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Working Party on Aid Effectiveness and Donor Practices

PROPOSED ARRANGEMENTS FOR MONITORING THE PARIS DECLARATION IN THE MEDIUM TERM

This outline is presented for DISCUSSION at the meeting of the Joint Venture on 30-31 October 2006. It has been prepared by ODI – a British independent think-tank – and sets out the main points of the full report in a summary form.

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INTRODUCTION

1. A team from the Overseas Development Institute has been commissioned to make proposals on suitable arrangements for monitoring the Paris Declaration commitments over the medium term (2006-2010). This work is ongoing. A mapping of existing monitoring processes in the field of aid effectiveness is largely completed. Interviews are continuing with National Coordinators of the 2006 Baseline Survey and other informants so that it is possible to draw fully on current country processes and regional experiences. Key principles and components of a medium-term monitoring plan have been identified, and a draft full report is nearing completion. *This outline sets out the main points of the full report in a summary form, so as to provide an early input to the discussions of the Joint Venture.*

2. The report has two parts:

- Part 1: a description and analysis of existing monitoring efforts in the field of aid effectiveness at country, regional, international and other levels.
- Part 2: proposals for a set of monitoring arrangements on the Paris Declaration commitments for the period 2006 to 2010.

3. Both the analysis of existing activities and the proposals on future monitoring arrangements are based on four simple, but essential, criteria:

- There should be a *demand* for the data generated by monitoring (and the monitoring arrangements should be suited to meeting the demand).
- There should be a positive balance between the required *effort* and the (expected or realised) *pay-off* from the monitoring activity.
- The results – the data and/or the process – generated by the monitoring activity need to be useful for the *stakeholders* involved in it.
- Monitoring efforts should build on existing arrangements and/or encourage the creation of arrangements that are of *wider use* (e.g. meet other monitoring needs or help in managing aid at country level).

4. *The report adopts a broad understanding of monitoring of aid effectiveness.* Any activity that generates relevant data on a repeated basis is classed as monitoring of aid effectiveness, whether this reporting is qualitative or quantitative in nature and regardless of the final destination of the information. In the same spirit, the proposed Medium Term Monitoring Plan (MTMP) for the Paris Declaration is an outline of activities and outputs that will provide regular information allowing the tracking of progress on the commitments outlined in the Paris Declaration. The emphasis of the proposed MTMP is on cost-effectively generating information that is useful to both country-level actors and international stakeholders, and helps in stimulating changes in line with the Paris commitments, especially at country level.

5. A central question addressed in the report is whether the medium-term monitoring effort should seek to cover all 56 commitments of the Paris Declaration. ***A key feature of the proposed approach is to keep the internationally mandated monitoring effort to a minimum, centred upon the 12 indicators that have already been adopted.*** At the same time, it is proposed that signatories to the Paris Declaration should be strongly encouraged to support monitoring of other commitments where there is a will to do so – in donor agencies as well as within countries and regions. Locally agreed Harmonisation and Alignment Action Plans appear a particularly suitable framework for monitoring activities that go beyond the 12 agreed indicators.

6. ***A second key feature is to include more actionable elements within the survey-based monitoring effort.*** Proposals are made for a progressive refinement of the questionnaire used in the 2006 baseline exercise. Without overloading the instrument, improvements could be made which would a) overcome some of the technical snags revealed by the 2006 process, and b) give a fuller picture of the obstacles to providing and receiving aid effectively in the country-level and the change processes needing to be undertaken. This would strengthen the dimensions of the monitoring effort that contribute to the behavioural changes that the Paris Declaration requires of countries and donors alike.

PART 1: A MAPPING OF ON-GOING MONITORING ACTIVITIES

7. *In order to map on-going monitoring activities, available information on a sample of 36 countries was surveyed.* This mapping of on-going activities helped the team a) to draw on relevant experience in thinking about the best approach to a monitoring plan for the Paris Declaration, and b) to understand well the ‘environment’ for a Medium-Term Monitoring Plan for the Paris Declaration, with a view to avoiding duplication of efforts. Part 1 reviews and assesses existing mechanisms at three levels – country, regional and international – and concludes by considering some relevant processes that are not so clearly distinguished by level of activity.

Country-level aid effectiveness monitoring activities

8. *Existing country-level processes are quite diverse, in terms of origin, history and purpose.* Some countries having monitoring activities that pre-date the Paris Declaration (and even the Rome Declaration). In others, such activities are much more recent (e.g. prompted by the 2006 survey) or long-considered but not yet operational (e.g. intended monitoring of Harmonisation Action Plans). A number of countries monitor aid flows and types of aid received, but not aid effectiveness as such. Some cases involve joint monitoring mechanisms between government and donors, while others involve independent monitoring agencies based in non-governmental institutions. Still others involve donors reporting on their own activities while government reports separately on its activities. Some mainly involve sub-groups of donors (e.g. budget support donors), while others have a wider remit. The scope and focus of local monitoring efforts is sometimes narrower and sometimes wider than the 12 indicators adopted for the 2006 survey.

National aid policies and Harmonisation Action Plans

9. The main aid effectiveness monitoring mechanism that is found at country level is the monitoring of the implementation of the Harmonisation Action Plan (HAP), Aid Policy, or other local strategy that contains aid effectiveness commitments (for instance the Joint Assessment Mission in Sudan or the Uganda Joint Assistance Strategy). *Of the sample of 36 countries examined, 16 have an HAP or equivalent.* Of these 13 include an agreement to monitor the implementation of the commitments in the action plan, while of these, 10 have a fleshed-out monitoring framework that includes detail of what is to be monitored over what time period and by whom.

