Harmonising aid efforts in Asia: the story so far

Harmonising the efforts of donor agencies and bringing processes and procedures closer to partner governments is a major policy issue for the development community and aid-receiving countries. The facts are alarming. In Cambodia, for example, 90% of aid bypasses national systems. The Vietnam government receives some 400 missions each year from donor agencies. The Afghan Minister of Finance recently stated that he was forced to spend around two thirds of his time managing relations with donors.

Concerns about the effectiveness of aid in assisting a country’s development have resulted in the proclamation of two international declarations. The Rome Declaration on Harmonisation of February 2003 and the Paris Declaration on Aid Effectiveness of March 2005 were signed by representatives of recipient countries and a large number of bilateral and multilateral development institutions. They signalled a firm commitment to move away from abstract policy principles to substantive changes in the way in which assistance is provided by official development agencies.

Stimulated by a long lasting policy process and the more recent momentum leading to these declarations, various countries in the South have started to take ownership of aid processes and explore ways of making more effective use of the policy arena and operational space thus created. The planned changes include:

- harmonising donor procedures and operations;
- integrating donor procedures with those of partner governments;
- establishing mutual accountability systems;
- moving away from project assistance to programme and budgetary support.

This, in turn, has triggered a quest for new capacities on all sides, ranging from a pro-active management of the donor community to the facilitation of complex national policy processes.

This issue of Capacity.org takes a close look at some of these initiatives, how they are unfolding, and what type of capacity challenges are emerging in their wake. Niloy Banerjee, UNDP’s Regional Capacity Development Advisor in Asia and Coordinator of the Capacity 2015 initiative, discusses the topic from a capacity perspective in his opening article. This is followed by three contributions reflecting recent experiences with aid coordination in the Philippines, Cambodia and Vietnam. The views expressed here are those of the authors and do not purport to be the views of UNDP. As usual, Capacity.org provides access to a range of complementary documents which we have collected in the form of an extensive bibliography and uploaded on to the web.

This issue of Capacity.org also marks the end of a successful six-year contribution to the international policy debate on capacity development. In recognition of the value of Capacity.org, the Netherlands Development Organisation SNV and UNDP recently signed an agreement with ECDPM to produce an extended version of Capacity.org as of September 2005. The details of the new formula will be announced on the web in due course.
Turning principles of aid harmonisation and alignment into practice: the challenges for Asian countries

Prologue
The world of development cooperation has been grappling with issues of aid coordination and delivery in the past decade, and the momentum has accelerated in the latter half of the decade. There is now an emerging consensus that the impact of developmental resources can be increased by reducing transactional inefficiencies and curtailing their use as instruments for rent-seeking and patronage-disbursement.

After a period spent questioning the effectiveness of developmental resources, the global community is now pro-actively seeking to make development more effective. In fact, a virtuous cycle may well be arising, with strong leadership on the part of developing countries generating greater confidence among donors to shore up their resource allocations. In the past two years, official development assistance (ODA) flows have crept up marginally from their decade-long stagnation at around USD 50 billion per annum to USD 68 billion more recently. At the same time, the global community - developed and developing countries alike - is increasingly keen to measure how developing countries have been doing, as is indicated by the burgeoning interest in the five-year Review of the Millennium Development Goals (MDGs, see www.unmillenniumproject.org) slated for later this year. In fact, a declaration issued at the recent High-Level Forum (HLF) in Paris opens with a commitment by ministers and agency heads to continue 'far-reaching and monitorable actions to reform the ways [we] deliver and manage aid as [we] look ahead to the five-year review of the Millennium Declaration and the MDGs'.

Amid all this excitement, it is important to understand that the consensus on the delivery of developmental resources is basically a matter of principle, i.e. the relatively straightforward aspect. The challenge, as always - as this volume describing experiences in Asia demonstrates - is in working out the nuts and bolts of greater coordination, alignment and harmonisation. This should, however, in no way diminish the significance of what has been achieved by developed and developing countries in better understanding the efficient use of ODA resources. The central tenet of this new consciousness is that national ownership is key to the effective utilisation of resources. This in turn cascades into a host of agreements such as on the need to align donor systems behind government systems, the need to harmonise donor procedures, the need for mutual accountability, the following of local priorities and procedures, the use of local institutions, moving from project assistance to programme assistance and budgetary support, aligning procurement systems, etc. In some cases, these agreements have managed to go beyond principles and break through into very specific areas of substantive harmonisation.

