (%) avg (b,c,d) / a	Procurement systems (USD m) e	Baseline ratio (%) e /a
African Dev. Bank	42	0	42	42	67%	0	0%
Belgium	8	5	5	5	64%	5	65%
Canada	22	22	22	22	97%	22	97%
Denmark	66	44	48	26	59%	48	72%
European Commission	121	57	57	57	47%	57	47%
Finland	9	4	4	5	52%	5	60%
France	5	1	2	2	37%	5	100%
GAVI Alliance	6	0	0	6	33%	0	0%
Germany	31	10	11	11	34%	11	35%
Global Fund	22	7	0	0	10%	22	100%
IFAD	10	0	10	10	67%	10	100%
Ireland	20	18	18	16	87%	19	95%
Japan	27	5	5	5	17%	5	17%
Netherlands	62	53	51	59	88%	59	95%
Norway	36	22	19	22	59%	22	62%
Sweden	67	47	40	40	63%	33	49%
Switzerland	15	10	10	10	66%	11	71%
United Kingdom	163	141	138	144	87%	144	88%
United Nations	73	1	0	0	1%	3	4%
United States	29	0	0	0	0%	0	0%
World Bank	459	304	303	303	66%	312	68%
[Unallocated donors]	--	238	--	--	--	--	--
Total	**1 294**	**989**	**785**	**784**	**66%**	**792**	**61%**

USING COUNTRY SYSTEMS

The Paris Declaration encourages donors to make increasing use of country's systems where these provide assurance that aid will be provided for agreed purposes. Indicator 5 looks in particular at donors' use of countries' PFM and procurement systems.

Table 30.3 shows that 66% of aid to the government sector uses the government's budget execution, financial reporting and audit systems. Given that Tanzania scores 4.5 on Indicator 2a, the target for 2010 on Indicator 5a is that 77% of aid makes use of national PFM systems (on average across the three systems in question).

The government's objective is for all aid to use national budget execution systems (*i.e.* to be captured in the national budget and Exchequer system). Direct budget support and most basket funds are already channelled through national budget execution systems but only a few donors use the Exchequer to disburse project-based aid. Project funds being disbursed directly to specific project accounts are however often captured ex post in the Exchequer system. The government has conducted training in channelling aid through the Exchequer system for donors, but additional progress in disbursing cash funds through the Exchequer is limited by donors' own regulations. Use of national financial reporting and audit systems is also largely accounted for by direct budget support and basket funds, but measures such as the rolling out of an Integrated Financial Management System to all local government authorities (after having been in place for some time in all ministries and regions, and some local councils) should enhance progress once capacity has been built at local levels. Recent steps to build capacity at local government level have been undertaken with the recruitment of qualified accountants.

61% of aid uses Tanzanian procurement systems, although almost all the donors responding to the survey use national procurement systems to disburse at least some aid. Without data on Indicator 2b, no target can currently be set for Indicator 5b, but the government and donors are taking steps to increase use of national procurement systems. Again, the use of budget support and basket funds have accounted for much progress to date, but the government is hopeful that recent improvements in procurement systems will encourage increased use of project-based aid.

AVOIDING PARALLEL IMPLEMENTATION STRUCTURES

The Paris Declaration invites donors to "avoid to the maximum extent possible, creating dedicated structures for day-to-day management and implementation of aid-financed projects and programmes". Donors are still making use of 56 parallel project implementation units (PIUs) in Tanzania, but are in the process of phasing these out. Rapid progress will be needed if the target of reducing the number of parallel PIUs to 19 by 2010 is to be met. Efforts are being made by both government and donors to integrate implementation in national executing agencies, along with efforts to strengthen national capacity. Ongoing efforts to increase the proportion of aid delivered as budget support should also help reduce the number of PIUs.

How many PIUs are parallel to country structures?

INDICATOR 6
Table 30.4

	Parallel PIUs (units)
African Dev. Bank	8
Belgium	1
Canada	1
Denmark	14
European Commission	2
Finland	1
France	0
GAVI Alliance	0
Germany	0
Global Fund	0
IFAD	0
Ireland	3
Japan	0
Netherlands	0
Norway	0
Sweden	6
Switzerland	0
United Kingdom	1
United Nations	10
United States	0
World Bank	10
[Unallocated donors]	--
Total	**56**

INDICATOR 7
Table 30.5

Are disbursements on schedule and recorded by government?

	Disbursements recorded by government in FY05 (USD m) a	Aid scheduled by donors for disbursement in FY05 (USD m) b	Aid actually disbursed by donors in FY05 (USD m) FOR REFERENCE ONLY	Baseline ratio* (%) c=a/b	c=b/a
African Dev. Bank	0	115	42	0%	
Belgium	5	11	8	49%	
Canada	22	26	22	84%	
Denmark	44	66	66	67%	
European Commission	57	132	121	43%	
Finland	4	8	9	55%	
France	1	12	5	10%	
GAVI Alliance	0	3	6	0%	
Germany	10	43	31	22%	
Global Fund	7	22	22	31%	
IFAD	0	14	10	0%	
Ireland	18	25	20	72%	
Japan	5	10	27	44%	
Netherlands	53	56	62	94%	
Norway	22	48	36	45%	
Sweden	47	70	67	68%	
Switzerland	10	16	15	62%	
United Kingdom	141	137	163		97%
United Nations	1	51	73	2%	
United States	0	38	29	0%	
World Bank	304	504	459	60%	
[Unallocated donors]	238	--	--		
Total	**989**	**1 408**	**1 294**		**70%**

* Baseline ratio is c = a / b except where disbursements recorded by government are greater than aid scheduled for disbursement (c = b /a).

PROVIDING MORE PREDICTABLE AID

The table above shows that 70% of scheduled aid disbursements have been recorded in the government accounting (Exchequer) system. It looks at predictability from two different angles. The first angle is donors' and government's combined responsibility to ensure that aid is disbursed as scheduled. On the donor side, this refers to providing timely and reliable information on scheduled disbursements to government and adhering to made funding commitments. On the government side, it relates to project/programme implementation progress and meeting donor requirements for accessing funds. In Tanzania, donors scheduled USD 1 408 million for disbursement in 2005 and actually disbursed – according to their own records – less than expected (USD 1 294 million). The discrepancy varies considerably among donors.

The second angle is donors' and government's joint responsibility with regards to recording comprehensively disbursements made by donors for the government sector in the government accounting (*i.e.* Exchequer) system. On the government side, this includes the recording of scheduled aid in the national budget and the proper accounting for received funds. On the donor side, it includes the disbursement of funds directly through the Exchequer (which are then automatically recorded in the government accounting system) or the provision of all necessary accounting details to the government for funds that go to separate project accounts (not directly through the Exchequer) or in-kind transfers, both of which are captured in the accounting system ex post after having been spent. In Tanzania, USD 989 million out of the USD 1 294 million notified as disbursed by donors (76%) were recorded in the government accounting system, indicating that a significant proportion of disbursements were not captured.

Indicator 7 on predictability has been designed to encourage progress against both of these angles so as to gradually close the predictability gap by half by 2010. In other words it seeks to improve not only the predictability of actual disbursements but also the accuracy of how they are recorded in government systems – an important feature of ownership, accountability and transparency. In Tanzania, this combined predictability gap amounts to USD 419 million (30% of aid scheduled for disbursement). Closing this predictability gap will require donors and government to work increasingly together on various fronts at the same time. Actions might include efforts in improving:

- the realism of predictions on volume and timing of expected disbursements;
- the disbursement of funds directly through the Exchequer, so that they are automatically captured in the government accounting system;
- full information disclosure by donors with all necessary accounting details to the relevant government implementing agencies for aid that is to be captured ex post in the government accounting (Exchequer) system;
- the comprehensiveness of information held by the relevant government implementing agency on project disbursements, which is often impeded by low levels of ownership and parallel project implementation structures.

This may become easier as the proportion of budget support increases, which is fully integrated in the national budget and Exchequer system and more predictable than project funds, as it is not dependent on in-year assessments of implementation progress. On the other hand, the use of variable tranches based on performance is likely to remain a challenging factor in the predictability of budget support.

Tanzania might be able to meet the 2010 target of 85% of scheduled aid being disbursed within the scheduled financial year and accounted for by government, if budget support continues to increase as a percentage of aid, and remains predictable, but additional measures will be needed to improve in particular the reliability of project funds and their integration in the national budget and Exchequer system.

UNTYING AID

INDICATOR 8

According to OECD data covering 87% of aid to Tanzania, 95% of aid is untied.

HARMONISATION

AS DISCUSSED ABOVE, GREAT STRIDES HAVE BEEN MADE In aligning donor priorities and practices with government policies and systems. This progress has been facilitated in part by the willingness of donors to work together at the country level, for example via the Development Partners Group (DPG). This co-ordination among donors has been strongly encouraged by the government, and made easier by the decision of a number of donors to delegate increased responsibility to country offices in Tanzania.

USING COMMON ARRANGEMENTS

The proportion of aid using programme-based approaches, and thus common procedures, stood at 55% in Tanzania in 2005. Programme-based approaches in Tanzania have mostly taken the form of direct budget support or pooled basket funds, which have also supported much of the progress in alignment discussed above.The government is strongly encouraging its donors to provide more aid in the form of general budget support, but progress on common procedures also continues through joint support to sector and core reform programmes. The government's preference for general budget support stems in part from the fact that it allows harmonisation among donors to be achieved without the need for complex co-ordination structures. The target of 66% of aid being delivered via programme-based approaches by 2010 is within reach in Tanzania, although some donors continue to find general budget support inconsistent with their own regulations.

INDICATOR 9
Table 30.6

How much aid is programme based?

	Budget support (USD m) a	Other PBAs (USD m) b	Total (USD m) c=a+b	Total disbursed (USD m) d	Baseline ratio (%) e=c/d
African Dev. Bank	0	0	0	42	0%
Belgium	0	5	5	10	53%
Canada	0	23	23	32	71%
Denmark	26	10	36	89	41%
European Commission	38	18	57	147	39%
Finland	4	2	5	11	49%
France	0	1	1	5	25%
GAVI Alliance	0	0	0	6	0%
Germany	10	2	12	31	37%
Global Fund	0	22	22	29	76%
IFAD	0	0	0	10	0%
Ireland	10	6	16	21	75%
Japan	5	0	5	28	16%
Netherlands	21	38	59	74	79%
Norway	15	8	22	46	49%
Sweden	17	16	33	86	38%
Switzerland	9	2	11	23	47%
United Kingdom	121	33	154	172	89%
United Nations	0	24	24	76	32%
United States	0	0	0	36	0%
World Bank	297	12	310	459	68%
[Unallocated donors]	--	--	--	--	--
Total	**573**	**222**	**795**	**1 433**	**55%**

INDICATOR 10a
Table 30.7

How many donor missions are co-ordinated?

	Co-ordinated donor missions (missions) a	Total donor missions (missions) b	Baseline ratio (%) c=a/b
African Dev. Bank	6	30	20%
Belgium	1	9	11%
Canada	2	5	40%
Denmark	5	17	29%
European Commission	0	8	0%
Finland	5	20	25%
France	0	5	0%
GAVI Alliance	0	0	--
Germany	3	12	25%
Global Fund	0	4	0%
IFAD	2	3	67%
Ireland	2	5	40%
Japan	2	26	8%
Netherlands	2	2	100%
Norway	3	9	33%
Sweden	1	15	7%
Switzerland	0	5	0%
United Kingdom	2	2	100%
United Nations	45	248	18%
United States	0	0	--
World Bank	32	142	23%
[Unallocated donors]	--	--	--
Total	**94**	**542**	**17%**

* The total of co-ordinated missions has been adjusted to avoid double counting. A discount factor of 35% has been applied.

CONDUCTING JOINT MISSIONS AND SHARING ANALYSIS

Only 17% of donor missions to Tanzania were conducted jointly in 2005, which leaves much progress to be made if the target of 40% joint missions is to be met by 2010. That said, some important steps have been taken to encourage reduced numbers of donor missions. Since 2003/04, donors in Tanzania have been formally organised in a DPG with several sector and thematic working groups, which facilitates co-ordination among DPG members. The Group maintains a central calendar of missions to encourage co-ordination, and the government has also established "quiet times" between April and August when missions are kept to a minimum in order to free up government staff for the budget process. The establishment of sector-wide approaches (SWAps) has fostered joint missions, as have general budget support, basket fund and other joint financing arrangements. Individual donors have also taken steps within their agencies to promote co-ordinated missions (*e.g.* new World Bank Mission Planning Guidelines).

INDICATOR 10b
Table 30.8

How much country analysis is co-ordinated?

	Co-ordinated donor analytical work (units) a	Total donor analytical work (units) b	Baseline ratio (%) c=a/b
African Dev. Bank	0	2	0%
Belgium	0	1	0%
Canada	1	2	50%
Denmark	5	5	100%
European Commission	1	5	20%
Finland	2	5	40%
France	0	0	--
GAVI Alliance	0	0	--
Germany	0	0	--
Global Fund	0	0	--
IFAD	1	1	100%
Ireland	0	0	--
Japan	1	4	25%
Netherlands	0	0	--
Norway	0	0	--
Sweden	1	17	6%
Switzerland	10	10	100%
United Kingdom	0	0	--
United Nations	11	25	44%
United States	0	0	--
World Bank	2	8	25%
[Unallocated donors]	--	--	--
Total	**31**	**81**	**38%**

* The total of co-ordinated analysis has been adjusted to avoid double counting. A discount factor of 25% has been applied.

38% of country analysis by donors in Tanzania was co-ordinated in 2005. Joint work by donors has been encouraged by sector and thematic working groups organised under the aegis of the Development Partners Group, by jointly supported programmes, and by the establishment of SWAps and other frameworks for dialogue and co-ordination among donors and with the government. As part of the Public Expenditure Review process, public expenditure management and fiduciary risk assessments have been carried out jointly via a single instrument (the Public Expenditure and Financial Accountability Review) since 2004/05. Some donors have adjusted their internal systems and procedures to promote enhanced partnership.

In the context of the JAST, donors in Tanzania have prepared a Joint Programme Document as the basis for their country assistance strategies, which contains a joint country analysis and a joint programme, reflecting DPG planned support and additional aid effectiveness commitments over the FY07-10 period. Under the JAST, co-ordination of country analytical work is expected to be further improved through a more effective, rationalised division of labour on the basis of donors' comparative advantage in sectors and thematic areas. The ongoing initiatives under the JAST are expected to promote more co-ordinated analysis and help Tanzania meet the target of 66% of country analysis being co-ordinated by 2010.

MANAGING FOR RESULTS

INDICATOR 11

MANAGING FOR RESULTS IS KEY to enhancing aid effectiveness. The Paris Declaration calls on donors to work alongside partner countries to manage resources on the basis of desired results, and to use information effectively to improve decision making. Indicator 11 focuses on one component of managing for results: the establishment by the partner country of a cost-effective, transparent and monitorable performance assessment framework. Tanzania scored a B rating in the World Bank's 2005 CDF assessment, which provides the baseline for this indicator. This means that it has already met the target of having largely developed good practice in this area, but should work towards scoring an A by 2010.

According to the World Bank's Aid Effectiveness Review, the quality and availability of poverty-related data in Tanzania is increasing, although limited access to up-to-date information on poverty reduction hampered the poverty diagnosis underlying the NSGRP. The recently launched Tanzania Statistical Master Plan should make it easier to provide systematic and regular survey data. Development information is widely available in Tanzania – government policies and progress reports are posted online, and local authorities collect and publish information on revenue collection and allocation. The government has launched a communications strategy for the NSGRP to inject life into this dissemination process.