10. *Examples of well developed HAPs exist in Cambodia, Ghana, and Nicaragua.* In these cases, the HAP has a clear monitoring framework, and responsibilities for monitoring and for receiving and reviewing monitoring reports are clearly allocated. In a few countries, there is a commitment to monitor the aid effectiveness commitments set out in the Aid Policy but they still lack detail on mechanisms.¹ A number of countries in the sample are considering developing a HAP or Aid Policy.

¹ Rwanda’s draft Aid Policy is a case in point. The Aid Policy commits to initiate discussions with the aim of establishing an independent monitoring mechanism, but does not discuss how existing devices such as the Donor Self-Assessment (feeding into the Paris Declaration Survey) will be taken forward.

Types of monitoring mechanisms

11. ***Existing monitoring mechanisms can be more government- or more donor-owned.*** They are sometimes jointly owned in a very clear way, and can also involve independent review mechanisms. For example, monitoring in Afghanistan rests primarily with the government's Aid Coordination Unit (which in turn reports to the Joint Coordination and Monitoring Board) and in Nicaragua, a Technical Unit has been created in the President's Office that will report to the *Mesa Global*, a joint donor and government forum. In Albania, a Donor Technical Secretariat has moved ahead with initial steps towards monitoring of aid effectiveness (but these are in principle intended to prepare the ground for a joint donor-government effort).

12. Examples of effective joint monitoring activities which cover both donor behaviour and government behaviour exist in Vietnam and in Cambodia:

- In ***Vietnam***, the Hanoi Core Statement commits donors and government to annual joint assessments of progress.
- In ***Cambodia***, the Partnership and Harmonization Working Group is expected to prepare six-monthly reports on progress on implementation of the RGC's H-A-R Action Plan.

13. ***Monitoring mechanisms involving an independent review have been developed in a few countries.*** They include Tanzania, Mozambique, and (at more initial stage) Cameroon. While in Mozambique, independent consultants have been commissioned on a year-to-year basis, in Tanzania an Independent Monitoring Group has been created which is permanently hosted by a well-established local research institute (ESRF).

14. In a number of countries, monitoring of aid effectiveness is still in the planning stages only (e.g. Malawi, Mali, Madagascar, Bolivia). Elsewhere it is currently not on the agenda at all, although there are suggestions that the 2006 survey process has raised the local profile of aid management, which means that there may be initiatives in the future.

Institutional arrangements and inclusiveness

15. ***In the majority of cases, existing monitoring of aid effectiveness is undertaken by a technical unit,*** which reports to a broad group of donors or a mixed body of donor and government representatives. Examples of such mixed bodies include the Development Assistance Group in Ethiopia and the Consultative Group (CG) in Cambodia. A number of countries are still in the process of defining who will have the responsibilities for preparing and receiving reports that monitor H&A commitments.

16. ***In several countries (e.g. Mozambique, Burkina Faso), aid-effectiveness monitoring centres upon the budget-support relationship.*** Such an arrangement has some strengths but obvious limitations, as it means that significant shares of aid remain outside the purview of the monitoring. It is important that aid effectiveness monitoring mechanisms speak to the widest possible range of donors in country, even if the H&A agenda is most actively engaged with by budget-support groups.

17. ***The CG or Roundtable mechanism is likely to be the most important forum in this respect,*** even if it is not particularly active at present in some countries. In various countries and at several regional workshops, suggestions have been made about reshaping CGs in a way that would make them a better platform for the discussion of aid effectiveness monitoring.

Scope and focus of existing monitoring activities

18. Those countries that developed an HAP or Aid Policy after the signing of the Paris Declaration tend to have monitoring frameworks or instruments that are closely related to the agreed scope of the Paris Declaration baseline survey. In some countries, this has included monitoring of Indicators 1, 8, and 11 at country level (e.g. Albania, Ghana and Malawi). However, ***both among the early adopters of aid-effectiveness monitoring and among those that have developed their approach only recently, there are efforts to go beyond the scope of the survey.*** In Tanzania, there has been a particularly strong emphasis on a wide-ranging qualitative monitoring and reporting, as part of the Independent Monitoring Group mechanism. In several other cases, existing monitoring mechanisms capture commitments that are contained in the Paris Declaration, but are not reflected in the 12 internationally agreed Indicators.

19. Most sub-headings of the Paris Declaration (or areas of commitment) are covered by one or more indicators. However, there are four areas that are not associated with any indicator. These are:

- ‘complementarity: more effective division of labour’ (Paris Declaration, para. 35);
- ‘incentives for collaborative behaviour’ (para. 36);
- ‘delivering effective aid in fragile states’ (para. 39); and
- ‘promoting a harmonised approach to environmental assessments’ (para. 41).

20. Some of these commitments are monitored by a few existing country mechanisms.

Complementarity: more effective division of labour

21. ***Mozambique, Rwanda, and Moldova have some existing or planned monitoring mechanisms addressing this commitment, or at least some elements of it.*** For example, monitoring the number of silent partnerships and coordinated arrangements is planned in Moldova. In other countries (Uganda, Tanzania, Ghana) there are ongoing exercises in developing a division of labour among donors; but no formal monitoring of progress in this area have (yet) been established. Complementarity appears as one of the key areas of the Paris Declaration currently not reflected in an internationally agreed indicator. However, it may be that this is a commitment where a satisfactory form of monitoring can be built from the bottom up.