The Asian experience
These developments have been echoed in Asia, where countries and their donor partners, irrespective of their historical origins, institutional mandates, governance structures and authorising environments, are simplifying and harmonising their requirements. The aim is to reduce costs and at the same time to improve fiduciary oversight and public accountability, and sharpen the focus on specific development outcomes. Vietnam is a good example of a country that has now joined the international policy dialogue on aid coordination and is, in many ways, emerging as a trendsetter in the field. The key findings of the Asian case studies reflect certain trends and areas of broad commonality, as well as a number of concerns.

First, it is clear that countries in Asia are energetically following the global debate on aid coordination and are effectively participating in it. Viewed from another angle, it is fair to say that the past decade of global activism in streamlining aid delivery has had a very positive impact on the recipient countries. Key events such as the Monterrey meeting, the Rome HLF, and most recently the Paris HLF, where developing countries' participation was encouraged and their feedback actively sought, have served to energise the discussion and move it beyond platitudes. Clearly, the OECD-DAC, multilateral agencies and bilateral donors have managed to seed an unprecedented level of interest and participation. The OECD's working parties on Aid Effectiveness and Simplification and Harmonisation have both produced influential reports on which many countries have based their future courses of action. Overall, this is a positive development in that an effective global debate has encouraged developing countries to assume greater charge of their aid coordination affairs.

Second, and following from the above, many countries in the region have prepared or are in the midst of preparing harmonisation action plans - phased, time-bound road maps that lay down key achievable and challenges for both donors and national governments. This includes the designation of nodal agencies and ministries to take charge of coordination and harmonisation. Key individuals from within these organisations have emerged as champions of this agenda and have lent voice and credibility to these countries' efforts at international forums.

Third, there is a welcome trend in the region towards pegging all developmental resources to unified, single national frameworks like the Vietnamese government's Five-Year Socio-Economic Development Plan. These are
The Monterrey, Rome and Paris Meetings

The International Conference on Financing for Development was held in March 2002 in Monterrey, Mexico. The ‘Monterrey Consensus’ introduced a new partnership based on a framework of mutual accountability between developed and developing countries, which was supposed to create measurable improvements in growth and poverty reduction. Developing countries acknowledged their responsibilities for good governance and sound policies. The international community, in turn, committed itself to scaling-up and intensifying its efforts to help developing countries by:

• making sure that aid resources match the commitment to progress on policy reforms;
• tearing down trade barriers that harm the poorest countries and constraints that prevent them from deriving the full benefits from trade and investment flows;
• implementing the HIPC Initiative as an enduring solution to the debt burden of low-income countries;
• renewing calls for a new partnership on capacity-building, using the power of the knowledge economy.

http://www.un.org/esa/ffd/

In February 2003, senior officials from over 40 multilateral and bilateral development organisations and 38 aid recipient countries met in Rome for a High-Level Forum on Aid Harmonisation. The aim of the Forum was to discuss the possibilities for making aid more effective by working together more closely. In the resulting Rome Declaration on Harmonisation, delegates committed themselves to a range of activities aimed at improving harmonisation. These included:

• adapting harmonisation efforts to the country context;
• reviewing individual institutions’ and countries’ practices in order to facilitate harmonisation;
• simplifying and harmonising documentation;
• disseminating good practices to staff at headquarters and in country offices and to other in-country development partners;
• creating incentives that foster management and staff recognition of the benefits of harmonisation;
• streamlining donor procedures and practices;
• promoting the use of harmonised approaches in global and regional programmes.