The World Bank also finds that the government is taking steps to integrate its Poverty Monitoring System with decision-making processes. It is also taking steps to integrate the monitoring and evaluation systems of various ministries and agencies into the central Poverty Monitoring System. A new reporting software called RIMKU has recently been developed to track performance for government, donors and non-state actors in implementing NSGRP. It draws information from SBAS, and thus links planning and budgeting with performance monitoring.

MUTUAL ACCOUNTABILITY

INDICATOR 12

THE PARIS DECLARATION calls for donors and partner countries to be accountable to each other for the use of development resources, and in a way that tends to strengthen public support for national policies and development assistance. This in turn requires governments to take steps to improve country accountability systems and donors to help by being transparent about their own contributions. Indicator 12 measures one important aspect of mutual accountability; whether country-level mutual assessments of progress in implementing agreed commitments take place.

Tanzania has a well-developed system of mutual accountability, based on the work of the Independent Monitoring Group (IMG). The IMG, made up of independent local and international consultants and formally established in 2000, conducts biennial reviews of donor and government progress against their various commitments. The IMG's 2002 report provided an important input into the Tanzania Assistance Strategy, which set out best practices for donor and government interactions and was monitored jointly by the government and donors (a second mechanism in addition to the IMG to promote mutual accountability). Their findings were reported in annual TAS Implementation Reports. The IMG's 2005 report fed into the preparation of the JAST. The recently agreed JAST provides a more comprehensive set of principles to which government and donors will be held accountable. The implementation of these principles will be reviewed annually under the co-ordination of a joint government-donor working group, and biennially by the IMG.

BASELINES AND TARGETS

THE TABLE BELOW presents the 2005 baselines and targets for Tanzania. The information is discussed in detail in the above chapter and draws from various sources of information. The main source is the baseline survey undertaken in Tanzania under the aegis of the National Co-ordinator (Joyce Mapunjo).

Table 30.9 Baselines and targets

INDICATORS		2005 BASELINE	2010 TARGET
1	Ownership – Operational PRS	C	B or A
2a	Quality of PFM systems	3.0	3.5
2b	Quality Procurement systems	Not available	Not applicable
3	Aid reported on budget	90%	95%
4	Co-ordinated capacity development	50%	50%
5a	Use of country PFM systems (aid flows)	66%	No target
5b	Use of country procurement systems (aid flows)	61%	Not applicable
6	Parallel PIUs	56	19
7	In-year predictability	70%	85%
8	Untied aid	95%	More than 95%
9	Use of programme-based approaches	55%	66%
10a	Co-ordinated missions	17%	40%
10b	Co-ordinated country analytical work	38%	66%
11	Sound performance assessment framework	D	B or A
12	Reviews of mutual accountability		

ACRONYMS

DPG	Development Partners Group
GNI	gross national income
IMG	Independent Monitoring Group
JAST	Joint Assistance Strategy for Tanzania
MDG	Millennium Development Goal
MTEF	Medium-Term Expenditure Framework
NSGRP	National Strategy for Growth and Reduction of Poverty
ODA	official development assistance
PIU	project implementation unit
SBAS	Strategic Budget Allocation System
SWAp	sector-wide approach
TAS	Tanzania Assistance Strategy

31 UGANDA

UGANDA HAS A POPULATION OF ABOUT 26 MILLION PEOPLE, subsisting on an average annual income of USD 270 per person. In 2002-03, 38% of the population fell below the national poverty line. In 2004, net official development assistance (ODA) was USD 1 159 million, up from USD 712 million in 2002. ODA as a percentage of gross national income (GNI) has also increased substantially in recent years, jumping from 12.4% in 2002 to 17.3% in 2004. Uganda is a good example of a country where aid volumes have increased, in part as a response to successful efforts to demonstrate that aid can be used effectively. Nineteen donors, providing at least 96% of ODA, have responded to the survey.

OVERVIEW Box 31.1 Challenges and priority actions

DIMENSIONS	BASELINE	CHALLENGES	PRIORITY ACTIONS
Ownership	High	The need to strengthen – perhaps through output-based budgeting – the links between plans, expenditure frameworks and budgets.	To implement the first Annual Poverty Eradication Action Plan Implementation Review recommendations.
Alignment	High	Implementation still relies on parallel project implementation units.	Continue to strengthen country systems for public financial management and procurement.
Harmonisation	Moderate	Co-ordination of donor missions and country analytical work needs to be strengthened.	Build on successful Country Integrated Fiduciary Assessment experience with co-ordinating country analysis.
Managing for results	High	Some (relatively limited) fragmentation of government information systems.	Establish National Integrated Monitoring and Evaluation Strategy.
Mutual accountability	Moderate	No mutual assessment has taken place.	Conduct mutual assessment, perhaps as part of Uganda Joint Assistance Strategy review.

OWNERSHIP

INDICATOR 1

OWNERSHIP IS CRUCIAL TO AID EFFECTIVENESS and good development results, and is central to the Paris Declaration. It has been defined in terms of a country's ability to exercise effective leadership over its development policies and strategies. Achieving this is not a simple undertaking, especially in countries that rely heavily on aid to finance their development programmes. Nor, of course, can it be measured by a single indicator. Indicator 1 provides an entry point to the issue of ownership, focusing in particular on whether a country has an operational development strategy, with which donors can align their development assistance.

OPERATIONALISING DEVELOPMENT STRATEGIES

Rated as part of the World Bank's 2005 review of the Comprehensive Development Framework, Uganda is one of only five countries (out of 55 sampled) to be given a B. The level of ownership which such a rating reflects should provide a sound foundation for alignment, harmonisation and aid effectiveness.

This assessment is made on the basis of a range of criteria: whether the country has a long-term vision, with medium-term strategy derived from that vision; whether there are country-specific development targets with holistic, balanced and well-sequenced strategy; and whether there are the capacity and resources for implementation.

The Poverty Eradication Action Plan (PEAP) is both the country's poverty reduction strategy and its long-term vision, set to run until 2017. It is revised every three or four years in light of progress. Medium-term strategy is, as the World Bank's Aid Effectiveness Review for 2006 reports, embedded in the long-term vision, and is also regularly updated. Medium-term strategies are in place for sectors including the private sector, agriculture, strategic exports, social development, education, health, water and sanitation, and roads. Healthy progress has also been made in developing local level (district) development plans. Overall, it is clear that in Uganda, there is a coherent long-term vision, alongside well-integrated medium-term sectoral and local strategies and plans.

The development targets set out in the PEAP are broadly in line with the Millennium Development Goals (MDGs), but are country-specific. In some cases, they are more ambitious than the MDGs. The five pillars of the PEAP are: economic management; production, competitiveness and incomes; security, conflict resolution and disaster management; governance; and human development.

In terms of capacity and resources for implementation, the government built on earlier improvements to budget processes when it adopted a Medium-Term Expenditure Framework (MTEF) in 1998. As the World Bank's Aid Effectiveness Review for 2006 notes, poverty eradication objectives are linked to the MTEF and the budget through a Poverty Action Fund (PAF). This identifies expenditures in sectors which are key for poverty reduction, to protect them from budget cuts. Allocations to the PAF have more than doubled to 37% of the budget, up from 18% in 1998. Discussions about improving the PAF have continuously taken place during the annual budget consultative discussions and these played a role in the final decisions concerning the budget allocation decisions.

There is a need to further strengthen the capacity of those government institutions that are responsible for the implementation of PAF programmes so that they can assume full leadership in the implementation and co-ordination of aid processes, and develop mechanisms to monitor and evaluate the impact of PEAP. Government needs to protect budgeted provisions made under PAF activities from anticipated funding cuts, particularly the allocations being made to counter the energy crisis that the country is currently facing.

There are clear indications that reforms will go a long way to contributing to these goals. The Annual PEAP Implementation Review is expected to come up with some recommendations in this area. The donor division of labour exercise will no doubt improve donor engagements and lead to greater efficiency and effectiveness in the delivery of aid in Uganda in general.

OTHER ASPECTS OF OWNERSHIP

The government plays a strong role in co-ordinating external assistance, with responsibility clearly located in the Aid Liaison Department in the Ministry of Finance, Planning and Economic Development. However, the preliminary findings from the donor division of labour exercise reveal that a substantial amount of donor aid resources are not actually channelled following the government procedures and hence not recorded in the budget books. Since 1998, Consultative Group meetings, co-chaired by the development partners' representative (the chair of the Local Development Partners Group) and the government have been held in-country.

The World Bank's Aid Effectiveness Review for 2006 commends the sustainable structure for continuous government-stakeholder dialogue. Civil-society and private-sector interests have been involved in formulating and revising the PEAP, represented both by individual organisations, and by umbrella groups such as the Uganda National Chamber of Commerce and Private Sector Foundation Uganda. Parliamentary involvement is also reported to be strong.

ALIGNMENT

INDICATOR 2

FOR AID TO BE EFFECTIVE, it must be aligned with national development strategies and plans. Indicators 2 to 8 of the Paris Declaration seek to assess the degree of alignment attained, looking at a number of dimensions of alignment. In the case of Uganda, there is a good degree of alignment across the board. However, there is room for growth, particularly in building and using more reliable country systems, and in reducing the number of parallel project implementation units.

BUILDING RELIABLE COUNTRY SYSTEMS

Under the World Bank's Country Policy and Institutional Assessment for 2005, Uganda's public financial management (PFM) systems receive a rating of 4.0. This is significantly higher than the average of 3.2 for all International Development Association borrowers.

The World Bank's Aid Effectiveness Review for 2006 underlines that the government has strengthened the legal and regulatory framework for public expenditure management, and introduced a Procurement Act in 2003. However, implementation has been slow because users lack the skills and capacity. Indeed, capacity constraints remain a challenge across the civil service, as salaries are lower than those in the private sector.

Uganda has the frameworks and policies in place to strengthen its country systems. With hopes of reaching the 2010 target of a score of 4.5 for PFM systems and improving procurement systems, government and donors have already started working together to tackle human capacity constraints. With help from various development partners, Uganda is reforming public-sector management including PFM systems.

INDICATOR 3
Table 31.1

Are government budget estimates comprehensive and realistic?

	Government's budget estimates of aid flows for FY05 (USD m) a	Aid disbursed by donors for government sector in FY05 (USD m) b	Baseline ratio* (%) c=a/b	c=b/a
African Development Bank	85	41		48%
Austria	8	3		33%
Belgium	5	9	54%	
Denmark	42	40		95%
European Commission	196	91		46%
France	4	3		68%
GAVI Alliance	--	16		
Germany	47	45		98%
Global Fund	33	27		81%
Ireland	37	36		99%
Italy	6	15	36%	
Japan	8	12	70%	
Netherlands	64	25		39%
Norway	26	19		74%
Sweden	31	22		70%
United Kingdom	99	84		85%
United Nations	15	50	30%	
United States	--	0		
World Bank	374	316		84%
Total	**1 079**	**854**	**79%**	

* Baseline ratio is c = a / b except where government's budget estimates are greater than disbursements (c = b /a).

INDICATOR 4
Table 31.2

How much technical assistance is co-ordinated with country programmes?

	Co-ordinated technical co-operation (USD m) a	Total technical co-operation (USD m) b	Baseline ratio (%) c=a/b
African Development Bank	0	0	100%
Austria	1	5	18%
Belgium	1	6	18%
Denmark	0	3	0%
European Commission	4	9	44%
France	0	1	0%
GAVI Alliance	0	0	--
Germany	3	11	23%
Global Fund	0	0	--
Ireland	0	0	0%
Italy	3	4	69%
Japan	5	5	100%
Netherlands	--	2	--
Norway	3	3	100%
Sweden	8	13	61%
United Kingdom	2	15	12%
United Nations	5	5	98%
United States	0	49	0%
World Bank	35	37	94%
Total	**70**	**168**	**42%**

ALIGNING AID FLOWS ON NATIONAL PRIORITIES

The table provides government's budget estimates of aid flows for fiscal year 2005 (numerator) as a percentage of aid disbursed by donors for the government sector for the same period (denominator). This ratio tells us the degree to which there is a discrepancy between budget estimates and actual disbursements. The discrepancy can be in two directions: indeed budget estimates can be either higher or lower than disbursements. In order to have a single measure of discrepancy that is always less than 100%, the ratio is flipped when budget estimates are higher than disbursements. The baseline value for Indicator 3 in Uganda is 79%. Achieving the target agreed in Paris of 90% (halving the gap) for this indicator will require concerted efforts by donors and government.

The difference in figures is due to different exchange rates (for example, the rate at the signing of the finance agreement, the average annual exchange rate, the running monthly exchange rate) and multiple data sources (Aid Liaison Department, Aid Data Unit and Macro Department). These departments each receive data directly from the donors for different purposes but because the donors do not have one centre that is responsible for data dissemination, even where data requirements are the same, the data that is collected from the donors is sometimes different. This has been recognised and efforts are being made under the division of labour exercise to harmonise data collection points, both within government and also on the donors' side.

If the budget reflects national priorities and plans – as the evidence suggests – then this is good news for alignment in its wider sense. With additional donors joining the Uganda Joint Assistance Strategy, the prospects for alignment in Uganda are very positive.

CO-ORDINATING SUPPORT TO STRENGTHEN CAPACITY

Under the Paris Declaration, donors are committed to providing technical assistance in a manner that is co-ordinated with country programmes, and capacity-building needs. In Uganda, 42% of technical assistance is provided in such a manner. However, in some cases the approach used to build and/or strengthen the capacity of government institutions does not meet local needs. This is due to the fact that some technical assistance initiatives do not understand local circumstances or do not want to build that independent capacity (perhaps in order to prolong their contracts in those institutions).

The World Bank's Aid Effectiveness Review for 2006 reports that sector-wide approaches (SWAps) are strengthening capacity building and enhancing multi-donor support for capacity development. The government is improving co-ordination among ministries in order to produce a single capacity-building framework for the public sector. Donors, for their part, have promised to step up co-ordination of capacity-building projects. However, they have a way to go if the 2010 target of 50% is to be reached.

USING COUNTRY SYSTEMS

The Paris Declaration encourages donors to make increasing use of country systems for public financial management and procurement, where these are of sufficient quality to merit their use. If donors do not find ways of supporting them to reach the level of sufficient quality, how will country institutions be able to attain the capacity required? It is therefore very crucial that even when these systems are still weak, efforts should be made to use them.

INDICATOR 5
Table 31.3

How much aid for the government sectors uses country systems?

	Aid disbursed by donors for government sector (USD m) a	Public financial management				Procurement	
		Budget execution (USD m) b	Financial reporting (USD m) c	Auditing (USD m) d	Baseline ratio (%) avg (b,c,d) / a	Procurement systems (USD m) e	Baseline ratio (%) e /a
African Development Bank	41	0	0	0	0%	0	0%
Austria	3	2	0	2	60%	2	95%
Belgium	9	5	5	5	56%	7	84%
Denmark	40	16	16	16	40%	16	40%
European Commission	91	37	37	37	40%	37	40%
France	3	2	0	0	29%	3	100%
GAVI Alliance	16	0	0	16	33%	0	0%
Germany	45	5	5	5	11%	31	69%
Global Fund	27	0	0	0	0%	0	0%
Ireland	36	35	35	35	97%	35	97%
Italy	15	10	10	10	68%	10	68%
Japan	12	0	0	0	0%	0	0%
Netherlands	25	25	24	24	95%	15	60%
Norway	19	18	18	18	93%	19	100%
Sweden	22	13	9	9	47%	13	62%
United Kingdom	84	69	69	69	82%	69	82%
United Nations	50	12	3	1	11%	0	0%
United States	0	0	0	0	--	0	--
World Bank	316	316	182	316	86%	204	65%
Total	**854**	**566**	**413**	**563**	**60%**	**463**	**54%**

The baseline survey for Uganda reports that the use of PFM systems averaged across the three components stands at 60%. For procurement, 54% of aid make use of country systems.