Incentives for collaborative behaviour

22. The Rwandan Donor Self-Assessment is the only country-level monitoring instrument that we have identified that captures (qualitative) information relevant to the question of incentives for collaborative behaviour. The Global Donor Platform for Rural Development² has pilot activities in four countries (Burkina Faso, Cambodia, Nicaragua and Tanzania) to promote harmonisation and alignment in rural development. However, currently there are no monitoring activities associated with this, and it is not clear how far the issue of incentives is addressed. The World Bank’s OPCS department has commissioned a study of internal incentives to harmonisation and alignment in the Bank, including some country-level work. ***These examples are suggestive of an as yet unrealised but genuine potential.***

² The Global Donor Platform for Rural Development is an initiative by donors with a particular interest in rural development. Established in 2003, it is currently lead by the German Ministry for Development (BMZ) and by the FAO Investment Centre. See www.donorplatform.org.

Delivering effective aid in fragile states

23. The Fragile States Initiative recently piloted its Principles for Engagement in Fragile States. One element of the pilots was to attempt to generate a national matrix of agreed actions between donors and government, which could potentially lead to country-level monitoring of aid effectiveness (amongst other things) in fragile states. No monitoring mechanisms have yet become effective. However, the process is still at quite an early stage.

Promoting a harmonised approach to environmental assessments

24. Few country level monitoring systems monitor the commitment to harmonise environmental impact assessments. However, Cambodia and Vietnam both monitor progress towards harmonised EIA.

Other potential for widening the scope of country-level monitoring

25. ***Two other commitment areas not directly addressed by the agreed Indicators are to some degree the subject of existing monitoring at country level:*** harmonised conditions (paras. 16 and 21); and use of multi-year frameworks (para. 26).

26. The MoU governing general budget support in Mozambique provides a harmonised framework of conditions, but donors are allowed to retain bilateral conditions in Annex 10 of the MoU.³ The Mozambique independent report on programme aid monitors the number of donors that have ‘Annex 10 exceptions’ to the conditionality matrix, the aim being to bring down the number of bilaterally imposed conditions. A number of countries track the number of donors who provide funds within a multi-year plan (Ethiopia, Rwanda and Mozambique). The SPA also surveys this with respect to budget support in Africa (see below).

27. ***A number of monitoring mechanisms track progress in areas that are not formal PD commitments but which are closely in line with the spirit of the Declaration.*** Examples are agreements on, and monitoring of, compliance with quiet periods (Ethiopia, Tanzania, Mozambique) and reductions in the overall number of missions (Mozambique). In some countries, aid policy pronouncements state clearly that the monitoring mechanism should not be limited by the Paris Declaration but should consider all relevant aspects of the aid relationship (proposed independent monitoring group in Malawi, as well as IMG in Tanzania).

Concluding observation

28. In the review above, emphasis has been placed on relevant processes that already exist. Generally, the examples cited come from the small group of countries that are quite advanced in pursuing a country-led aid effectiveness agenda. ***This should not obscure a major finding of the mapping exercise, which is that aid-effectiveness monitoring mechanisms currently exist only in a minority of countries.*** Building appropriate country-level mechanisms for following up on the Paris commitments remains a challenge for the future.

³ ‘Bilateral agreements, which will be distributed to all signatories of this MoU, have precedence over this MoU. However, to the extent possible, given existing contractual and statutory provisions, PAPs will not include in their bilateral agreements any additional conditions or administrative and reporting requirements to those agreed upon in this MoU. Where PAPs have existing bilateral agreements, these will be amended in line with the MoU. In the exceptional cases where PAPs do have different or additional conditions or administrative or reporting requirements in their bilateral agreements, these are shown in Annex 10’.

Regional aid effectiveness monitoring activities

29. Regional activities of relevance to aid-effectiveness monitoring have been until recently patchy and sporadic. However, under the impetus of the Paris Declaration the picture is changing, and ***regional activities are becoming an important focus for exchanges of experience among countries and between countries and regional organisations.***

30. Regional development banks have engaged with the Paris Declaration both by hosting or organising regional workshops and by monitoring their own HAPs, where they exist. For instance, the African Development Bank carried out a Process Review that surveyed AfDB offices in five countries on selected aspects of the Paris Declaration. The focus was on information on progress and process for internal purposes, and has drawn primarily on the AfDB's employees. The IADB, as well as the AsDB, have hosted regional workshops on aid effectiveness in 2006.

31. ***Regional monitoring efforts are most developed in Africa.*** These include: the Strategic Partnership with Africa (SPA) surveys, aspects of the Heavily Indebted Poor Countries' Capacity-Building Programme,⁴ and the Mutual Review of Development Effectiveness, which is carried out by OECD DAC and UNECA on behalf of NEPAD. Of these three, the SPA budget support survey constitutes the most developed monitoring activity. The SPA Budget Support Working Group carries out an annual survey of alignment of direct budget support with national processes. The survey has been carried out in 15 to 18 African countries annually since 2003. It has been loosely coordinated with the DAC surveys on harmonisation and alignment in corresponding years. The closer coordination of this survey with current and future monitoring surveys by the DAC is an important issue for consideration.