In March 2005, the participants at the Paris Second High-Level Forum on Aid Harmonisation issued the ‘Paris Declaration on Aid Effectiveness,’ committing their institutions and countries to stepping up efforts in relation to harmonisation, alignment, and managing for results. The Declaration also listed a set of monitorable actions and indicators to accelerate progress in these areas. Many of the actions listed were intended to reaffirm the commitments originally made in Rome. However, additional measures were also announced to combat:

• weaknesses in partner countries’ institutional capacities for development;
• failures to provide more predictable and multi-year commitments on aid flows to committed partner countries;
• failures to delegate sufficient authority to donors’ field staff;
• the inadequate integration of global programmes and initiatives into partner countries’ broader development;
• corruption and lack of transparency, both of which impede effective resource mobilisation and allocation.

http://www.aidharmonization.org/

twinned with rolling Mid-Term Expenditure Frameworks to ensure that both donors and national planners are able to get a strategic overview of resource allocations and donors, for their part, provide predictability to ODA flows.

Fourth, as has already been mentioned, national governments and donors are raising and discussing more specific concerns, such as limiting the use of project implementation units, multiple procurement modalities and practices like topping-up civil service salaries.

Capacity development

The logical corollary of donors aligning their procedures behind national systems, institutions and procedures is that capacity development has become central to the debate on aid coordination and management. Donors are keen to see that the systems and institutions behind which they are aligning their resources are sufficiently capacitated and robust and are accompanied by fiduciary oversight mechanisms. This has come through clearly in the recent Paris declaration.

This re-visititation of the capacity question is welcome and must be seen in a positive light. Critics have, however, begun to wonder whether the capacity issue is in danger of becoming the new conditionality, as donors question whether national governments are capable of handling increases in aid through their national systems. It is therefore instructive to follow the debate on the issue of ‘absorptive capacity’, for example, that arose in the wake of the Millennium Project recommendation to up ODA resources (currently USD 68 billion) to more than three times the current global volume in order to achieve the MDGs.

While the notion of capacity development is completely antithetical to conditionality, it would be helpful to bear in mind that, to prevent capacity development assuming any form of conditionality whatsoever, caution will need to be exercised on the issue of ‘who leads’ the aid coordination initiative. Here, a cautionary note must be sounded on the donor-led debate on aid coordination, alignment and harmonisation, which, despite having had very positive outcomes so far, is susceptible to remaining donor-led in perpetuity.
One clear mitigating initiative would be seed forums for dialogue and information-sharing for the countries of the South. These forums could be designed to be a mirror image of the OECD-DAC, which in recent times has led many high-quality development dialogue by facilitating the free flow of information and opinions between donor peers. While the DAC has increasingly benefited from Southern participation, its agenda is set largely by donors. The same can be said of the Rome and Paris forums and Monterrey. The time has come to think of a 'DAC South' that would give developing countries an opportunity to do more than simply participate in donor forums and actually set the agenda of the global debate. Such a 'DAC South' would also doubtless serve to enrich future DAC work and that of future HLFs.

A long way to go
Apart from the question of 'who leads', other serious challenges remain to be addressed. In the generic realm, there is the problem of what the Cambodian government in its ministerial presentation to the HLF 2 in Paris called the 'divide'. While developing countries attending DAC sessions, HLFs and such other forums are encouraged to see a progressive, forward-looking agenda emerging out of donor capitals, it has been disappointing to see that the field managers of these same agencies are far from inclined or equipped to deliver on what their colleagues at headquarters are passionately espousing. This is not hard to understand, given that any head of mission of say, a European donor has to meet national delivery criteria and reporting standards. Tailoring these also to the standards of the national government would involve a large amount of work and the seeking of multiple political clearances. Apart from the fact that there are no incentives to do so, managers in donors' country offices are - unfortunately - neither keen nor equipped to deliver on the well-intentioned rhetoric of their HQ counterparts.

As is evident from the Cambodian case study presented here, much of the rhetoric on aid coordination and management has yet to be translated into concrete action on the ground. It will require a concerted effort on the part of the donors to address some of the anomalies - such as the fact that 90% of Cambodian ODA bypasses national systems - and act in the spirit of Monterrey, Rome and Paris.