Uganda currently rates 4.0 for the quality of its PFM systems. The 2010 targets for Uganda are that 73% of aid flows make use of the country's PFM systems, averaged across all three components. For procurement, no 2010 targets are set because the country's procurement systems are unrated.

With donors committed to providing more aid through budget support, these targets should be attainable. Nevertheless, the government does need to sustain its efforts to strengthen its PFM systems.

INDICATOR 6
Table 31.4

How many PIUs are parallel to country structures?

	Parallel PIUs (units)
African Development Bank	14
Austria	3
Belgium	2
Denmark	4
European Commission	10
France	2
GAVI Alliance	0
Germany	0
Global Fund	1
Ireland	2
Italy	1
Japan	0
Netherlands	0
Norway	--
Sweden	1
United Kingdom	1
United Nations	5
United States	0
World Bank	8
Total	**54**

AVOIDING PARALLEL IMPLEMENTATION STRUCTURES

The Paris Declaration calls for a substantial reduction in the number of project implementation units (PIUs) that are parallel in the sense that appointment decisions and accounting relationships involve the donor alone. Even when government is involved, the extent to which government influences the decision to be taken is very limited. The baseline survey for Uganda shows a total of 54 parallel PIUs in existence, most established by multilateral donors.

According to the World Bank's Aid Effectiveness Review for 2006, implementation still tends to be carried out by parallel PIUs or semi-integrated PIUs, whose salary scales are not following national civil servant scales. In the context of the Uganda Joint Assistance Strategy, donors are addressing this issue, and have embedded some PIUs in country structures. Nevertheless, major advances will be needed if the total number of parallel PIUs is to be reduced to 18 or less by 2010.

PROVIDING MORE PREDICTABLE AID

If aid is provided in a predictable manner, then recipient countries are better able to plan and make effective use of aid. Indicator 7 looks at the in-year predictability of aid, measuring the proportion of planned disbursements (as reported by donors), recorded by government in the national accounting system as having been disbursed.

There are cases where government fails to meet the agreed conditions for disbursing. When such situations arise, then donors withhold disbursements, creating a gap between aid scheduled and aid recorded as disbursed. In other cases, it might be that some development partners, together with sector ministries, do not declare some seemingly "small" projects due to their effects on the sector ceilings determined by the Ministry of Finance, Planning and Economic Development, and these only become known during the financial year. (Although such projects are usually not recorded

INDICATOR 7
Table 31.5

Are disbursements on schedule and recorded by government?

	Disbursements recorded by government in FY05 (USD m) a	Aid scheduled by donors for disbursement in FY05 (USD m) b	Aid actually disbursed by donors in FY05 (USD m) FOR REFERENCE ONLY	Baseline ratio* (%) c=a/b	c=b/a
African Dev.Bank	21	85	41	25%	
Austria	2	2	3	91%	
Belgium	3	13	9	22%	
Denmark	35	37	40	96%	
EC	122	104	91		85%
France	4	3	3		68%
GAVI Alliance	0	15	16	0%	
Germany	50	31	45		63%
Global Fund	28	27	27		96%
Ireland	36	40	36	91%	
Italy	6	15	15	38%	
Japan	6	3	12		55%
Netherlands	48	33	25		68%
Norway	21	24	19	91%	
Sweden	33	27	22		81%
United Kingdom	84	97	84	86%	
United Nations	18	32	50	57%	
United States	0	0	0		
World Bank	293	378	316	77%	
Total	**811**	**966**	**854**	**84%**	

* Baseline ratio is c = a / b except where disbursements recorded by government are greater than aid scheduled for disbursement (c = b /a).

in the scheduled aid, they are later declared and hence their disbursements are recorded in the middle of the financial year.)

In addition, some donor agencies tend to give more aid in the form of emergency support, particularly when their financial year is coming to a close. These amounts are hard to capture in the projections as scheduled aid, but end up being captured at the disbursement stage.

The table looks at predictability from two different angles. The first angle is donors' and government's combined ability to disburse aid on schedule. In Uganda, donors scheduled USD 966 million for disbursement in 2005 and actually disbursed – according to their own records – significantly less than expected (USD 854 million). The discrepancy varies considerably among donors and is mainly due to late disbursements carried over to 2005 and to delays in implementing programmes. The second angle is donors' and government's ability to record comprehensively disbursements made by donors for the government sector. In Uganda, government systems recorded USD 811 million out of the USD 854 million notified as disbursed by donors (95%), indicating that a proportion of disbursements were not captured, either because they were not appropriately notified by donors or because they were inaccurately recorded by government.

Indicator 7 on predictability has been designed to encourage progress against both of these angles so as to gradually close the predictability gap by half by 2010. In other words, it seeks to improve not only the predictability of actual disbursements but also the accuracy of how they are recorded in government systems – an important feature of ownership, accountability and transparency. In Uganda, this combined predictability gap amounts to USD 281 million (29% of aid scheduled for disbursement). Closing this predictability gap will require donors and government to work increasingly together on various fronts at the same time. They might work at improving:

- the realism of predictions on volume and timing of expected disbursements;
- the way donors notify their disbursements to government;
- the comprehensiveness of government's records of disbursements made by donors.

UNTYING AID

INDICATOR 8

According to OECD data covering 73% of 2004 commitments, 81% of aid to Uganda is untied. This is encouraging, but donors can make further progress on untying, as they are committed to under the Paris Declaration.

HARMONISATION

THE PICTURE OF HARMONISATION in Uganda is less rosy than that of alignment. In order to reduce aid fragmentation, and to lessen the aid-related transaction costs that fall on the government, donors need to work hard to co-ordinate their activities, and to make use of common arrangements if possible.

INDICATOR 9
Table 31.6

How much aid is programme based?

	Budget support (USD m) a	Other PBAs (USD m) b	Total (USD m) c=a+b	Total disbursed (USD m) d	Baseline ratio (%) e=c/d
African Development Bank	0	0	0	41	0%
Austria	0	3	3	9	35%
Belgium	5	4	9	12	74%
Denmark	40	9	49	53	93%
European Commission	47	0	47	103	46%
France	0	0	0	3	0%
GAVI Alliance	0	2	2	16	10%
Germany	5	1	6	48	11%
Global Fund	0	27	27	27	100%
Ireland	35	1	35	42	85%
Italy	0	0	0	20	0%
Japan	0	6	6	12	51%
Netherlands	20	18	38	38	100%
Norway	11	3	14	44	33%
Sweden	13	3	16	33	49%
United Kingdom	65	2	67	91	73%
United Nations	0	36	36	67	53%
United States	0	0	0	116	0%
World Bank	150	39	189	316	60%
Total	**391**	**152**	**543**	**1 088**	**50%**

INDICATOR 10a
Table 31.7

How many donor missions are co-ordinated?

	Co-ordinated donor missions (missions) a	Total donor missions (missions) b	Baseline ratio (%) c=a/b
African Development Bank	3	48	6%
Austria	2	6	33%
Belgium	0	2	0%
Denmark	10	15	67%
European Commission	0	2	0%
France	0	4	0%
GAVI Alliance	0	0	--
Germany	5	5	100%
Global Fund	0	2	0%
Ireland	0	0	--
Italy	0	16	0%
Japan	0	47	0%
Netherlands	6	20	30%
Norway	9	13	69%
Sweden	3	5	60%
United Kingdom	12	23	52%
United Nations	47	112	42%
United States	0	20	0%
World Bank	24	116	21%
Total (discounted*)	**79**	**456**	**17%**

* The total of co-ordinated missions has been adjusted to avoid double counting. A discount factor of 35% has been applied.

USING COMMON ARRANGEMENTS

In Uganda, 50% of aid is reported to use programme-based approaches (PBAs). The World Bank's Aid Effectiveness Review for 2006 reports that external partners are increasingly harmonising policies and procedures, and providing more of their assistance through budget support and SWAps.

Baseline survey figures indicate that, if budget support continues to increase, Uganda should reach the target of 66% by 2010.

CONDUCTING JOINT MISSIONS AND SHARING ANALYSIS

In co-ordinating donor missions, the performance is less positive, with only 17% of missions co-ordinated. This includes a significant number of donor missions co-ordinated internally among various UN agencies but not co-ordinated externally with other development partners outside the UN system.

Reaching the 40% target by 2010 calls for a greater degree of leadership by government and co-ordination from donors. However, the continuing shift towards budget support and SWAps, together with the commitments made by donors in the Uganda Joint Assistance Strategy, should help Uganda to get closer to its target.

INDICATOR 10b
Table 31.8

How much country analysis is co-ordinated?

	Co-ordinated donor analytical work (units) a	Total donor analytical work (units) b	Baseline ratio (%) c=a/b
African Dev. Bank	2	2	100%
Austria	1	3	33%
Belgium	0	0	--
Denmark	15	15	100%
European Commission	7	7	100%
France	0	2	0%
GAVI Alliance	0	0	--
Germany	2	2	100%
Global Fund	1	1	100%
Ireland	2	3	67%
Italy	0	3	0%
Japan	0	0	--
Netherlands	8	8	100%
Norway	6	7	86%
Sweden	3	5	60%
United Kingdom	8	11	73%
United Nations	18	55	33%
United States	2	12	17%
World Bank	3	10	30%
Total (discounted*)	**59**	**146**	**40%**

* The total of co-ordinated analysis has been adjusted to avoid double counting. A discount factor of 25% has been applied.

In terms of co-ordinating country analysis, the picture is somewhat better; the baseline survey reports that 40% of country analysis is co-ordinated. As the figures show, a small number of donors are responsible for many analyses.

The World Bank's Aid Effectiveness Review for 2006 shares some highlights: for example, the World Bank in partnership with government and in co-ordination with other partners conducted a Country Integrated Fiduciary Assessment and the Country Economic Memorandum. If the 2010 target of 60% is to be reached, this and other initiatives to co-ordinate country analysis must be built on

MANAGING FOR RESULTS

INDICATOR 11

THE PARIS DECLARATION INVITES partner countries and donors to work together to manage resources on the basis of desired results and use information to improve decision making. This means both strengthening the capacity to undertake such management and helping to increase the demand for a focus on results. Indicator 11 focuses on one component of this effort: the establishment of a cost-effective results-oriented reporting and assessment system by the country.

The rating for Indicator 11 is based on the World Bank's 2005 Comprehensive Development Framework. In that assessment of 55 countries, Uganda was one of only two to receive a rating of B. This is extremely encouraging and reflects the concerted efforts made by government, with the support of donors, over recent years. The rating is based on three criteria: the quality of development information; the degree to which stakeholders have access to it; and, the extent to which there is a co-ordinated monitoring and evaluation of the country's development efforts.

The World Bank's Aid Effectiveness Review for 2006 underlines that the quality and availability of poverty-related data are improving: an achievement from an already encouraging base. The 2003 revision to the Poverty Eradication Action Plan was guided by good evidence and, looking to the future, a National Statistical Development Strategy has been prepared. Stakeholders enjoy direct access to information about government policies, data on poverty and information about the budget process. And in terms of monitoring and evaluation, the National Integrated Monitoring and Evaluation Strategy aims to establish a single system for both government and external partners' needs. Overall, Uganda performs well in terms of managing for results.

MUTUAL ACCOUNTABILITY

INDICATOR 12

THE PARIS DECLARATION CALLS for donors and partner countries to be accountable to each other for the use of development resources, and in a way that tends to strengthen public support for national policies and development assistance. Governments should improve country accountability systems and donors should be transparent about their own contributions. The indicator looks at whether there is a country-level mechanism permitting joint assessment of progress in implementing agreed commitments on aid effectiveness, including those in the Declaration itself, and specifically, whether such an assessment has taken place.

The baseline survey reports that no such assessment has taken place for Uganda. However, the World Bank's Aid Effectiveness Review for 2006 recognises that "joint government-development partner initiatives to monitor progress in strengthening ownership, alignment, harmonization and results are in place." It would seem that the elements are in place in order for Uganda to tick the box for Indicator 12 of the Paris Declaration; what is required is that such a mutual assessment is actually carried out. It seems highly likely that such assessments will take place on an annual basis as part of the review of the Uganda Joint Assistance Strategy and the Annual PEAP Implementation Review.

BASELINES AND TARGETS

The table below presents the 2005 baselines and the targets for Uganda. The baseline values are taken from the discussion above, which draws on various sources of information. The main source is the baseline survey undertaken in Uganda under the aegis of the National Co-ordinators (Deo Kamweya, Damon Kitabire and Peter M. Ssentongo).

Table 31.9 Baselines and targets

INDICATORS		2005 BASELINE	2010 TARGET
1	Ownership – Operational PRS	B	A
2a	Quality of PFM systems	4.0	4.5
2b	Quality procurement systems	Not available	Not applicable
3	Aid reported on budget	79%	90%
4	Co-ordinated capacity development	42%	50%
5a	Use of country PFM systems (aid flows)	60%	73%
5b	Use of country procurement systems (aid flows)	54%	Not applicable
6	Parallel PIUs	54	18
7	In-year predictability	84%	92%
8	Untied aid	81%	More than 81%
9	Use of programme-based approaches	50%	66%
10a	Co-ordinated missions	17%	40%
10b	Co-ordinated country analytic work	40%	66%
11	Sound performance assessment framework	B	A
12	Reviews of mutual accountability	No	Yes

ACRONYMS

GNI	gross national income
MDG	Millennium Development Goal
MTEF	Medium-Term Expenditure Framework
ODA	official development assistance
PAF	Poverty Action Fund
PBA	programme-based approach
PEAP	Poverty Eradication Action Plan
PFM	public financial management
PIU	project implementation unit
SWAp	sector-wide approach

32 VIET NAM

WITH A POPULATION of 82 million, Viet Nam has an average national income of USD 720 per person (gross domestic product per capita, 2005). In 2005, 10% of the population fell beneath the national poverty line. Total net official development assistance (ODA) to Viet Nam in 2004 was USD 1 830 million, which amounted to 4% of gross national income. A total of 33 donors responded to the baseline survey; together, they provide at least 95% of ODA.

Viet Nam is at the forefront of efforts to implement the Paris Declaration, and has embraced the global agenda. In 2005, the government and donors produced the Hanoi Core Statement (HCS) on Aid Effectiveness which translates the Paris Declaration into "Partnership Commitments" for Viet Nam. The Hanoi Core Statement includes 14 indicators with indicative targets for 2010. In many cases, these targets are more ambitious than those in the Paris Declaration. The Hanoi Core Statement is now being monitored alongside the Paris Declaration in Viet Nam.

OVERVIEW Box 32.1 Challenges and priority actions

DIMENSIONS	BASELINE	CHALLENGES	PRIORITY ACTIONS
Ownership	Strong	Government dissemination of Paris Declaration and Hanoi Core Statement principles to sectors and provinces.	Government to continue to broaden and deepen the dissemination process.
Alignment	Moderate	Certain donors bound by their institutional limitations on the greater use of budget support and government systems. No incentives system in place within donor systems to reward implementation of the Paris Declaration.	Donors to review policy coherence and corporate incentive mechanisms against Paris agenda.
Harmonisation	Moderate	Limited use of programme-based approaches. Limited donor co-ordination of missions and shared analysis.	Donors to consider greater use of programme-based approaches. Donors to co-ordinate missions and share analysis.
Managing for results	Strong	Lack of tools and capacity for government in monitoring and evaluation of programme-based approaches. Lack of harmonised sector indicators linked with the National Development Plan, Viet Nam Development Goals and Millennium Development Goals.	Strengthen tools and donor support for government capacity, building in the management and use of such tools.
Mutual accountability	Strong	Complementarity of mutual assessments of Paris Declaration targets and local aid effectiveness targets.	Conduct broad-based mutual assessments.