International-level aid effectiveness monitoring activities

32. The international level is, of course, a major source of monitoring initiatives. These, however, mostly require activities to be carried out at country level. Importantly, some countries that are pilots or early adopters of a number of international initiatives around aid effectiveness (e.g. Mozambique, Vietnam) bear a relatively heavy burden. Furthermore, aid effectiveness is not 'the only game in town' in the field of data collection in response to international initiatives – apart from the Millennium Development Goals themselves, indicator-based monitoring is increasingly being used around a range of issues, most notably related to governance. Consequently, a central concern underlying this section of the mapping exercise is ***the extent to which initiatives at the international level are coordinated in such a way that they contribute positively to developments at regional and country levels.***

33. ***This section does not describe either the 2006 Paris Declaration baseline survey, or the closely linked exercise by the World Bank now known as the Aid Effectiveness Review*** (formerly CDF Review). These are both major initiatives, but our concern here is to map the wider context in which they are currently taking place, with a view to the way they need to be followed up during the years to 2010. We do consider here donor efforts to develop their own harmonisation action plans.

Three international initiatives requiring country-level monitoring

34. Three major international initiatives that bear upon the monitoring of aid effectiveness are: the PEFA performance measurement framework; the Education for All Fast Track Initiative; and the European Union's Aid Effectiveness Package.

⁴ A non-profit programme funded by Austria, Canada, Ireland, Switzerland, Sweden and the UK, which aims to build the capacities of HIPC's to design and implement strategies to finance their development optimally

PEFA

35. Although normally regarded as an instrument for joint assessment of public financial management, ***the PEFA framework contains three questions regarding aid harmonisation and alignment:***

- D1) predictability of direct budget support;
- D2) financial information provided by donors for budgeting and reporting on project and program aid; and
- D3) proportion of aid that is managed by use of national procedures.

36. Thus far, PEFA assessments have been carried out or are under preparation in more than 60 countries. In several, they involve government self-assessments as an element of the assessment process (e.g. Ghana, Tajikistan).

37. In principle, it may be expected that PEFA assessments will draw on the same information used for completing the Paris Declaration survey and the SPA budget support survey where available. However, ***there is some risk of unnecessary duplication, especially where knowledge management within governments is weak.*** It may be helpful to point out relevant areas of overlap in the guidance notes of the PEFA Framework, and the DAC and SPA surveys. There may also be a potential for greater harmonisation of indicators across monitoring instruments. Although designed to reduce the number of separate public finance assessments, PEFA assessments do involve staff from central ministries (especially ministries of finance) to a significant degree.

Education for All Fast Track Initiative

38. At sector level, the EFA Fast Track Initiative is a leading example of a multi-donor activity that incorporates an element of aid-effectiveness monitoring. The Initiative has developed a Donor Indicative Framework as a 'tool for analysing – at country level – how advanced donors are in different dimensions of harmonising their policies and procedures in education and to promote and monitor progress at country level on donor harmonisation in education'. Although there has been no further work on this issue by the EFA FTI Harmonisation Working Group since the 2005 report was published, the agenda of the Working Group for the coming months does include integrating the Paris Declaration Indicators with the indicators of the Donor Indicative Framework.

EU Aid Effectiveness Package

39. This was adopted by the European Commission in March 2006, building on the 2004 EU Action Plan for Coordination and Harmonisation which included a Harmonisation Pilot Initiative.⁵ The EU's contribution to improving harmonisation and alignment of aid involves four harmonisation pilot countries: Morocco, Mozambique, Nicaragua and Vietnam. ***Concerns about overloading local reporting systems have been taken into account in the design of these exercises.*** Reporting requirements and monitoring rest primarily with EU bilateral donors and Commission delegations in these cases.

⁵ See http://ec.europa.eu/comm/development/body/communications/aid_effectiveness_en.htm.

Donor-focused monitoring

40. Several individual donors have developed Harmonisation Action Plans for their organisations, and are monitoring the implementation of these in various ways. Usually, this consists of drawing on internal information, including information that is generated for other purposes such as the Paris Declaration baseline survey or the SPA budget support survey.

41. For example, the *World Bank* presently collects information from its country offices on areas such as the number of new Project Implementation Units. *DFID* is establishing a system for routinely collecting relevant information with the aim of reporting internally on progress with regard to Harmonisation and Alignment. The aim is to generate information in such a way that it can be used for both internal and external monitoring efforts linked to the Paris Declaration.

42. The *Nordic Plus* Group of donors⁶ developed a Joint Action Plan (JAP) on harmonisation and alignment in response to the Rome Declaration in 2004, which includes a commitment to monitor its implementation. The Directors General of the Nordic Plus group of donors meet semi-annually, and on this occasion report on progress in implementing the JAP. As in the case of individual countries, the adoption of Harmonisation Action Plans generally forms the basis for such donor-focused monitoring.

43. *DAC Peer Reviews* treat aid effectiveness issues, but somewhat sporadically at present. Aid effectiveness issues are sometimes given particular attention as a 'special issue' in a separate section (Germany, Sweden). Other times, it is not covered separately in this way (New Zealand, Norway), although some relevant issues are addressed. There are a few Paris Declaration commitment areas that appear to be covered in most or all of the recent peer reviews examined: untying (Paris Declaration para. 31), use of common arrangements (para. 32) and division of labour (para. 33). ***The last mentioned is important as representing one of the commitments not covered by the 12 agreed indicators.*** Most issues are picked up less systematically, however.

Other monitoring activities

44. Two special areas of work are of fairly direct relevance to the monitoring of aid effectiveness and embrace the international and country levels:

- monitoring the effectiveness of humanitarian aid, and
- improving aid delivery to fragile states.