The issue of donor missions is a case in point. Vietnam and Cambodia have arguably received the most donor missions in recent times. The two governments have raised this issue with some force in recent meetings with donors. "In many ways, the simple finding that several partner countries received far more aid teams from abroad than there were days in the year, and had to produce hundreds or even thousands of quarterly reports primarily for donors' benefit, was the badge of shame that triggered the whole harmonisation movement. Reducing this burden remains a litmus test of progress". A 14 country survey by the OECD-DAC shows that the travel burden is still very heavy, averaging above 200 visits a year in the countries surveyed. Only a small fraction of visits are conducted jointly (see table above). The large number of missions is a clear symptom of weak progress towards alignment and harmonisation. Donors can reduce the burden placed on partner countries by more effectively decentralising authority, as well as staff, to country offices. Partner countries can help by making the ground rules more systematic and enforcing them consistently. For example, Tanzania and various other countries have found it useful to declare blackout or quiet periods, linked to peaks in their budget cycles, when they prefer not to receive visitors.

The UN system has a crucial role to play, starting with the effective implementation of intra-UN harmonisation of procedures and delivery. Although the use of Common Country Assessments and a common programming framework (UNDAF) has been a useful first step on the road towards harmonisation, UNDAF programming continues to be work in progress. It will be important for the UN to effect credible internal harmonisation if it is to advocate alignment and coordination together with other donors.

Moving ahead
Ultimately, for both donors and partner countries, it is the progress made on the ground in programmes and projects that will measure the success of their efforts. While donors would do well to ensure that development assistance is delivered in accordance with partner country priorities and that harmonisation efforts are adapted to the country context, they must also review and identify ways to amend individual institutions’ and countries’ policies, procedures, and practices to facilitate harmonisation.

A progressive form of implementation, by building on experiences and messages from regional workshops, and disseminating good practices to managers and staff at headquarters and in country offices and to other in-country development partners, is an effective way of moving forward. Donors must work more towards delegated cooperation at country level and make it easier for country-based staff to manage country programmes.
and projects more effectively and efficiently. Incentive systems within donor agencies must be tweaked to foster management and staff recognition of the benefits of harmonisation in the interests of increased aid effectiveness.

A good first step would be to start small by lending support to country-led efforts (whether in particular sectors, thematic areas or individual projects) to streamline donor procedures and practices, including enhancing demand-driven technical cooperation. More analytical work needs to be undertaken on each country, so that policy contributions emerging from them are relevant and owned. Similarly, providing budget, sector, or balance of payments support, once appropriate policy and fiduciary arrangements are in place following national budget cycles and national poverty reduction strategy reviews, is also a desirable goal to pursue.

**To sum up...**

National governments in Asia have taken the lead in aid coordination and delivery, by dialoguing with donors and stating their desired terms of engagement. Key focal institutions have been designated to lead and manage the process of aid coordination. But, as is evident from the case studies in the following pages, much needs to happen before intentions match reality. While capacity development and enhanced governance are the key challenges for developing countries, the challenges for donors are to ‘walk the talk’ and make their own institutions adaptable to national systems. Concerted action on both sides may yet result in great progress in coordinating aid in the coming years.

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**Managing and coordinating donor assistance in Vietnam**

Vietnam has made rapid development strides during the last five years. Rapid growth has also brought increased donor interest in its wake and, along with this, the challenge to government of managing and coordinating increased volumes of donor assistance. Vietnam has adopted a wide range of approaches and modalities, including sector-specific donor coordination, direct project support and an active pursuit of the harmonisation and alignment agenda. Beginning with a gradual start where government was focused on the reduced transaction costs achieved through better coordinated aid the agenda has grown into a rich contribution to a global discourse and experimentation on harmonisation from them are relevant and owned. Similarly, providing budget, sector, or balance of payments support, once appropriate policy and fiduciary arrangements are in place following national budget cycles and national poverty reduction strategy reviews, is also a desirable goal to pursue.

The core of the coordination exercise has been to agree on a unified national planning framework, linked to plans for results-based expenditure management and performance orientation in public administration. Currently, the main framework to which future donor assistance is being pegged is the government’s Five-Year Socio-Economic Development Plan 2006-2010 (SEDP). The government has been consulting donors on the formulation of the SEDP. Budgets being powerful policy...
documents, there is a growing tendency to link expected outcomes in the budget with medium-term expenditure processes. In tandem with this, central and line ministries are developing more results-focused strategies accompanied by results-oriented frameworks for monitoring progress. Line ministries and provincial authorities are developing their respective plans in consultation with key stakeholders, including the donor community. The Prime Minister’s Directive 33 sets out the framework for the preparation of the SEDP and presents a firm commitment from the government to use principles and objectives, as laid down in the Comprehensive Poverty Reduction Growth Strategy (CPRGS) in formulating the plan. While some donors have already aligned their country strategies with the CPRGS, this has also paved the way for a larger number of donors to effectively align their assistance with the long-term national development plan.