OWNERSHIP

OWNERSHIP IS CRUCIAL TO AID EFFECTIVENESS and good development results, and is central to the Paris Declaration. It has been defined in terms of a country's ability to exercise effective leadership over its development policies and strategies. Achieving this is not a simple undertaking. Nor, of course, can it be measured by a single indicator. Country ownership of development plans is an essential building block, without which there will be little alignment of aid with national priorities. Donors will only align their assistance when governments set out clear priorities and operational strategies – this is the main focus of Indicator 1 of the Paris Declaration.

INDICATOR 1

Viet Nam has a strong record of effective policy making, and the government takes the lead in managing its aid resources. The country has a range of well-developed plans that guide policy formulation. The Socio-Economic Development Strategy (2001-10) sets out the government's vision, built on the transition to a market economy, pro-poor investment in rural areas and poorer regions, and reforms to the country's governance structure. This vision is translated into policy by the Socio-Economic Development Plan 2006-2010 (SEDP), which also serves as Viet Nam's Poverty Reduction Strategy. Viet Nam's objective is to move into the group of middle-income countries by 2010, and the SEDP sets out a comprehensive strategy for achieving this. It identifies four main challenges for the country: improving the business environment, strengthening social inclusion, strengthening natural resource/environmental management and improving governance. This is supported by five-year sectoral plans and provincial development plans. The government is in the process of rolling out the Comprehensive Poverty Reduction and Growth Strategy to all provinces and cities, and is establishing a facility for strengthening provincial planning reforms.

The SEDP aims to achieve 12 Viet Nam Development Goals by 2010. These goals were developed after substantial joint analytical work by government, donors and non-governmental organisations. The government prepares its budgets guided by the SEDP, and ensures that these budgets reflect the medium-term perspective. A Medium-Term Expenditure Framework (MTEF) has been adopted for 2006-08, and line ministries are now preparing 2006-10 budget frameworks based on the SEDP. Sectoral and provincial MTEFs are being piloted – an important process, given that almost half of Viet Nam's budget resources are allocated at a local level.

Viet Nam received a B rating in the World Bank's 2005 Comprehensive Development Framework assessment, which provides the baseline for Indicator 1. This meets the target of having largely developed operational development strategies, but Viet Nam should aim to achieve an A rating by 2010. The priority for Viet Nam in improving its rating for Indicator 1 is to continue to refine the budget process, especially at the local level, so that development plans and strategies can be implemented on the ground.

OTHER ASPECTS OF OWNERSHIP

According to the World Bank's Aid Effectiveness Review (AER), government leadership and co-ordination of development assistance is strong. Annual Consultative Group meetings and the ongoing Partnership Group on Aid Effectiveness institutionalise a strong government-led partnership.

In terms of broader stakeholder participation and ownership, it is notable that in Viet Nam, Consultative Group meetings include civil-society and private-sector representatives. These sectors were also at the table when the national development plan was drawn up. Parliamentary involvement is said to be strengthening.

ALIGNMENT

THE GOVERNMENT IS WORKING to ensure that aid is used to support its policies and institutions. A Strategic Framework for ODA Mobilisation and Utilisation is currently being designed for the years 2006-10 to provide a focal point for alignment, and many of the alignment targets set by the HCS go beyond those included in the Paris Declaration. Viet Nam has in place several of the elements needed for alignment. It has well-developed country systems – particularly for public procurement and investment monitoring. Recent initiatives between the government and donors to develop the Aligned Monitoring Format (for monitoring disbursement, process and performance data) have set the stage for consistent and aligned data gathering for monitoring. Nevertheless, there remains considerable room for donors to make greater use of the country's systems.

BUILDING RELIABLE COUNTRY SYSTEMS

INDICATOR 2a

Indicator 2a assesses the quality of Viet Nam's public financial management (PFM) systems, using the World Bank's Country Policy and Institutional Assessment (CPIA Indicator 13). In 2005 Viet Nam's rating was 4.0 on a six-point scale (ranging from a low of 1 to a high of 6).

According to the AER, the government is making headway in its efforts to improve public financial management and budget execution. The 2004 State Budget Law created a single Treasury account, allowing the Treasury to monitor expenditures more effectively. The State Audit of Viet Nam has been established as an independent agency reporting to the National Assembly, and the government has issued a new Accounting Law. Budget transparency has been improved as well: planned and actual budgets, at central and provincial levels, were disclosed for the first time in 2005. Staff have completed the overall design of an integrated Treasury and Budget Management Information System, and the first phase is expected to become operational in 2009. If the government can sustain these PFM reforms, Viet Nam should be able to meet the 2010 target of 4.5 on CPIA Indicator 13. Improvements in PFM systems will no doubt be supported by ongoing efforts to tackle corruption – an Anti-Corruption Law was approved in November 2005.

INDICATOR 2b

No score is currently available for Indicator 2b on the quality of Viet Nam's procurement systems. The AER points out, however, that a new Procurement Law became effective in April 2006; it includes provisions to increase transparency and competition in public procurement. The government is currently working on an implementation plan for this law. A Public Procurement Bulletin has been in place since April 2005 for the publication of information on bidding opportunities and contract awards, and the government is building a public procurement monitoring system according to international guidelines.

INDICATOR 3
Table 32.1

Are government budget estimates comprehensive and realistic?

	Government's budget estimates of aid flows for FY05 (USD m) a	Aid disbursed by donors for government sector in FY05 (USD m) b	Baseline ratio* (%) c=a/b	c=b/a
Asian Dev. Bank	227	232	98%	
Australia	6	43	14%	
Belgium	2	16	14%	
Canada	15	18	82%	
Czech Republic	0	1	59%	
Denmark	18	66	28%	
European Commission	20	45	44%	
Finland	6	16	36%	
France	29	62	47%	
GAVI Alliance	0	3	0%	
Germany	28	46	61%	
Global Fund	3	12	22%	
Hungary	0	1	0%	
IFAD	8	9	85%	
IMF	0	0	--	
Italy	2	6	35%	
Japan	640	667	96%	
Korea	2	9	23%	
Luxembourg	1	9	12%	
Netherlands	27	39	69%	
New Zealand	2	3	58%	
Norway	15	16	96%	
OPEC Fund	6	0		0%
Spain	6	7	74%	
Sweden	17	34	51%	
Switzerland	6	9	71%	
United Kingdom	64	104	61%	
United Nations	21	36	58%	
United States	7	23	29%	
World Bank	385	409	94%	
Total	**1 563**	**1 941**	**81%**	

* Baseline ratio is c = a / b except where government's budget estimates are greater than disbursements (c = b /a).

ALIGNING AID FLOWS ON NATIONAL PRIORITIES

Donors agreed in 2005 to align their work with the 2006-2010 Socio-Economic Development Plan, and all major donors have revised their assistance strategies accordingly, or are in the process of doing so. Indicator 3 – measuring the proportion of for-government aid which is reported in the country's budget – is a proxy for measuring alignment.

The table here provides the government's budget estimates of aid flows for fiscal year 2005 (numerator) as a percentage of aid disbursed by donors for the government sector for the same period (denominator). This ratio tells us the degree to which there is a discrepancy between budget estimates and actual disbursements. The discrepancy can be in two directions: indeed budget estimates can be either higher or lower than disbursements. In order to have a single measure of discrepancy that is always less than 100%, the ratio is flipped when budget estimates are higher than disbursements. The baseline value for Indicator 3 in Viet Nam is 81%. Achieving the target agreed in Paris of 90% (halving the gap) for this indicator will require concerted efforts by donors and government.

The budget recording gap in Viet Nam is 19%. This gap is explained by a number of factors: some aid recorded by donors is channelled through non-government systems, some donors do not use the same financial years as the government, there can be a lack of timely information on planned disbursements from some donors, and there can be a shortage of comprehensive reporting of aid flows within the government. A new online

Development Assistance Database should help to improve access to information on aid flows in Viet Nam. The ODA on-budget Thematic Working Group of the Partnership Group on Aid Effectiveness has been established to analyse problems with on-budget reporting of aid and to make recommendations for action to government and donors. These processes should help Viet Nam meet the 2010 target.

CO-ORDINATING SUPPORT TO STRENGTHEN CAPACITY

The government has identified capacity building as a key priority, and the development plan pinpoints a number of detailed objectives in this area. The HCS includes a target that all technical assistance be co-ordinated with country programmes by 2010, going beyond the target of 50% included in the Paris Declaration.

According to donor estimates, 85% of technical assistance is already co-ordinated in Viet Nam ("co-ordinated" was taken to mean that a programme was delivered through government-led capacity-building programmes). However, government officials suggest that only a third of donors channel their assistance through genuinely country-led programmes, arguing that most technical assistance projects remain donor-led. Government and donors will need to come to an agreement on criteria for co-ordinated technical assistance.

Whatever the true figure for Indicator 4, Viet Nam needs to move ahead in this area if it is to meet the HCS target of 100% co-ordinated technical assistance. Under government leadership, a number of co-ordinated programmes are already in place, including the Comprehensive Capacity Building Programme to Improve ODA Management. Donors and government should look to expand these approaches, as the government strengthens its own capacity to formulate and implement capacity-building programmes.

INDICATOR 4
Table 32.2

How much technical assistance is co-ordinated with country programmes?

	Co-ordinated technical co-operation (USD m) a	Total technical co-operation (USD m) b	Baseline ratio (%) c=a/b
Asian Dev. Bank	9	9	100%
Australia	8	30	27%
Belgium	11	12	92%
Canada	2	7	21%
Czech Republic	1	1	100%
Denmark	2	22	8%
European Commission	25	25	100%
Finland	5	12	43%
France	5	13	40%
GAVI Alliance	0	0	--
Germany	13	14	96%
Global Fund	0	0	--
Hungary	0	0	75%
IFAD	--	0	--
IMF	0	0	--
Italy	0	0	91%
Japan	482	482	100%
Korea	8	8	100%
Luxembourg	0	2	0%
Netherlands	10	19	50%
New Zealand	1	2	21%
Norway	16	16	100%
OPEC Fund	0	2	0%
Spain	3	3	100%
Sweden	16	16	100%
Switzerland	1	9	13%
United Kingdom	40	40	100%
United Nations	19	33	56%
United States	0	23	0%
World Bank	25	27	93%
Total	**702**	**827**	**85%**

USING COUNTRY SYSTEMS

The Paris Declaration encourages donors to make increasing use of a country's systems where these provide assurance that aid will be used for agreed purposes. Indicator 5 looks in particular at donors' use of countries' PFM and procurement systems.

On average, 32% of aid for the government sector uses government's budget execution, financial reporting and audit systems. Given that Viet Nam scores 4.0 on Indicator 2a, the targets for 2010 on Indicator 5a are that 55% of aid makes use of national PFM systems (on average across the three systems in question), and that 90% of donors make use of all three systems for at least some projects/programmes. The HCS targets are that more than 50% of aid uses national PFM systems and that more than 50% of donors use them for more than 50% of their aid.

INDICATOR 5
Table 32.3

How much aid for the government sectors uses country systems?

	Aid disbursed by donors for government sector (USD m) a	Public financial management				Procurement	
		Budget execution (USD m) b	Financial reporting (USD m) c	Auditing (USD m) d	Baseline ratio (%) avg (b,c,d) / a	Procurement systems (USD m) e	Baseline ratio (%) e /a
Asian Dev. Bank	232	232	96	96	61%	110	48%
Australia	43	0	1	1	1%	4	9%
Belgium	16	0	0	0	0%	1	7%
Canada	18	9	9	9	51%	9	51%
Czech Republic	1	0	0	0	0%	0	0%
Denmark	66	1	2	1	2%	1	1%
European Commission	45	18	18	18	40%	20	44%
Finland	16	4	4	4	24%	7	41%
France	62	7	49	0	30%	49	79%
GAVI Alliance	3	0	0	3	33%	1	30%
Germany	46	16	8	8	24%	0	0%
Global Fund	12	12	0	0	33%	0	0%
Hungary	1	0	0	0	0%	0	0%
IFAD	9	0	9	9	67%	0	0%
IMF	0	0	0	0	--	0	--
Italy	6	1	1	1	22%	4	65%
Japan	667	204	204	204	31%	204	31%
Korea	9	0	0	0	0%	0	0%
Luxembourg	9	0	0	0	0%	0	0%
Netherlands	39	17	17	17	43%	39	100%
New Zealand	3	0	0	0	3%	0	8%
Norway	16	9	9	1	40%	9	56%
OPEC Fund	0	0	0	0	--	0	--
Spain	7	3	3	3	34%	6	78%
Sweden	34	8	25	0	32%	5	16%
Switzerland	9	0	--	0	--	1	11%
United Kingdom	104	65	65	65	62%	65	62%
United Nations	36	7	7	8	20%	6	15%
United States	23	0	0	0	0%	0	0%
World Bank	409	95	95	95	23%	95	23%
Total	**1 941**	**707**	**622**	**542**	**32%**	**635**	**33%**

Of the aid using Vietnamese PFM systems, just over half took the form of budget support. Of non-budget support aid, only 14% used government PFM systems. A substantial proportion of donors are expected to increase their use of national PFM systems, mostly through budget support, which should help Viet Nam meet both the Paris and HCS targets, although some donors are likely to face ongoing restrictions in their use of national PFM systems due to their own legislative or regulatory standards. The government also recognises the need to continue improvements to its PFM systems (see above). Both donors and government should explore ways to expand the use of national PFM systems for non-budget support aid.

One-third of aid uses Vietnamese procurement systems. As with PFM systems, more than half of the aid which uses national procurement systems is budget support. Without data on Indicator 2b, no target can currently be set for Indicator 5b under the Paris Declaration, but the work of the Procurement Thematic Group co-chaired by the government and donors should support progress towards HCS targets for more than 50% of aid to use national procurement systems, and for more than 50% of donors to use them for more than 50% of their aid.

AVOIDING PARALLEL IMPLEMENTATION STRUCTURES

The Paris Declaration calls on donors to avoid, to the maximum extent possible, creating dedicated structures for day-to-day management of aid-financed projects and programmes. The Paris Declaration Baseline Survey for Viet Nam shows that donors – according to their own reports – have established a large number of parallel project implementation units (PIUs), 111 in total. The HCS sets an ambitious target of eliminating parallel PIUs entirely by 2010, while the target under the Paris Declaration is to reduce their number to 37 or less by 2010.

Donors and government agree that parallel PIUs represent a misuse of resources, but in some cases donors may have legitimate reasons for setting up their own PIUs. Such reasons might include: quicker implementation, specific reporting and management requirements, and a lack of confidence in government systems. The government however, remains keen to reduce the number of parallel PIUs. With a determined approach, and with the co-operation of donors, it seems probable that good progress will be made towards the Paris Declaration target.

INDICATOR 6
Table 32.4

How many PIUs are parallel to country structures?

	Parallel PIUs (units)
Asian Dev. Bank	0
Australia	16
Belgium	8
Canada	11
Czech Republic	0
Denmark	17
European Commission	1
Finland	4
France	11
GAVI Alliance	0
Germany	0
Global Fund	0
Hungary	0
IFAD	0
IMF	0
Italy	0
Japan	0
Korea	0
Luxembourg	0
Netherlands	0
New Zealand	0
Norway	0
OPEC Fund	0
Spain	0
Sweden	8
Switzerland	--
United Kingdom	0
United Nations	--
United States	35
World Bank	--
Total	**111**

INDICATOR 7
Table 32.5

Are disbursements on schedule and recorded by government?