45. ***Existing and planned monitoring processes around the effectiveness of humanitarian aid are not currently well linked to monitoring of Paris Declaration commitments.*** The reasons for this appear to be 1) a well-established institutional separation of responsibilities in many donor agencies for humanitarian as opposed to development aid, and 2) the fact that humanitarian aid faces additional hurdles because in most cases there is no prospect of channelling such aid through government systems. These are important considerations. However, it is not clear that they constitute sufficiently strong reasons for insulating the monitoring processes for humanitarian and development aid from each other. Indeed, the Paris Declaration contains a commitment to delivering aid effectively in fragile states, where humanitarian aid is often predominant (paras. 38 and 39).

⁶ Denmark, Finland, Ireland, the Netherlands, Norway, Sweden and the UK. As this is a significant number of relatively like-minded donors, the monitoring of this action plan is of more interest.

46. The two main initiatives regarding fragile states are the Good Humanitarian Donorship (GHD) initiative, and the OECD DAC's own Fragile States Initiative (FSI). Many of the major donors that are signatories to the Paris Declaration are also signatories to the GHD initiative,⁷ which has recently agreed a number of aid effectiveness indicators to be monitored at country level.⁸ The FSI is relevant to all DAC members. The FSI is currently piloting the development of agreed action matrices around FSI principles at country level, some of which focus on aid effectiveness commitments. This is different than monitoring aid effectiveness in fragile states, but there is potential for greater synergies as the agenda develops.

⁷ ECHO (the European Commission Humanitarian Aid department) is also a signatory to the GHD Initiative.

⁸ In addition to these officially-agreed indicators, there are a number of other indicators being trialled by the Humanitarian Policy Group at ODI, including indicators on the time-lag between commitments and disbursements, predictability of humanitarian aid, pooling and flexibility of funds, levels of funding to different types of implementing agencies, use of joint assessments and joint statements, and many more. These indicators have not been agreed by any joint group, and any monitoring mechanism has yet to be drawn up.

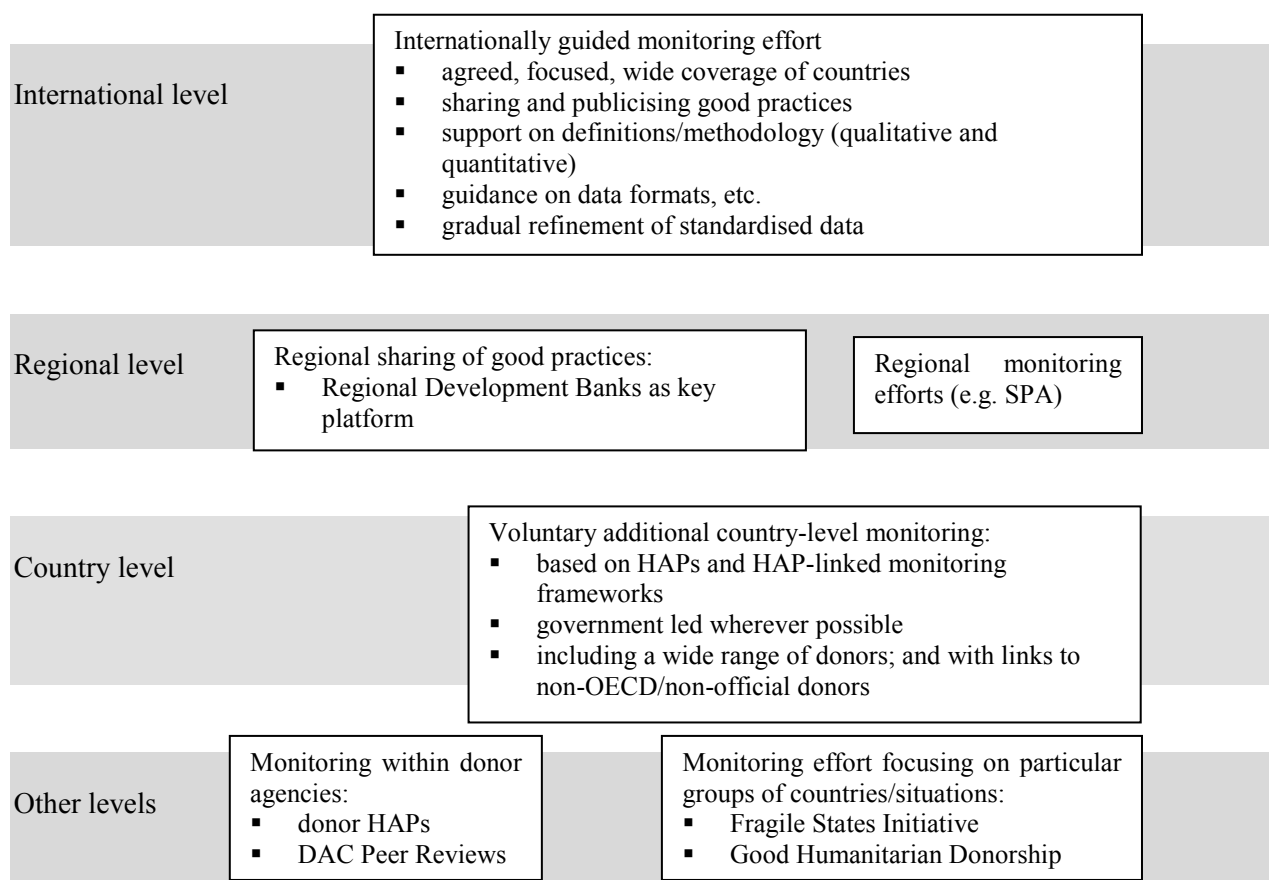
PART 2: PROPOSED MEDIUM-TERM MONITORING PLAN

47. The proposals outlined in Part 2 do not begin from a blank sheet of paper. Some basic building blocks and milestones of the medium term monitoring effort have been previously defined and agreed. Most importantly:

- monitoring will centre on 12 indicators as set out in the 2005 Declaration;
- the monitoring effort has a time horizon of five years (2006 to 2010); and
- during this time-period, three rounds of the survey are to take place: a baseline survey in 2006, and two subsequent surveys to monitor progress in 2008 and in 2010.

48. One focus of the proposals is to spell out the modalities with regard to the follow-up to the 2006 baseline survey, and to the 2008 and 2010 survey rounds. The first section addresses this aspect, drawing on some emerging lessons from the 2006 baseline survey as well as on the understanding of existing monitoring efforts gained from Part 1. The subsequent sections turn to the way country-level and donor-focused processes might be encouraged to develop, so that a reasonably rounded monitoring of the Paris Declaration commitments is achieved overall. ***Each of these elements is seen as an important building block of the medium-term monitoring of the Paris commitments.***

49. In the proposed plan, the core of the monitoring effort is at the national level, but this is based on an internationally agreed and guided process. This is supplemented by further (voluntary) efforts at national and regional levels, as well as within donor organisations and among donors. The internationally guided effort is to be regarded as an agreed minimum and thus as one tool among others to further change towards greater aid effectiveness among the various levels and stakeholders. ***The relation between the different building blocks is depicted in Figure 1.***

Figure 1: Building blocks of a medium term monitoring plan

The internationally guided monitoring effort

The baseline survey

50. The 2006 survey has served to establish a baseline. It has drawn on four main sources:

- the World Bank's 2005 Aid Effectiveness Review for Indicators 1 and 11;
- a baseline figure for indicator 2a based on the World Bank's CPIA indicator for Budget and Public Financial Management;
- an OECD desk-based review of indicator 8 (tying of aid); and
- a country-based questionnaire survey focused on Indicators 3, 4, 5, 6, 7, 9, 10, and 12.

51. For the 2006 baseline survey, indicator 2b could not be covered, as there is at present no standardised source of information on the quality of procurement systems. In terms of sequencing, Indicators 1, 2a and 11 were established in advance, with some updating using descriptive information from the 2006 AER process and the survey returns. The other elements of the monitoring effort were undertaken in parallel. The report on the baseline survey is in preparation and will provide a quantitative and qualitative/descriptive account of the current state of affairs and major future challenges faced on each of the indicators apart from 2b.

52. ***Between 30 and 40 countries will have contributed to the survey, with a substantial share of total ODA to those countries being accounted for by the donor responses.*** A good deal has been learned both about the technical side – how the questions and the indicators work in practice – and about the process (positive effects as well as some drawbacks that might be avoided in future, including those concerned with timing and sequencing).

Following up the baseline exercise

53. The report on the baseline survey will reflect initial experiences and will summarise the status quo regarding how aid is provided. The debate and efforts for change that this initial evidence generates among the various stakeholders will be critical for achieving the progress that is envisaged by 2010. ***Efforts should be made to stimulate these 'process' effects, while at the same time taking the opportunity to prepare for a technically more robust survey in 2008.*** With these two objectives in mind, the period between the baseline survey and the next round of survey-based monitoring should involve the following steps:

- support for the dissemination and discussion of results – in this regard the DAC is particularly well placed to engage in the discussion within and among donor agencies, while national and regional efforts at dissemination and discussion can be undertaken by other stakeholders;
- encouragement to the development of country-level Harmonisation Action Plans and country Aid Policies as important tools for achieving progress on the Paris commitments, and the best basis for ongoing local monitoring of aid effectiveness;
- development of international guidelines for local monitoring those Paris Declaration commitments not covered by the current survey indicators but already addressed in some local experiences, as described in Part 1 of this report (e.g. in Mozambique, Rwanda, and Vietnam) – these guidelines could be used by stakeholders willing to do so (at country level and within donor agencies) and might also be used to inform a modest expansion of the survey questionnaire in 2008;

- on a voluntary basis, support for the undertaking of baseline surveys in countries which have for various reasons not participated in the 2006 survey;
- advance preparation for the 2008 round, including recording of lessons on good practices for undertaking the survey at country level, and consideration of the use of a small number of additional questions centred on the agreed indicators, to assist in drawing actionable conclusions about them;
- consideration of the better alignment of the PD survey with other internationally or regionally agreed surveys (in terms of data requirements).

The 2008 survey

Indicators

54. The following are proposed as key features of the 2008 round in respect of scope:

- the survey will include indicator 2b (using data generated by the OECD);
- it will involve a different mechanism for indicators 1 and 11;
- but will use similar mechanisms for other indicators;
- with the addition of a small number of qualitative questions, aimed at focusing attention on actionable obstacles to implementation of Paris Declaration commitments; and
- a limited effort to gather information on commitments (e.g. complementarity) which are not reflected in the 12 Indicators but have been shown in particular countries to be capable of a simple form of tracking.

55. ***The availability of values for indicator 2b will be a major step forward, since procurement is a key area of concern with regard to aid harmonisation and alignment.*** Because of the lack of a standardised measure of the quality of country procurement systems in 2006, no targets have been set for improvement in this area, or for the extent that donors use country procurement systems.

56. ***It has already been proposed that the mechanism for Indicators 1 and 11 should be different than in the baseline survey, when the World Bank offered to step in to fill a gap.*** We suggest that Indicators 1 and 11 should become part of the questionnaire-based survey, while continuing to be based on the AER methodology to ensure consistency over time. In addition, we propose that the results of the country-based assessment of these two indicators are subjected to an independent international review to ensure objectivity.