	Disbursements recorded by government in FY05 (USD m) a	Aid scheduled by donors for disbursement in FY05 (USD m) b	Aid actually disbursed by donors in FY05 (USD m) FOR REFERENCE ONLY	Baseline ratio* (%) c=a/b	c=b/a
Asian Dev. Bank	232	234	232	99%	
Australia	6	44	43	14%	
Belgium	2	25	16	9%	
Canada	15	32	18	47%	
Czech Republic	0	1	1	40%	
Denmark	18	66	66	28%	
European Commission	20	46	45	43%	
Finland	6	16	16	36%	
France	29	71	62	41%	
GAVI Alliance	0	2	3	0%	
Germany	28	34	46	83%	
Global Fund	3	10	12	25%	
Hungary	0	1	1	0%	
IFAD	8	10	9	79%	
IMF	0	--	0		
Italy	2	--	6		
Japan	640	674	667	95%	
Korea	2	9	9	22%	
Luxembourg	1	10	9	11%	
Netherlands	27	39	39	69%	
New Zealand	2	3	3	58%	
Norway	15	15	16		98%
OPEC Fund	6	--	0		
Spain	6	7	7	74%	
Sweden	17	34	34	51%	
Switzerland	6	9	9	71%	
United Kingdom	64	103	104	62%	
United Nations	21	41	36	50%	
United States	7	23	23	29%	
World Bank	385	454	409	85%	
Total	**1 568**	**2 013**	**1 941**		**78%**

* Baseline ratio is c = a / b except where disbursements recorded by government are greater than aid scheduled for disbursement (c = b /a).

PROVIDING MORE PREDICTABLE AID

Improving the predictability of support is a challenge, as is the measurement of performance in this regard. Indicator 7 focuses on the government's ability to record disbursements in its accounting system for the appropriate year.

The table looks at predictability from two different angles. The first angle is donors' and government's combined ability to disburse aid on schedule. In Viet Nam, donors scheduled USD 2 013 million for disbursement in 2005 and actually disbursed – according to their own records – a little less than expected (USD 1 941 million). The discrepancy varies considerably among donors. The second angle is donors' and government's ability to record comprehensively disbursements made by donors for the government sector. In Viet Nam, government systems recorded USD 1 568 million out of the USD 1 941 million notired as disbursed by donors (81%) indicating that a number of disbursements were not captured either because they were not appropriately notified by donors or because they were inaccurately recorded by government.

Indicator 7 on predictability has been designed to encourage progress against both of these angles so as to gradually close the predictability gap by half by 2010. In other words it seeks to improve not only the predictability of actual disbursements but also the accuracy of how they are recorded in government systems – an important feature of ownership, accountability and transparency.

In Viet Nam, this combined predictability gap amounts to USD 445 million (22% of aid). Closing this predictability gap will require donors and government to work increasingly together on various fronts at the same time. Actions might include efforts in improving:

- The realism of predictions on volume and timing of expected disbursements.
- The way donors notify their disbursements to government.
- The comprehensiveness of government's records of disbursements made by donors.

In Viet Nam specific challenges include inconsistencies and gaps in the legal and institutional frameworks for managing ODA funds, weak co-ordination between donors and government in preparing realistic disbursement plans, and gaps between donor and government PFM and procurement systems. Donors have pledged to provide reliable multi-year indicative commitments, and to release aid in a timely and predictable fashion. The government, for its part, is seeking to improve its performance in terms of reporting aid in its national accounting system. With a determined effort, the Paris 2010 target is achievable.

UNTYING AID

INDICATOR 8

According to OECD data covering 89% of 2004 commitments, 67% of aid to Viet Nam is untied. This is encouraging, although there remains room for further progress.

HARMONISATION

HARMONISATION OF DONOR PRACTICES and procedures can enhance aid effectiveness. In Viet Nam, despite the sound foundations for aid effectiveness provided by strong country ownership and concerted government-led efforts on alignment, the harmonisation picture is less rosy. Relatively little use is made of programme-based approaches, and the proportions of shared missions and country analysis fall short of the 2010 targets. Donors in particular need to work hard to deliver harmonisation. There has been some progress with harmonisation of monitoring and evaluation systems – with major donors all adopting the government's monitoring format set out in the recently issued Decree 121.

INDICATOR 9
Table 32.6

How much aid is programme based?

	Budget support (USD m) a	Other PBAs (USD m) b	Total (USD m) c=a+b	Total disbursed (USD m) d	Baseline ratio (%) e=c/d
Asian Dev. Bank	96	--	96	232	41%
Australia	--	14	14	43	32%
Belgium	0	16	16	16	100%
Canada	9	5	15	30	48%
Czech Republic	--	--	--	1	--
Denmark	1	5	6	66	9%
European Commission	20	1	21	45	46%
Finland	0	1	1	16	3%
France	27	13	39	62	63%
GAVI Alliance	0	1	1	3	30%
Germany	8	--	8	46	18%
Global Fund	--	12	12	12	100%
Hungary	--	--	--	1	--
IFAD	--	--	--	9	--
IMF	--	--	--	0	--
Italy	--	--	--	6	--
Japan	23	200	223	667	33%
Korea	--	--	--	9	--
Luxembourg	--	--	--	9	--
Netherlands	17	--	17	39	43%
New Zealand	--	--	--	3	--
Norway	1	0	2	16	11%
OPEC Fund	--	--	--	0	--
Spain	3	--	3	7	34%
Sweden	0	0	0	36	0%
Switzerland	0	--	0	9	5%
United Kingdom	38	27	64	104	61%
United Nations	--	34	34	36	94%
United States	--	--	--	23	--
World Bank	95	--	95	409	23%
Total	**337**	**328**	**665**	**1 956**	**34%**

USING COMMON ARRANGEMENTS

If donors use common arrangements, such as programme-based approaches (PBAs) for their aid, this can reduce the transaction costs that fall on the government. Indicator 9 of the Paris Declaration measures the proportion of aid that is programme based. Viet Nam's donors did face some difficulties in classifying their aid programmes as programme based or otherwise, but the baseline figure as reported is 34%, with most delivered as direct budget support. This is a long way from the 2010 Paris Declaration target of 66%, and from the HCS target of 75%.

However, donors are providing a greater proportion of their aid through PBAs, and are working with government to formulate a common policy framework supported by joint funding mechanisms. As the AER notes, these efforts are beginning to bear fruit in the education, health and forestry sectors, suggesting that sustained progress towards the targets is on the horizon.

CONDUCTING JOINT MISSIONS AND SHARING ANALYSIS

Some 791 donor missions to Viet Nam took place in the reporting year. This number of donor missions is likely to impose a considerable burden on the Vietnamese authorities. Only 10% of these missions were co-ordinated, leaving Viet Nam some way short of the 40% target.

Efforts are being made to reduce the number of missions, and to increase the proportion of them that are co-ordinated, with several countries seeking to schedule joint programme evaluation missions. However, this has not been easy: donors' specific interests, language issues and internal procedures make conducting joint missions problematic. For its part, the government is establishing an information-exchange platform, and hopes that an increasing level of delegation to country offices will reduce the difficulties faced in scheduling missions.

INDICATOR 10a
Table 32.7

How many donor missions are co-ordinated?

	Co-ordinated donor missions (missions) a	Total donor missions (missions) b	Baseline ratio (%) c=a/b
Asian Dev. Bank	2	106	2%
Australia	0	8	0%
Belgium	0	9	0%
Canada	4	11	36%
Czech Republic	--	--	--
Denmark	4	19	21%
European Commission	3	15	20%
Finland	3	9	33%
France	0	200	0%
GAVI Alliance	0	0	--
Germany	6	35	17%
Global Fund	0	2	0%
Hungary	--	1	--
IFAD	4	4	100%
IMF	6	13	46%
Italy	0	0	--
Japan	0	76	0%
Korea	0	13	0%
Luxembourg	0	5	0%
Netherlands	0	0	--
New Zealand	--	--	--
Norway	2	2	100%
OPEC Fund	--	0	--
Spain	0	4	0%
Sweden	--	--	--
Switzerland	--	--	--
United Kingdom	15	15	100%
United Nations	9	17	53%
United States	9	27	33%
World Bank	50	200	25%
Total	**76**	**791**	**10%**

* The total of co-ordinated missions has been adjusted to avoid double counting. A discount factor of 35% has been applied.

INDICATOR 10b
Table 32.8

How much country analysis is co-ordinated?

	Co-ordinated donor analytical work * (units) a	Total donor analytical work (units) b	Baseline ratio (%) c=a/b
Asian Dev. Bank	0	5	0%
Australia	0	15	0%
Belgium	0	2	0%
Canada	0	0	--
Czech Republic	--	--	--
Denmark	2	2	100%
European Commission	4	4	100%
Finland	0	2	0%
France	0	1	0%
GAVI Alliance	0	0	--
Germany	2	3	67%
Global Fund	0	0	--
Hungary	--	--	--
IFAD	0	0	--
IMF	--	--	--
Italy	0	0	--
Japan	0	0	--
Korea	0	0	--
Luxembourg	1	1	100%
Netherlands	0	1	0%
New Zealand	1	1	100%
Norway	1	1	100%
OPEC Fund	--	--	--
Spain	0	4	0%
Sweden	5	8	63%
Switzerland	1	1	100%
United Kingdom	10	10	100%
United Nations	4	23	17%
United States	8	55	15%
World Bank	7	8	88%
Total	**35**	**144**	**24%**

* The total of co-ordinated analysis has been adjusted to avoid double counting. A discount factor of 25% has been applied.

Similarly, for country analysis, there is a considerable gap to close before the 2010 target of 66% will be reached. Most donors use the core diagnostic work prepared by the World Bank, Asian Development Bank and UNDP, but there is little sharing of individual country analyses. The government recognises that donors are reluctant to use its own country analysis because of its limited quality and outdated data, and is working hard to strengthen its own analytical capacities and to co-ordinate information sharing with donors and among government agencies. Some progress is being made in this regard with, for instance, 64 items of analysis posted on *www.countryanalyticwork.net*.

MANAGING FOR RESULTS

THE PARIS DECLARATION calls for partner countries and donors to work together to manage resources on the basis of desired results and use information to improve decision making. This means both strengthening the capacity to undertake such management and helping to increase the demand for a focus on results. Indicator 11 focuses on one component of this effort: the establishment of a cost-effective results-oriented reporting and assessment system by the country.

The rating given to Viet Nam's reporting and assessment system by the World Bank as part of the Comprehensive Development Framework assessment is C. This puts the 2010 Paris target of a B or better within reach.

As the AER notes, the government is taking action to improve the quality and availability of data, ensuring that regular surveys take place. Recent initiatives between the government and donors to develop the Aligned Monitoring Format (for disbursement, process and performance data) have set the stage for improved flow of data from both donor agencies and government institutions from late 2005. The Development Assistance Database (a government system presenting ODA investments and donor disbursement data) has been established to increase accountability and transparency. The public availability of information about development is also improving, with the media giving significant attention to development and aid effectiveness issues. The AER also reports that the government has made "a tremendous effort" to develop a results-based framework for the monitoring and evaluation of the national development plan.

INDICATOR 11

MUTUAL ACCOUNTABILITY

INDICATOR 12

THE PARIS DECLARATION calls for donors and partner countries to be accountable to each other for the use of development resources, and in a way that tends to strengthen public support for national policies and development assistance. Thus governments must take steps to improve country accountability systems and donors must be transparent about their own contributions. The indicator examines whether there exists a country-level mechanism permitting joint assessment of progress in implementing agreed commitments on aid effectiveness, including those in the Declaration itself.

The survey response reports that a mutual assessment of progress towards aid effectiveness commitments has been carried out, based on the efforts made to establish mutual accountability and assessment as part of the process of agreeing on the Hanoi Core Statement on Aid Effectiveness.

BASELINES AND TARGETS

THE TABLE BELOW presents the 2005 baselines and targets for Viet Nam. The information is discussed in detail in the above chapter and draws from various sources of information. The main source is the baseline survey undertaken in Viet Nam under the aegis of the National Co-ordinator (Pham Thi Thanh An).

Table 32.9 Baselines and targets

INDICATORS		2005 BASELINE	2010 TARGET
1	Ownership – Operational PRS	B	A
2a	Quality of PFM systems	4.0	4.5
2b	Quality procurement systems	Not available	Not applicable
3	Aid reported on budget	81%	90%
4	Co-ordinated capacity development	85%	50%
5a	Use of country PFM systems (aid flows)	32%	55%
5b	Use of country procurement systems (aid flows)	33%	Not applicable
6	Parallel PIUs	111	37
7	In-year predictability	78%	89%
8	Untied aid	67%	More than 67%
9	Use of programme-based approaches	34%	66%
10a	Co-ordinated missions	10%	40%
10b	Co-ordinated country analytical work	24%	66%
11	Sound performance assessment framework	C	B or A
12	Reviews of mutual accountability	Yes	Yes

ACRONYMS

AER Aid Effectiveness Review
CPIA Country Policy and Institutional Assessment
HCS Hanoi Core Statement
MTEF Medium-Term Expenditure Framework
ODA official development assistance
PBA programme-based approach
PFM public financial management
PIU project implementation unit
SEDP Socio-Economic Development Plan

33 YEMEN

YEMEN IS A LEAST DEVELOPED COUNTRY with a population of 20 million, where the average annual income is USD 570 (gross national income per capita, 2004). Poverty rates stood at around 36% of the total population in 2005, down from 39% in 2000. Over the period 1990-2004, official development assistance (ODA) averaged around USD 260 million a year. Modest levels of budget support (about USD 12 million in total) were intermittently provided by one donor over 1996-2001, but this was discontinued. ODA support has been on the rise in recent years. Fourteen donors responded to the 2006 survey; together they account for around 98% of ODA. The results of the baseline survey, and progress in the following years, should shed some light on how donors and government react in a situation where aid flows are unpredictable and flexibly channelled.

OVERVIEW
Box 33.1
Challenges and priority actions

DIMENSIONS	BASELINE	CHALLENGES	PRIORITY ACTIONS
Ownership	Low	Medium-term plans insufficiently integrated with long-term vision.	Adopt a Medium-Term Expenditure Framework to better link plans to budgets.
Alignment	Low	Donors make limited use of unreliable country systems, and aid is not recorded in accounting and budget systems.	Government should establish an integrated financial management system, and implement the Public Financial Management Action Plan.
Harmonisation	Moderate	Room for progress on use of programme-based approaches.	Extend use of programme-based approaches, building on progress in education, water and environment sectors.
Managing for results	Low	Stakeholder access to development information is poor.	Integrate existing monitoring and evaluation systems.
Mutual accountability	Moderate	No mutual assessments have taken place.	Aid Harmonization and Alignment Unit should establish mechanisms for country-level joint monitoring of Paris Declaration commitments.

OWNERSHIP

INDICATOR 1

Ownership is crucial to aid effectiveness and good development results, and is central to the Paris Declaration. It has been defined in terms of a country's ability to exercise effective leadership over its development policies and strategies. Achieving this is not a simple undertaking, especially in countries that rely heavily on aid to finance their development. Nor, of course, can it be measured by a single indicator. Indicator 1 provides an entry point to the issue of ownership, focusing in particular on whether a country has an operational development strategy, with which donors can align their development assistance.

Yemen receives a C rating for its development strategies in the World Bank's 2005 Comprehensive Development Framework assessment, along with 58% of the countries sampled. This assessment is made on the basis of a range of criteria: whether the

country has a long-term vision, with medium-term strategy derived from that vision; whether there are country-specific development targets with holistic, balanced and well-sequenced strategy; and whether there are the capacity and resources for implementation.

The country's long-term vision is set out in the Strategic Vision 2025, which aims to elevate Yemen's international ranking to that of a "medium human development" country by 2025. The Strategic Vision is widely recognised as the reference point for policy makers; it guided both the Second National Development Plan: 2001-05 and the new Five-Year Socio-Economic Development Plan for Poverty Reduction (DPPR), 2006-10. The DPPR describes economic growth and poverty reduction as its main goals. Medium-term plans are increasingly in line with the long-term vision. Sectoral and cross-sectoral strategies have been prepared for higher education, basic education, water and sanitation, women's development, governance reforms and economic reforms. Others, for decentralisation and secondary education, are being drawn up.

The country's goals, as set out in the Vision and the DPPR, are consistent with the Millennium Development Goals (MDGs), but most of the MDG targets – including on poverty reduction – are proving overambitious. Yemen is currently on target with only two of its MDGs, and a recent MDG Needs Assessment Report concluded that Yemen is in need of USD 5 billion a year in investments over 2005-15 in order to achieve its MDGs.

The DPPR is supplemented by a comprehensive Public Investment Programme that includes detailed projects covering priority sectors included in the new Plan. This Programme (2007-10) is the first of its kind in Yemen

OTHER ASPECTS OF OWNERSHIP

The government is making efforts to take charge of the co-ordination of external assistance, and in 2005 – with the support of UNDP and DFID – established an Aid Harmonization and Alignment Unit to strengthen co-ordination. The Unit was instrumental in the development of a National Aid Policy Paper during 2006, the first draft of which is already complete.

Civil society has participated in the revision and implementation of the DPPR, and efforts have been made to increase private-sector participation. Parliament was significantly involved in the formulation of the Vision, and fully engaged in the review and approval process for the DPPR by September 2006.

ALIGNMENT

For aid to be effective, it must be aligned with national development strategies and plans. Indicators 2 to 8 of the Paris Declaration seek to assess the degree of alignment attained, looking at a number of dimensions of alignment. In Yemen, there is little alignment. As country systems are relatively weak, donors make little use of them. In addition, aid is not reported in the budget or recorded in national accounting systems. Substantial input is needed in building reliable country systems, and in improving the systems for managing financial information.

BUILDING RELIABLE COUNTRY SYSTEMS

INDICATOR 2a

Yemen's public financial management (PFM) systems receive a rating of 3.0 under the World Bank's Country Policy and Institutional Assessment (CPIA) for 2005. This is marginally below the average of 3.2 for all International Development Association (IDA) borrowers.

The World Bank's Aid Effectiveness Review for 2006 reports that some steps are being taken to strengthen the country's fiduciary systems, with the government having approved, in 2005, a Public Financial Management Reform Strategy. However, implementation of the strategy has been delayed,

in part because of lack of consensus about the independence of the Central Organization for Control and Audit, the country's supreme audit institution. There are also concerns about the poor quality of audits, due to capacity constraints. The government is establishing an Accounting and Financial Management Information System, but has yet to set up an integrated financial management system.

INDICATOR 2b

On procurement, a programme of reform has been launched, and a new procurement law was expected to be finalised in 2006. Corruption is seen to be a major challenge, and the Aid Effectiveness Review reports that only "limited action" has been taken to address it.

If the country's PFM systems are to attain a rating of 3.5 by 2010 – the Paris Declaration target for Yemen – substantial effort will be needed, particularly in the areas of audit systems and an integrated financial management system.

ALIGNING AID FLOWS ON NATIONAL PRIORITIES

Indicator 3 seeks to assess the degree to which aid flows are aligned with national priorities, using the proportion of aid which is recorded in the budget as a proxy. For Yemen, while the World Bank's Aid Effectiveness Review for 2006 reports that "external partners are coalescing around country objectives", according to the baseline survey, no aid is recorded in the budget.

The table provides government's budget estimates of aid flows for fiscal year 2005 (numerator) as a percentage of aid disbursed by donors for the government sector for the same period (denominator). This ratio tells us the degree to which there is a discrepancy between budget estimates and actual disbursements. The discrepancy can be in two directions: indeed budget estimates can be either higher or lower than disbursements. In order to have a single measure of discrepancy that is always less than 100%, the ratio is flipped when budget estimates are higher than disbursements.

INDICATOR 3
Table 33.1

Are government budget estimates comprehensive and realistic?

	Government's budget estimates of aid flows for FY05 (USD m) a	Aid disbursed by donors for government sector in FY05 (USD m) b	Baseline ratio* (%) c=a/b c=b/a
Arab Fund	0	13	0%
European Commission	0	29	0%
France	0	1	0%
GAVI Alliance	0	5	0%
Germany	0	37	0%
Global Fund	0	5	0%
IFAD	0	5	0%
Italy	0	2	0%
Japan	0	7	0%
Netherlands	0	19	0%
United Kingdom	0	12	0%
United Nations	0	40	0%
United States	0	35	0%
World Bank	0	130	0%
Total	**0**	**341**	**0%**

* Baseline ratio is c = a / b except where government's budget estimates are greater than disbursements (c = b /a).

This state of play is explained by the fact that there is no mechanism for the systematic inclusion of donor funds in the annual budget. Aid has been partially reported under national expenditure reports, but not in annual budgets. If a new automated financial accounting system is quickly put in place, and a donor database established, then substantial progress towards the 2010 target of 85% should be possible. The fact that the new national development plan – which will also be the Poverty Reduction Strategy – includes a clearer funding requirement from donors should also help. However, any delays in implementation will undermine the likelihood of reaching the target.

INDICATOR 4
Table 33.2

How much technical assistance is co-ordinated with country programmes?

	Co-ordinated technical co-operation (USD m) a	Total technical co-operation (USD m) b	Baseline ratio (%) c=a/b
Arab Fund	0	0	--
European Commission	0	15	0%
France	0	3	9%
GAVI Alliance	0	0	--
Germany	1	15	9%
Global Fund	0	0	--
IFAD	0	0	--
Italy	1	1	87%
Japan	0	3	0%
Netherlands	0	2	0%
United Kingdom	1	1	99%
United Nations	14	62	23%
United States	2	24	10%
World Bank	3	15	18%
Total	**23**	**140**	**16%**

CO-ORDINATING SUPPORT TO STRENGTHEN CAPACITY

Under the Paris Declaration, donors are committed to providing technical assistance in a manner that is co-ordinated with country programmes and priorities for capacity building. The baseline survey for Yemen shows that only 16% of technical assistance was provided in this manner.

There are some positive signs in sectors including education, and water and sanitation. And the fact that the new national development plan includes a capacity-building strategy is encouraging. However, reaching the 2010 target of 50% will be a stretch.

USING COUNTRY SYSTEMS

Under the Paris Declaration, donors are committed to making increased use of country systems where those systems are of sufficient quality to merit their use. In Yemen, where PFM systems receive a rating of only 3.0, donors make limited use of country systems. The baseline survey shows that only 10% of aid for the government sector makes use of all three PFM system components at the same time, with the average use – across the three components – amounting to 10%.

As the country received a low rating for the quality of its PFM systems, no target for use of PFM systems is set for 2010. Nevertheless, to enhance aid effectiveness, progress will be necessary. As the country's systems are strengthened through the implementation of the government's Public Financial Management Action Plan, donors will need to make greater use of country systems. Also on the donor side, progress on untying aid would allow for greater use of country systems.

On procurement, the situation is slightly better, with 13% of aid making use of national systems.

INDICATOR 5
Table 33.3

How much aid for the government sectors uses country systems?

	Aid disbursed by donors for government sector (USD m) a	Public financial management				Procurement	
		Budget execution (USD m) b	Financial reporting (USD m) c	Auditing (USD m) d	Baseline ratio (%) avg (b,c,d) / a	Procurement systems (USD m) e	Baseline ratio (%) e /a
Arab Fund	13	0	0	0	0%	0	0%
European Commission	29	5	0	0	5%	5	16%
France	1	1	1	0	67%	1	100%
GAVI Alliance	5	0	0	5	33%	0	0%
Germany	37	0	0	0	0%	18	49%
Global Fund	5	0	0	0	0%	0	0%
IFAD	5	0	0	5	33%	3	59%
Italy	2	3	2	2	100%	2	70%
Japan	7	1	1	1	15%	1	15%
Netherlands	19	6	15	15	63%	16	83%
United Kingdom	12	0	0	0	0%	0	0%
United Nations	40	20	6	7	28%	0	0%
United States	35	0	0	0	0%	0	0%
World Bank	130	0	0	0	0%	0	0%
Total	**341**	**35**	**26**	**35**	**10%**	**46**	**13%**

AVOIDING PARALLEL IMPLEMENTATION STRUCTURES

The Paris Declaration calls for a substantial reduction in the number of project implementation units (PIUs) that are parallel in the sense that appointment decisions and accounting relationships involve the donor alone. The baseline survey for Yemen reports that there are 29 parallel PIUs in place. The survey results pointed to some disagreement on definition, and recommended an independent third-party assessment.

Providing more detail, the World Bank's Aid Effectiveness Review for 2006 reports that the implementation of externally financed projects tends to be carried out by PIUs, which are not yet integrated into country structures. Some efforts are now being made to locate PIUs within ministries and government systems. To meet the 2010 target, the number of parallel PIUs in Yemen will have to be reduced to no more than 10.

INDICATOR 6
Table 33.4

How many PIUs are parallel to country structures?

	Parallel PIUs (units)
Arab Fund	--
European Commission	8
France	0
GAVI Alliance	0
Germany	1
Global Fund	0
IFAD	4
Italy	3
Japan	0
Netherlands	1
United Kingdom	1
United Nations	11
United States	0
World Bank	0
Total	**29**

INDICATOR 7
Table 33.5

Are disbursements on schedule and recorded by government?

	Disbursements recorded by government in FY05 (USD m) a	Aid scheduled by donors for disbursement in FY05 (USD m) b	Aid actually disbursed by donors in FY05 (USD m) b	Baseline ratio* (%) c=a/b	c=b/a
Arab Fund	--	64	13		
European Commission	0	29	29	0%	
France	0	1	1	0%	
GAVI Alliance	0	11	5	0%	
Germany	0	29	37	0%	
Global Fund	0	6	5	0%	
IFAD	0	9	5	0%	
Italy	0	2	2	0%	
Japan	0	7	7	0%	
Netherlands	0	27	19	0%	
United Kingdom	0	11	12	0%	
United Nations	0	55	40	0%	
United States	0	11	35	0%	
World Bank	0	178	130	0%	
Total	**0**	**441**	**341**	**0%**	

* Baseline ratio is c = a / b except where disbursements recorded by government are greater than aid scheduled for disbursement (c = b /a).

PROVIDING MORE PREDICTABLE AID

If aid is provided in a predictable manner, then recipient countries are better able to plan and make effective use of aid. Indicator 7 seeks to assess the in-year predictability of aid, measuring the proportion of planned disbursements (as reported by donors) that are recorded by government in the national accounting system as having been disbursed. Discrepancies can be present due to a variety of reasons. For example, for the United Kingdom, it is likely that the large discrepancy is due to DFID's policy of delegated co-operation. This has resulted in a very low figure for disbursements compared to the actual level of aid that was disbursed by DFID, including through other agencies such as the UN and the Netherlands.

The table above looks at predictability from two different angles. The first angle is donors' and government's combined ability to disburse aid on schedule. In Yemen, donors scheduled USD 441 million for disbursement in 2005 and actually disbursed – according to their own records – slightly less than expected (USD 341 million). The discrepancy varies considerably among donors and is mainly due to late disbursements carried over to 2005 and to delays in implementing programmes. The second angle is donors' and government's ability to record comprehensively disbursements made by donors for the government sector. In Yemen, government systems do not record disbursements made by donors.

Indicator 7 on predictability has been designed to encourage progress against both of these angles so as to gradually close the predictability gap by half by 2010. In other words, it seeks to improve not only the predictability of actual disbursements but also the accuracy of how they are recorded in government systems – an important feature of ownership, accountability and transparency.

In Yemen, this combined predictability gap amounts to USD 441 million (100% of aid scheduled for disbursement). Closing this predictability gap will require donors and government to work increasingly together on various fronts at the same time. They might work at improving:

- the realism of predictions on volume and timing of expected disbursements;
- the way donors notify their disbursements to government;
- the comprehensiveness of government's records of disbursements made by donors.

Against this background, the government of Yemen expects to soon establish improved financial management information systems.

UNTYING AID

INDICATOR 8

According to OECD data covering 67% of 2004 commitments, 91% of aid to Yemen is untied. This indicates that donors are close to meeting their Paris Declaration commitments to untying aid.

HARMONISATION

ON HARMONISATION, the situation in Yemen is cause for optimism. This is particularly visible in the areas of co-ordination of donor missions and country analysis. Further progress is needed, and seems probable, in the use of programme-based approaches.

USING COMMON ARRANGEMENTS

The baseline survey data show that 50% of aid to Yemen was delivered through programme-based approaches (PBAs). With no aid provided as direct budget support, all PBA aid was made up of sector support, and was provided by the World Bank.

There are reports of achievement on this indicator, particularly in sectors such as education, and water and environment, and through multi-donor social safety net programmes. The country expects to reach the target of 66% by 2010.

INDICATOR 9
Table 33.6

How much aid is programme based?

	Budget support (USD m) a	Other PBAs (USD m) b	Total (USD m) c=a+b	Total disbursed (USD m) d	Baseline ratio (%) e=c/d
Arab Fund	0	--	0	13	0%
European Commission	0	0	0	31	0%
France	0	0	0	4	0%
GAVI Alliance	0	0	0	5	8%
Germany	0	4	4	37	10%
Global Fund	0	5	5	5	100%
IFAD	0	5	5	5	100%
Italy	0	1	1	3	28%
Japan	0	0	0	9	0%
Netherlands	0	6	6	19	29%
United Kingdom	--	--	--	--	--
United Nations	0	10	10	63	16%
United States	0	1	1	35	1%
World Bank	0	130	130	130	100%
Total	**11**	**172**	**184**	**370**	**50%**

INDICATOR 10a
Table 33.7

How many donor missions are co-ordinated?

	Co-ordinated donor missions (missions) a	Total donor missions (missions) b	Baseline ratio (%) c=a/b
Arab Fund	0	0	--
European Commission	5	37	14%
France	0	20	0%
GAVI Alliance	0	0	--
Germany	4	27	15%
Global Fund	2	2	100%
IFAD	0	2	0%
Italy	0	6	0%
Japan	0	7	0%
Netherlands	0	1	0%
United Kingdom	22	43	51%
United Nations	148	225	66%
United States	0	8	0%
World Bank	3	80	4%
Total (discounted*)	**120**	**458**	**26%**

* The total of co-ordinated missions has been adjusted to avoid double counting. A discount factor of 35% has been applied.

INDICATOR 10b
Table 33.8

How much country analysis is co-ordinated?

	Co-ordinated donor analytical work (units) a	Total donor analytical work (units) b	Baseline ratio (%) c=a/b
Arab Fund	0	0	--
European Commission	1	1	100%
France	0	0	--
GAVI Alliance	0	0	--
Germany	7	18	39%
Global Fund	0	0	--
IFAD	0	0	--
Italy	0	2	0%
Japan	0	0	--
Netherlands	0	0	--
United Kingdom	5	6	83%
United Nations	87	94	93%
United States	3	13	23%
World Bank	4	11	36%
Total (discounted*)	**80**	**145**	**55%**

* The total of co-ordinated analysis has been adjusted to avoid double counting. A discount factor of 25% has been applied.

CONDUCTING JOINT MISSIONS AND SHARING ANALYSIS

The baseline survey reports that donors conducted a total of 458 missions to Yemen, with 26% of these being co-ordinated. As there are relatively few donors, and good donor-donor co-ordination, chances of stepping up this percentage are strong.