57. ***According to our proposals, the mechanisms for assessing all other indicators would remain as in the 2006 survey.*** The purpose of the first of the two proposed additions to the questionnaire would be to make the results of the survey more actionable and hence more useful to national governments. The purpose of the second would be to bring a somewhat wider set of Paris Declaration commitments into the purview of the monitoring effort, without the need to agree on additional indicators and targets.

Process

58. The following are proposed as key features of the 2008 round in respect of process:

- ***inclusiveness***: encourage other major aid donors to participate (global funds, non-OECD donors, International NGOs; but with a focus on those contributing significant shares of aid);
- ***sequencing***: prepare indicators 2a and 2b, as well as 8, before undertaking the country-based questionnaire survey
- ***post-survey reporting***: survey report to include recommendations for action to be taken to meet goals in view of progress since 2006, and a stock-taking of how the aid effectiveness agenda has moved forward since 2005 (e.g. # of HAPs in place; # of JASs, etc.);
- ***high-level follow up***: a full discussion at the Third High Level Forum in Accra, Ghana.

59. Placing greater emphasis on encouraging other major aid providers to participate, including INGOs and non OECD-DAC donors, ***needs to be moderated by a sense of the transaction costs involved***. This is why we suggest a focus on those that provide significant amounts of aid.

60. The 2008 post-survey report will also play a crucial role in suggesting actions to be taken to achieve the targets set for 2010. So, we suggest that it should include a chapter providing an overview of the measures undertaken at country levels. The 2008 survey will provide an essential basis for the discussions at the Third High Level Forum, and hence special care needs to be taken to start and conclude the survey in good time. ***In the light of the experience in 2006, care should be taken to avoid the donor summer holiday period in scheduling the 2008 survey.***

61. For the period between the 2008 survey and the concluding survey in 2010, we suggest that 2009 may be the ideal year for an initial ***process evaluation***. Two rounds of monitoring results will be available by then. At the same time, an evaluation in 2009 could inform thinking about the future of aid beyond 2010.

The 2010 survey

62. For the 2010 monitoring survey, we envisage the following key features:

- it will measure whether the overall goals of the PD have been met;
- it will involve similar survey mechanisms and sequencing as in 2008;
- some deepening of the survey regarding specific issues identified as challenges in the 2008 survey round (this could be some more detailed questions on moving ahead with aligning procurement practices, or with coordinated capacity building, etc.);
- post-survey reporting to address overall experience with implementing the Paris Declaration, report what has been achieved and what remains to be done, and set out an agenda for the future.

National monitoring efforts

63. ***In the proposed approach to medium-term monitoring of the Paris Declaration, the internationally guided and the voluntary additional country-level monitoring are complementary and synergistic.*** National monitoring efforts are expected to have multiple components of which the key ones are:

- the internationally guided Paris Declaration ‘minimum’ (as outlined above);

- closely linked national monitoring efforts (e.g. use of locally expanded Paris Declaration questionnaires);
- other national recording and monitoring based on Harmonisation Action Plans or Aid Policies; and
- other internationally or regionally agreed monitoring efforts.

64. National monitoring efforts are expected to more multi-faceted and more directly action-oriented than the international agreed minimum, based on the principle of ‘subsidiarity’. ***The primary level at which any additional monitoring efforts should be agreed is the country level.*** This includes decisions about which of the 56 commitments contained in the Paris Declaration could be monitored in greater detail than is permitted by the survey. It may also include other dimensions of aid effectiveness that are not included in the Paris Declaration.

The Paris Declaration survey process in country

65. In the medium term, it would be expected that all or the overwhelming majority of recipient countries that are signatories to the Paris Declaration will undertake the survey in country. ***This implies that in 2008, 20+ further countries could be involved for the first time*** (that is, if there is no effort to capture more countries in the original baseline during 2007).

66. As guidance is further improved, and as donors and country authorities improve their record-keeping in response to the gaps revealed by the 2006 survey, undertaking the internationally agreed ‘minimum’ should require less effort in subsequent rounds. ***National Coordinators should have a substantial voice in shaping ways of conducting the survey that progressively improve the quality of the data and its ability to influence behaviour, and the burdens imposed by the process.***

Closely linked national monitoring processes

67. As is emerging from the current survey round, some nationally initiated monitoring efforts are already closely linked to the Paris Declaration survey process. For example, Rwanda and Vietnam have used an enhanced version of the Paris survey to capture additional information, for example, about the reasons why harmonisation and alignment are currently limited. Many countries are currently in the process of establishing Harmonisation Action Plans and/or Aid Policies (e.g. Kyrgyzstan, Peru, Zambia). ***The monitoring efforts built into these may be expected to be linked to the Paris Declaration survey (for example, in terms of the specifications of data requirements), while not being limited to the 12 Indicators.***

Other national recording and monitoring efforts

68. At the same time, some countries have already established HAPs and Aid Policies, and – more importantly – have established institutional practices which do not mesh easily with the Paris Declaration.⁹ ***One issue is the division of responsibilities with respect to loans and grant assistance and/or technical***

⁹ In most countries, established monitoring structures are geared towards recording the receipt of aid, and especially towards recording any debt incurred; as well as monitoring sectoral allocations of aid; but in most cases are currently geared towards monitoring aid effectiveness.

assistance. Record keeping and practices for reflecting these different categories of ODA in the national budget appear to differ frequently.¹⁰

69. These divisions are not necessarily seen as satisfactory in countries. Hence, the Paris Declaration monitoring of the recording of aid flows may provide a welcome impulse for change. However, there are also some good reasons why such divisions exist, e.g. reluctance to give overall responsibilities for aid to one ministry and/or reluctance on the part of Ministries of Finance to deal with the often more complex and piecemeal management of grants and technical assistance. In such cases, Aid Coordination Units or their equivalents which have been established in a number of countries in recent years would be well placed to take on the role for monitoring aid effectiveness – in close collaboration with Ministries of Finance.

70. **Country governments may want to pursue specific issues** – for example, donor alignment with national procurement procedures, or coordinated capacity building – **in more detail than is possible in the Paris survey context.** This should be encouraged. It is possible that to yield truly ‘actionable’ results, such monitoring needs to be initiated and designed at country level. National governments and/or local donor groups may also decide they want to include non-OECD assistance more fully in monitoring efforts (non-OECD bilaterals, aid provided by foundations and INGOs).

Other regionally or internationally agreed monitoring efforts at country level

71. A number of countries are already involved in regional or other internationally agreed monitoring efforts, as detailed in Part 1. These include the SPA for many African countries, the GHD initiative and the Fragile States Initiative, as well as the three questions relating to aid practices in the PEFA assessments, and others. ***The alignment of these surveys with each other needs to be managed at the international or regional level. This issue should be addressed in 2007.*** Some surveys will want to capture more detail than others; but those questions seeking to capture macro-level information should be aligned in terms of specification of the data format (i.e. the formats should be the same or easily convertible), so as not to require multiple record keeping or record generation at country level.

Other monitoring efforts

The role of the regional level

72. Key other monitoring efforts include regional events to stimulate and support country processes. Regional activities seem to play a useful role in supporting national monitoring efforts and in linking the national and the international level. Meetings on aid effectiveness and the Paris Declaration have taken place in 2006 in all the main regions. These have provided valuable platforms for exchanging experiences and developing further orientation on good practices. It is to be expected and to be hoped that they will continue.

¹⁰ I.e. loans tend to be more consistently reflected in national budgets than grants, since there are strong incentives to keep track of all loans that have to be repaid (also in the context of an increasingly strong emphasis on better debt management in many countries). However, the division between loans and grants is not matched by the difference between different aid modalities which the Paris Declaration emphasises. For example, direct budget support provided by the UK or the Nordics may be given as grant aid.

Donor monitoring

73. Another dimension of follow-up to the 2006 process that must not be neglected is the donor dimension. There is a need for monitoring of the commitments within and among donor agencies that is not going to be met by analysis of country-level results across donors.

74. ***Just as country-level monitoring will be most actionable if it is based on a locally generated HAPs, so donor monitoring needs to be based on donor-focused harmonisation action plans (or similar internal policies).*** Donor-focused monitoring serves primarily as an implementation tool for senior management to ensure organisation-wide implementation of Paris Declaration commitments, spanning HQ and country levels. This involves the dimension of record keeping that supports the generation of data relevant for the Paris Declaration commitments on the one hand, and the dimension of effectively promoting harmonisation and alignment at country level on the other hand.

75. Some limited and agreed-upon external discussion of such monitoring results may be desirable. However, we propose that the primary focus of this dimension of Paris monitoring effort should remain internal, because this is more likely to make it rigorous and action-oriented. The senior management of donor agencies is the most important recipient of monitoring information on alignment and harmonisation, and the key to whether or not action takes place on the basis of such information. For the management of donor agencies, there is a need for both internationally generated monitoring results (based primarily on country-level surveys) and internal monitoring of changes for which specific departments and managers can be held responsible.

Annex 1: Interviews undertaken for PD survey and medium term monitoring plan to date

Name	Position	Time
Raundi Halvorsen-Quevedo	OECD - Deputy Director, Africa Partnerships Forum Support Unit	29.08.2006
Peter Dearden	Senior Economic Adviser, Africa Division, Department for International Development (DFID) (SPA co-chair)	31.08.2006
Sue Bassett	Policy Analyst in the Development Policy and Partnerships Team, Development Effectiveness Group, Policy Division, DFID	
Lucretia Ciure	National Coordinator, Moldova	20.09.2006
Brice Quesnel	World Bank - Senior Operations Officer, Harmonization Unit Operations Policy and Country Services	21.09.2006
Mr. Erdembileg	Head, Aid Coordination Unit, Mongolia	22.09.2006
Guy Howard	Policy Advisor Country-Led Approaches and Results Team Policy Division DFID	22.09.2006
Dinara Djoldosheva Sanjar Mukanbetov	Kyrgyzstan: World Bank National Coordinator, Ministry of Finance, head of the public investment department	27.09.2006
Janet Entwistle, Chris Hall, Soe Lin, Bee Ean Gooi	World Bank, AER team, and World Bank helpdesk staff	28.09.2006
Paul Lupunga	Zambia National Coordinator Ministry of Finance	29.09.06
Robin Oglivy	Directorate Assistant (ODI Fellow) Ministry of Finance and Economic Planning, External Finance Unit, Rwanda	3.10.2006
Roddy Rivas Llosa-Martinez	Peru National Coordinator	3.10.2006
Modibo MAKALOU	National Coordinator Advisor to the President of Mali	6.10.2006
Mustafa Aria Also present: Lucy xxxxx– Matt Butler Hamid Dohala	Afghanistan National Aid Coordinator Budget Department MoF DfID Kabul Prog. Strategy co-ordinator DfID MoF	9.10.2006
Hellen Allotey	Ghana, National Coordinator, Ministry of Finance	13.10.2006