The data for indicator 10b show that fully 55% of country analysis was co-ordinated, coming close to the 2010 target of 66%. Good examples of co-ordinated or joint analysis can be found in the health and financial accountability sectors.

MANAGING FOR RESULTS

INDICATOR 11

THE PARIS DECLARATION calls for partner countries and donors to work together to manage resources on the basis of desired results and use information to improve decision making. This means both strengthening the capacity to undertake such management and helping to increase the demand for a focus on results. Indicator 11 looks at one component of this effort: the establishment of a cost-effective results-oriented reporting and assessment system by the country.

Yemen, along with 54% of countries included in the World Bank's 2005 assessment of the Comprehensive Development Framework, received a rating of D. The rating is based on three criteria: the quality of development information, the degree to which stakeholders have access to it, and, the extent to which there is a co-ordinated monitoring and evaluation of the country's development efforts.

The World Bank's Aid Effectiveness Review for 2006 echoes its 2005 ratings. The quality of development information is improving. The government has, for instance, prepared a Statistical Master Plan, but this as yet is not fully financed. Stakeholder access to development information is described by the World Bank as being "an open challenge". Information is posted on the Internet but, with limited public access to the Internet in Yemen, this is not a good way of making information available. Neither, with high levels of illiteracy, is producing printed information. The government retains control of the broadcast media, a situation that has not facilitated stakeholder access to development-related information. Finally, the establishment of an integrated country-level monitoring and evaluation system is reported by the World Bank to be "at an early stage". Encouragingly though, some efforts are being made to integrate existing monitoring and evaluation systems, and to ensure that monitoring and evaluation is a central part of the country's new Development Plan.

If Yemen is to receive a rating of B for "managing for results" by 2010, considerable progress will be needed, particularly in stakeholder access to development information and country-level monitoring and evaluation.

MUTUAL ACCOUNTABILITY

INDICATOR 12

THE PARIS DECLARATION calls for donors and partner countries to be accountable to each other for the use of development resources, and in a way that tends to strengthen public support for national policies and development assistance. This in turn requires governments to take steps to improve country accountability systems and donors to help by being transparent about their own contributions. The indicator examines whether there is a country-level mechanism permitting joint assessment of progress in implementing agreed commitments on aid effectiveness, including those in the Declaration itself, and specifically, whether such an assessment has taken place.

No such mechanism is in place in Yemen, and no mutual assessment of progress against aid effectiveness commitments has been carried out. However, the country's new Development Plan will have a monitoring and evaluation framework that will provide the basis for reviewing performance. To meet the 2010 target, such reviews must be mutual, with donors assessing government performance and vice versa. The newly established Aid Harmonization and Alignment Unit will need to press on with its efforts to establish mechanisms to jointly monitor Paris Declaration commitments at the country level.

BASELINES AND TARGETS

THE TABLE BELOW presents the 2005 baselines and the targets for Yemen. The baseline values are taken from the discussion above, which draws on various sources of information. The main source is the baseline survey undertaken in Yemen under the aegis of the National Co-ordinator (Nabil Shaiban).

Table 33.9 Baselines and targets

INDICATORS		2005 BASELINE	2010 TARGET
1	Ownership – Operational PRS	C	B or A
2a	Quality of PFM systems	3.0	3.5
2b	Quality procurement systems	Not available	Not applicable
3	Aid reported on budget	0%	85%
4	Co-ordinated capacity development	16%	50%
5a	Use of country PFM systems (aid flows)	10%	No target
5b	Use of country procurement systems (aid flows)	13%	Not applicable
6	Parallel PIUs	29	10
7	In-year predictability	0%	50%
8	Untied aid	91%	More than 91%
9	Use of programme-based approaches	50%	66%
10a	Co-ordinated missions	26%	40%
10b	Co-ordinated country analytical work	55%	66%
11	Sound performance assessment framework	D	B or A
12	Reviews of mutual accountability	No	Yes

ACRONYMS

CPIA Country Policy and Institutional Assessment
DPPR Development Plan for Poverty Reduction
IDA International Development Association
MDG Millennium Development Goal
ODA official development assistance
PBA programme-based approach
PFM public financial management
PIU project implementation unit

34 ZAMBIA

ZAMBIA HAS A POPULATION OF 11 MILLION, and an average annual income of USD 450 per person (gross national income per capita, 2004). According to the latest survey, the Living Conditions Monitoring Survey Report for 2004, 68% live below the poverty line, and 53% of these are classified as extremely poor. In 2004, net official development assistance (ODA) to the country was USD 1 081 million, up from USD 641 million in 2002. Net ODA in 2004 amounted to almost 21% of gross national income (GNI). Zambia relies heavily on aid to finance its development, and aid effectiveness is crucial for the country. Fourteen donors responded to the 2006 survey; together, they account for around 71% of ODA.

OVERVIEW Box 34.1 Challenges and priority actions

DIMENSIONS	BASELINE	CHALLENGES	PRIORITY ACTIONS
Ownership	Moderate	Prioritising and implementing a large number of sectoral development plans.	Complete Vision 2030, Fifth National Development Plan 2006-2010 and Aid Policy. Improve intra- government co-ordination.
Alignment	Low/moderate	Inefficient country accountability systems.	Establish decision-making processes at headquarters for donors to switch systems. Strengthen capacity by providing co-ordinated technical assistance to improve country systems, particularly the implementation of the Public Expenditure Management and Financial Accountability programme.
Harmonisation	Moderate	Maintaining momentum of existing processes (Joint Assistance Strategy for Zambia). Strong government leadership.	Rationalise division of labour in the context of the Joint Assistance Strategy for Zambia.
Managing for results	Low	Lack of linkage among the different strategies and intended results. Capacity for data collection.	Put in place a consistent and realistic monitoring and evaluation system under the Fifth National Development Plan 2006-2010, and build statistical capacity for regular data collection and treatment.
Mutual accountability	Low/moderate	Maintaining momentum of existing processes (Wider Harmonization in Practice and Joint Assistance Strategy for Zambia).	Develop a framework for monitoring mutual accountability within the Joint Assistance Strategy for Zambia.

OWNERSHIP

INDICATOR 1

OWNERSHIP IS CRUCIAL to aid effectiveness and good development results, and is central to the Paris Declaration. It has been defined in terms of a country's ability to exercise effective leadership over its development policies and strategies. Achieving this is not a simple undertaking, especially in countries that rely heavily on aid to finance their development. Nor of course, can it be measured by a single indicator. Indicator 1 provides an entry point to the issue of ownership, focusing in particular on whether or not a country has an operational development strategy, with which donors can align their development assistance.

OPERATIONALISING DEVELOPMENT STRATEGIES

In the World Bank's 2005 Comprehensive Development Framework assessment of the extent to which Zambia has an operational development strategy, the country receives a C rating, along with 58% of countries in the sample. This rating is based on an assessment of three areas: is there a coherent long-term vision with a medium-term strategy derived from that vision; are there country-specific development targets with a holistic, balanced and well-sequenced strategy; and are there the capacity and resources for implementation?

The World Bank's Aid Effectiveness Review (AER) reports that the government is preparing a long-term vision called "Vision 2030". The government is also completing its medium-term strategy, the Fifth National Development Plan (FNDP), to cover the years 2006-10. The national development plan sees macroeconomic stability and structural reforms (for public-sector and private-sector development) as the basis for achieving sustainable high rates of growth, employment creation and substantial poverty reduction. It underlines the importance of pro-poor growth in sectors including agriculture, agro-processing, other manufacturing and tourism. To implement the vision and plan, the government has prepared a series of sectoral strategies, including plans for education, health, water and sanitation, rural development, public-sector reform, the financial sector, private-sector development, agriculture, energy, HIV/AIDS, decentralisation and transport. Plans have also been developed at the local level, but cannot be put into action until the local level has more authority.

The approach taken in the national development plan (and the associated indicators) is in line with the Millennium Development Goals (MDGs). The implementation of the 2005 Multilateral Debt Relief Initiative will no doubt generate an injection of resources that will bring Zambia closer to the MDGs.

The link between development plans and budget allocations needs to be strengthened, but the budget process has seen substantial improvement since 2004. Notable achievements include the launch of the Medium-Term Expenditure Framework (MTEF), improvements in the timeliness of budget execution and greater transparency in budget reporting. In addition, the government is now better able to track poverty-related expenditures, thanks to the introduction of activity-based budgeting in 2004. The 2006 budget sees an increase in resources for poverty reduction, particularly in the health and education sectors. It is expected that the resource allocations under the budget and the MTEF will reflect the priorities set out in the FNDP. However at the point of data collection, budget ceilings for the FNDP were not yet published.

OTHER ASPECTS OF OWNERSHIP

The World Bank's AER points out that the government is beginning to take the lead in co-ordinating development assistance, as the Wider Harmonization in Practice (WHIP) initiative shapes its relationship with donors with a view to enhancing aid effectiveness.

Sectoral advisory groups provide an important opportunity for wider stakeholder participation in policy processes, bringing many civil-service organisations and private-sector representatives to the table. The National Assembly approved the 2006 budget but, under the Constitution, development plans do not require parliamentary approval.

ALIGNMENT

FOR AID TO BE EFFECTIVE, it must be aligned with the plans, priorities and procedures of partner countries. Donors will only align their aid if they have confidence in the country's systems and procedures. Zambia presents a mixed picture. Impressively, a large proportion of aid is untied, and provides a starting point for alignment. As country systems are improving considerably, donors have redirected a good part of their support into sector pools, budget support and other aligned aid modalities, thereby reducing the number of unaligned projects. Some donors strengthen country systems through parallel supporting projects. If Zambia's country systems are made more reliable, and if decision processes in donor headquarters are supported by their legislatures, we will no doubt see stepped-up aid alignment in Zambia.

BUILDING RELIABLE COUNTRY SYSTEMS

INDICATOR 2

In the World Bank's Country Policy and Institutional Assessment (CPIA) ratings, Zambia receives a score of 3 for the quality of its public financial management systems. This is marginally below the 3.2 average for all International Development Association countries.

As the AER reports, the government has made significant strides in improving its country systems. A Public Sector Reform Strategy, published in 2004, outlined plans to improve public expenditure management and financial accountability, and the Finance Act was amended in 2004 to enhance accountability. The government is strengthening fiduciary systems, although the launch of an Integrated Financial Management and Information System has been delayed, with full implementation now expected only by 2009. The procurement system remains weak: initiatives are underway to improve matters, but face significant capacity constraints.

Zambia ranks 107th out of 155 countries in Transparency International's Corruption Perceptions Index, and has marginally improved its performance in this regard in recent years. Several initiatives, including a National Corruption Prevention Strategy, are designed to make further progress. However, such initiatives will need to be implemented soon if Zambia is to attain a CPIA score of 3.5 by 2010, its target under the Paris Declaration.

ALIGNING AID FLOWS ON NATIONAL PRIORITIES

Indicator 3 provides one measure of the extent to which aid flows are aligned with national priorities, assessing the proportion of aid recorded in the budget.

The table provides government's budget estimates of aid flows for fiscal year 2005 (numerator) as a percentage of aid disbursed by donors for the government sector for the same period (denominator). This ratio tells us the degree to which there is a discrepancy between budget estimates and actual disbursements. The discrepancy can be in two directions: indeed budget estimates can be either higher or lower than disbursements. In order to have a single measure of

INDICATOR 3
Table 34.1

Are government budget estimates comprehensive and realistic?

	Government's budget estimates of aid flows for FY05 (USD m) a	Aid disbursed by donors for government sector in FY05 (USD m) b	Baseline ratio* (%) c=a/b	c=b/a
African Dev. Bank	82	17		21%
Canada	--	1		
Denmark	5	42	12%	
EC	42	110	38%	
Finland	2	7	24%	
Germany	42	29		68%
Global Fund	--	24		
Ireland	4	18	23%	
Japan	3	27	10%	
Netherlands	6	34	17%	
Norway	1	38	4%	
Sweden	0	22	2%	
United Kingdom	--	59		
United Nations	17	23	76%	
United States	--	150		
World Bank	157	98		62%
Total	**361**	**696**	**52%**	

* Baseline ratio is c = a / b except where government's budget estimates are greater than disbursements (c = b /a).

discrepancy that is always less than 100% the ratio is flipped when budget estimates are higher than disbursements. The baseline value for Indicator 3 in Zambia is 52%. Achieving the target agreed in Paris of 85% for this indicator will require concerted efforts by donors and government.

One reason for this low figure is the fact that there are a number of stand-alone projects and sector pools that are not reflected in the government budget. In addition, in 2005, there may have been delayed disbursements and aid top-ups, inflows that would not have been recorded in the budget. Differences in the figures of disbursed aid versus amounts recorded in the legislated budget vary among donor countries. For example, it is possible that Germany's biannual commitments were attributed to one year only, data for 2005 commitments from the United States were subject to congressional approval and were not available, and Canadian contributions to the Ministry of Education may not be reflected due to information slippage.

INDICATOR 4
Table 34.2

How much technical assistance is co-ordinated with country programmes?

	Co-ordinated technical co-operation (USD m) a	Total technical co-operation (USD m) b	Baseline ratio (%) c=a/b
African Dev. Bank	0	0	--
Canada	0	0	--
Denmark	1	1	100%
European Commission	1	4	24%
Finland	1	2	76%
Germany	4	13	34%
Global Fund	0	0	--
Ireland	1	1	100%
Japan	7	15	50%
Netherlands	4	5	74%
Norway	2	4	50%
Sweden	3	7	43%
United Kingdom	8	10	78%
United Nations	3	5	51%
United States	20	104	19%
World Bank	0	0	--
Total	**55**	**170**	**32%**

The survey response suggests that the prospects of meeting the target are fairly good, particularly as an increasing number of donors move towards providing aid through budget support and sector-wide approaches (SWAps), and the number of stand-alone projects is reduced. For the government's part, the introduction of a Medium-Term Expenditure Framework will improve budget planning and ensure the inclusion of sector pools in the annual budget. Zambia still lacks a comprehensive information system to track aid disbursements and facilitate timely and consistent reporting: the Development Assistance Database is expected to improve matters.

CO-ORDINATING SUPPORT TO STRENGTHEN CAPACITY

Capacity constraints are one of the main impediments to a country's ability to capture and co-ordinate aid flows more effectively. Under the Paris Declaration, donors have pledged to provide support in a co-ordinated manner that will strengthen partner country capacity. For Zambia, 32% of technical assistance is reported as being provided in a co-ordinated manner.

Most of the co-ordinated capacity-building programmes reported by Zambia have come out of the Wider Harmonization in Practice process. Launched in 2003, this process is only now bearing fruit. As an increasing volume of aid is channelled through these programmes, the target of 50% by 2010 is within reach. The provision of co-ordinated technical assistance in public-sector reform, health, AIDS, and water and sanitation confirms that donors can work together.

However, problems remain, not least because of a reported "incoherent understanding of issues related to capacity building and capacity development". The government is working hard to create a shared understanding with donors, and intends to move towards a demand-driven, pooled-funding approach to technical assistance. Enhanced aid co-ordination and management mechanisms (alongside the Joint Assistance Strategy for Zambia) should also deliver results in technical co-operation, but such enhancements will themselves require capacity building.

INDICATOR 5
Table 34.3

How much aid for the government sectors uses country systems?

	Aid disbursed by donors for government sector (USD m) a	Public financial management: Budget execution (USD m) b	Public financial management: Financial reporting (USD m) c	Public financial management: Auditing (USD m) d	Public financial management: Baseline ratio (%) avg (b,c,d) / a	Procurement: Procurement systems (USD m) e	Procurement: Baseline ratio (%) e /a
African Dev. Bank	17	0	0	0	0%	0	0%
Canada	1	1	1	1	100%	1	100%
Denmark	42	0	18	17	28%	21	49%
European Commission	110	68	71	71	64%	71	65%
Finland	7	5	3	1	46%	6	90%
Germany	29	0	0	0	0%	13	43%
Global Fund	24	24	24	0	67%	24	100%
Ireland	18	14	14	10	73%	14	81%
Japan	27	0	0	0	0%	0	0%
Netherlands	34	12	12	26	50%	26	79%
Norway	38	25	25	25	64%	38	100%
Sweden	22	0	8	9	25%	12	53%
United Kingdom	59	51	51	51	88%	51	88%
United Nations	23	1	0	0	2%	6	25%
United States	150	6	6	0	3%	0	0%
World Bank	98	20	20	20	20%	20	20%
Total	**696**	**228**	**254**	**231**	**34%**	**303**	**44%**

USING COUNTRY SYSTEMS

The Paris Declaration encourages donors to make increasing use of country systems where these are of sufficient quality to merit their use. Indicator 5a measures the extent to which aid makes use of country systems for budget execution, financial reporting and audit. Averaged across these three systems, 34% of aid to Zambia makes use of country systems. With Zambia's country systems given a rating of only 3.0 for quality under the CPIA, no target is set for 2010, either for the proportion of aid, or the proportion of donors using country systems. For procurement, Indicator 5b, 44% of aid makes use of country systems. As no rating has been given for the country's procurement systems, no target is set for 2010.

Some progress has been made and – as more donors provide aid through budget support – more progress from the baseline is expected. However, the shift towards budget support is itself dependent on solid execution of public expenditure and financial accountability reforms. The health and education sectors show perhaps the most encouraging use of country systems, with SWAps making good use of government audit systems. Positive signs are also visible in SWAps relating to public expenditure and financial accountability.

INDICATOR 6
Table 34.4

How many PIUs are parallel to country structures?

	Parallel PIUs (units)
African Dev. Bank	6
Canada	0
Denmark	1
European Commission	3
Finland	2
Germany	0
Global Fund	0
Ireland	0
Japan	0
Netherlands	0
Norway	0
Sweden	1
United Kingdom	4
United Nations	3
United States	1
World Bank	3
Total	**24**

AVOIDING PARALLEL IMPLEMENTATION STRUCTURES

The Paris Declaration calls for a substantial reduction in the number of project implementation units (PIUs) that are parallel in the sense that appointment decisions and accounting relationships involve the donor alone.

Donors have established a total of 24 parallel PIUs in Zambia, although it should be noted that the United States – reporting only one parallel PIU – sees its implementation units as "executing bodies" rather than PIUs. The 2010 target is to reduce this number by two-thirds, down to eight or fewer. Once it is approved, the Aid Policy will help reduce the number of PIUs. As a first step, government will make clear to donors that it expects them to mainstream their implementation units within government structures.

Sweden will phase out its PIUs in agriculture in 2008 when the programme comes to an end. Finland intends to phase out PIUs when it sees proof of further progress with respect to PBAs and joint financing mechanisms in environment and agriculture. Two of the European Commission PIUs are being integrated into the relevant ministries. The World Bank has indicated that generally PIUs are not to be used for projects supported by the Bank, and has issued guidelines to that effect.

Against this background, it should be noted that there was no consensus among donors on definitions of PIUs. One major source of confusion was the distinction between an executing agency and a PIU. There was agreement in Zambia that further guidance would be needed by the OECD-DAC on this topic. This issue will be subject to further local discussion, given its importance to monitoring of government capacity. It would be helpful to open a dialogue with government on where and to what extent PIUs might still be necessary.

PROVIDING MORE PREDICTABLE AID

If governments are to make effective use of the development assistance they receive, and to implement their development plans, aid must be provided in a predictable manner. Indicator 7 attempts to assess the in-year predictability of aid, measuring the proportion of aid scheduled for disbursement and recorded by government as being disbursed.

The table looks at predictability from two different angles. The first angle is donors' and government's combined ability to disburse aid on schedule. In Zambia, donors scheduled USD 930 million for disbursement in 2005 and actually disbursed – according to their own records – significantly less than expected (USD 696 million). The discrepancy varies considerably among donors and is mainly due to late disbursements carried over to 2005 and to delays in implementing programmes. The second angle is donors' and government's ability to record comprehensively disbursements made by donors for the government sector.

INDICATOR 7
Table 34.5

Are disbursements on schedule and recorded by government?

	Disbursements recorded by government in FY05 (USD m) a	Aid scheduled by donors for disbursement in FY05 (USD m) b	Aid actually disbursed by donors in FY05 (USD m) FOR REFERENCE ONLY	Baseline ratio* (%) c=a/b	c=b/a
African Dev. Bank	17	50	17	34%	
Canada	0	1	1	0%	
Denmark	34	37	42	92%	
European Commission	75	105	110	72%	
Finland	4	6	7	68%	
Germany	18	21	29	86%	
Global Fund	--	30	24		
Ireland	12	18	18	70%	
Japan	33	27	27		82%
Netherlands	4	28	34	14%	
Norway	22	39	38	57%	
Sweden	15	25	22	61%	
United Kingdom	43	59	59	73%	
United Nations	54	22	23		41%
United States	5	150	150	3%	
World Bank	128	313	98	41%	
Total	**465**	**930**	**696**	**50%**	

* Baseline ratio is c = a / b except where disbursements recorded by government are greater than aid scheduled for disbursement (c = b /a).

In Zambia, government systems recorded USD 465 million out of the USD 696 million notified as disbursed by donors (67%), indicating that a significant proportion of disbursements were not captured, either because they were not appropriately notified by donors or because they were inaccurately recorded by government.

Indicator 7 on predictability has been designed to encourage progress against both of these angles so as to gradually close the predictability gap by half by 2010. In other words, it seeks to improve not only the predictability of actual disbursements but also the accuracy of how they are recorded in government systems – an important feature of ownership, accountability and transparency.

In Zambia, this combined predictability gap amounts to USD 465 million (50% of aid scheduled for disbursement). Closing this predictability gap will require donors and government to work increasingly together on various fronts at the same time. They might work at improving:

- the realism of predictions on volume and timing of expected disbursements;
- the way donors notify their disbursements to government;
- the comprehensiveness of government's records of disbursements made by donors.

UNTYING AID

INDICATOR 8

According to OECD data covering 82% of 2004 commitments, fully 99% of aid to Zambia is untied. If these figures are accurate, this represents a good basis for further progress on aid untying.

HARMONISATION

HARMONISATION AMONG DONORS reduces transaction costs for partner governments, thereby making aid more effective. In Zambia, the WHIP agreement between donors and government is an excellent starting point for working towards the 2010 targets. But there is no room for complacency: in particular, donors need to work harder at co-ordinating their missions to the country.

USING COMMON ARRANGEMENTS

Responses indicate that 47% of aid to Zambia makes use of programme-based approaches (PBAs). This suggests that the 2010 target of 66%, while demanding, is achievable.

Government and partners agreed to include the following SWAps/PBAs: Public Expenditure Management and Financial Accounting reforms, public-service management, private-sector development, health, education, National Development Plan basket support, poverty reduction budget support and the road sector investment programme. However, the criteria of "single" budget framework is not fully met in most approaches (*e.g.* education, health).

Programme-based approaches were adopted across a wide range of sectors, including health, education, governance, macroeconomics, private-sector development and transport. Of those donors providing substantial amounts of aid, the United Kingdom made particular use of PBAs. As donors channel more of their aid through budget support and SWAps, observers are confident that Zambia will move closer to the 2010 target.

INDICATOR 9
Table 34.6

How much aid is programme based?

	Budget support (USD m) a	Other PBAs (USD m) b	Total (USD m) c=a+b	Total disbursed (USD m) d	Baseline ratio (%) e=c/d
African Dev. Bank	0	17	17	17	100%
Canada	1	1	3	10	28%
Denmark	0	22	22	44	51%
European Commission	68	4	71	111	64%
Finland	0	6	6	8	77%
Germany	0	1	1	31	5%
Global Fund	0	52	52	52	100%
Ireland	0	12	12	22	54%
Japan	0	18	18	27	65%
Netherlands	0	29	29	40	73%
Norway	6	19	25	48	51%
Sweden	0	12	12	26	45%
United Kingdom	42	16	58	67	87%
United Nations	0	12	12	24	51%
United States	6	1	7	150	5%
World Bank	20	0	20	98	20%
Total	**143**	**222**	**365**	**773**	**47%**

CONDUCTING JOINT MISSIONS AND SHARING ANALYSIS

Just 15% of donor missions to Zambia were co-ordinated, out of a total of 155 missions. As such, reaching the target of 40% calls for a major undertaking on the part of Zambia's donors.

For several years, Zambia has been campaigning to reduce the number of missions and step up mission co-ordination. For example, Zambia has declared a mission-free period from January to March of each year. However, while donor offices may have been supportive of this, success depends on their ability to persuade their headquarters to respect the policy. Zambia has also gone a step further, encouraging government institutions to decline requests for missions that do not respect the request for a mission-free period. Nevertheless, this issue is expected to remain on the agenda for the foreseeable future.

More positively, 46% of country analytical work was co-ordinated, shared or conducted jointly. This puts Zambia within reach of the 2010 target of 66%.

INDICATOR 10a
Table 34.7

How many donor missions are co-ordinated?

	Co-ordinated donor missions (missions) a	Total donor missions (missions) b	Baseline ratio (%) c=a/b
African Dev. Bank	2	14	14%
Canada	0	6	0%
Denmark	2	12	17%
European Commission	1	3	33%
Finland	1	5	20%
Germany	0	7	0%
Global Fund	0	4	0%
Ireland	3	4	75%
Japan	0	15	0%
Netherlands	3	4	75%
Norway	2	3	67%
Sweden	0	5	0%
United Kingdom	1	9	11%
United Nations	2	14	14%
United States	2	3	67%
World Bank	16	47	34%
Total (discounted*)	**23**	**155**	**15%**

* The total of co-ordinated missions has been adjusted to avoid double counting. A discount factor of 35% has been applied.

INDICATOR 10b
Table 34.8

How much country analysis is co-ordinated?

	Co-ordinated donor analytical work (units) a	Total donor analytical work (units) b	Baseline ratio (%) c=a/b
African Dev. Bank	1	1	100%
Canada	0	0	--
Denmark	2	2	100%
European Commission	5	5	100%
Finland	4	4	100%
Germany	0	1	0%
Global Fund	0	0	--
Ireland	2	3	67%
Japan	1	2	50%
Netherlands	7	7	100%
Norway	4	4	100%
Sweden	1	3	33%
United Kingdom	8	10	80%
United Nations	4	19	21%
United States	2	3	67%
World Bank	6	13	46%
Total (discounted*)	**35**	**77**	**46%**

* The total of co-ordinated analysis has been adjusted to avoid double counting. A discount factor of 25% has been applied.

MANAGING FOR RESULTS

INDICATOR 11

THE PARIS DECLARATION calls for partner countries and donors to work together to manage resources on the basis of desired results and to use information to improve decision making. This means both strengthening the capacity to undertake such management and helping to increase the demand for a focus on results. Indicator 11 focuses on one component of this effort: the establishment of a cost-effective results-oriented reporting and assessment system by the country.

Zambia, according to the World Bank's Comprehensive Development Framework assessment, does not have an adequate results-oriented reporting and assessment system in place, scoring a D in the rating scale along with 54% of countries in the sample. Considerable progress will be needed if Zambia is to reach the target of an A or B-rated system by 2010.

Zambia's low score is due to three sets of reasons, as the World Bank's AER reports. First, while the quality of development information is improving, capacity constraints hinder effective data collection. Co-ordination between the Central Statistical Office and the sectoral ministries has also been insufficient. There are plans to make the office more efficient and effective, and the government is also preparing (with the support of the multi-donor Trust Fund for Statistical Capacity Building) a national statistical development strategy to improve data collection and reporting services. Second, the AER provides little information about the degree to which stakeholders have access to development information, an indication that perhaps access is limited. Third, a country-level monitoring and evaluation system is under development, but is not yet in place. The WHIP agreement highlighted the need to strengthen monitoring and evaluation systems. To do this, the government has been restructuring its arrangements for monitoring and evaluation, and working with donors to build capacity in this area.

MUTUAL ACCOUNTABILITY

INDICATOR 12

THE PARIS DECLARATION calls for donors and partner countries to be accountable to each other for the use of development resources, and in a way that tends to strengthen public support for national policies and development assistance. This in turn requires governments to take steps to improve country accountability systems and donors to help by being transparent about their own contributions. The specific indicator looks at whether there is a country-level mechanism permitting joint assessment of progress in implementing agreed commitments on aid effectiveness, including those in the Declaration itself.

Sectoral advisory groups were reviewing the monitoring and evaluation results of the implementation of the Poverty Reduction Strategy Paper. They will continue this with the Fifth National Development Plan. On this basis, the survey response reports that there has been a mutual assessment of progress in implementing agreed commitments. However, welcome as the sectoral advisory groups' monitoring and evaluation surely is, it does not in itself constitute the sort of mutual assessment of aid effectiveness commitments which the Paris Declaration encourages. There have, however, been other encouraging signs of mutual assessment: 2005 saw a review of the WHIP-action matrix (an annex to the Zambia Memorandum of Understanding on Harmonisation), and an increase in pressure to harmonise issues.

If Zambia is to tick this box by 2010, the most promising route would seem to be through the monitoring and evaluation framework of the Joint Assistance Strategy for Zambia. Key milestones are the mutual goals of an Aid Policy and Strategy (currently awaiting Cabinet approval) that specify further, reciprocal obligations. Sectoral Memoranda of Understanding (developed as a result of the push for joint financing agreements during the SWAp process) also call for reciprocal obligations. An additional tool for promoting mutual accountability is the Development Assistance Database that will publish disbursement figures on the Internet.

The Fifth National Development Plan calls for mutual accountability and the creation of monitoring and evaluation processes (including ongoing discussions to establish an independent monitoring group). It is expected that peer pressure and perceived compliance needs (which are more qualitative rather than quantitative) will determine the success of mutual accountability

BASELINES AND TARGETS

THE TABLE BELOW presents the 2005 baselines and the targets for Zambia. The baseline values are taken from the discussion above, which draws on various sources of information. The main source is the baseline survey undertaken in Zambia under the aegis of the National Co-ordinator (Paul Lupunga).

Table 34.9 Baselines and targets

INDICATORS		2005 BASELINE	2010 TARGET
1	Ownership – Operational PRS	C	B or A
2a	Quality of PFM systems	3.0	3.5
2b	Quality procurement systems	Not available	Not applicable
3	Aid reported on budget	52%	85%
4	Co-ordinated capacity development	32%	50%
5a	Use of country PFM systems (aid flows)	34%	Not applicable
5b	Use of country procurement systems (aid flows)	44%	Not applicable
6	Parallel PIUs	24	8
7	In-year predictability	50%	75%
8	Untied aid	99%	More than 99%
9	Use of programme-based approaches	47%	66%
10a	Co-ordinated missions	15%	40%
10b	Co-ordinated country analytical work	46%	66%
11	Sound performance assessment framework	D	B or A
12	Reviews of mutual accountability	No	Yes

ACRONYMS

AER Aid Effectiveness Review
FNDP Fifth National Development Plan
GNI gross national income
MDG Millennium Development Goal
MTEF Medium-Term Expenditure Framework
ODA official development assistance
PBA programme-based approach
PIU project implementation unit
SWAp sector-wide approach
WHIP Wider Harmonization in Practice