The facilities around which donors are coalescing programme aid and budget support are diverse and allow for both specific government ministries and donors to judge what options suit their needs and procedural requirement best. The Poverty Reduction Support Credit (PRSC) is one such facility. The current procedure is for donors to jointly discuss among themselves and with the government, prior actions and triggers in connection with PRSC cycles. Seven donors are currently participating in the PRSC facility. Like a multi-year funding framework, the PRSC adds some predictability to ODA flows - another hallmark of effective development outcomes. A pooling of assistance was also launched in 2004, specifically aimed at capacity development for ODA project management, with financing from donors supporting pooling, the so-called Like Minded Donor Group (LMDG), and a World Bank/ Japan grant. The key objectives of this ‘Comprehensive Capacity Building Programme’ are to:

1. strengthen the legal and institutional framework for ODA management;
2. develop an overall strategy for ODA project management capacity-building in Vietnam;
3. provide problem-solving support for ODA projects experiencing implementation difficulties; and
4. facilitate the introduction and implementation of new aid modalities in Vietnam.

Donors have also made considerable headway in developing harmonised reporting frameworks on investment projects in Vietnam. The Ministry of Planning and Investment (MPI) and the AUSAID-funded VAMESP programme have fostered the development of common ODA project reporting formats. The draft reporting formats have followed government procedures and are aligned to meet donor requirements.

Environmental impact assessments of infrastructural projects is an issue where effective harmonisation among donors enhances efficiency. Clearly, aid is used less effectively if the various actors involved in supporting a project have very different procedures and requirements related to environmental assessment. In Vietnam, significant steps have been taken in this direction and donor procedures have been mutually harmonised and aligned with government procedures. This is now supported through a multi-donor effort around the Poverty-Environment Initiative (PEI), supported by UNDP, DFID and SIDA.

Harmonising environmental safeguards in Vietnam

In Vietnam, a rapidly growing economy with a growing proportion of aid flows in the funding of infrastructural projects, five major donors-the Asian Development Bank, France’s Agence Française de Développement, the Japan Bank for International Cooperation, Germany’s Kreditanstalt für Wiederaufbau and the World Bank-reviewed their environmental safeguard practices and those of the government of Vietnam with a view to identifying potential problems and devising potential solutions. The review found the environmental safeguard procedures and practices of all five donors and of the Vietnamese government to be strikingly well harmonised, notably with respect to such critical issues as the choice of activities to which environmental safeguards are applied, the scope of environmental safeguards, and general responsibilities for carrying out environmental safeguard activities.

The review also identified differences among these sets of procedures that will need to be addressed—particularly in the requirements for public consultation (i.e. how the views of people affected by the project are sought and taken into account) and information disclosure (i.e. what information should be disclosed to the public, in what way, and how the resulting comments need to be taken into account in decision-making). The parties are currently discussing how to resolve these differences.

Other areas where harmonisation efforts are being made include procurement processes, financial management, portfolio management and the issue of the number of donor missions. As discussed in the lead article and as in Cambodia, the government of Vietnam has been talking to donors about possible ways of reducing these and planning more joint missions.
Enhancing leverage through nationally-led aid coordination

Interestingly, Vietnam’s growing stake in donor coordination appears to have been catalysed by multilateral agencies like the UN and the World Bank. The UN takes the lead in many programmatic areas, with activities financed through pooled funding mechanisms. The LMDG members take lead responsibility for different fields; for example, the UK is the lead agency for public-sector financial reform and Switzerland is the lead agency for public administration reform. Given the strong directions established by the government, and its adherence to a nationally defined and directed development plan, donors are able to align in a clear and consistent manner with the government’s own agenda for development effectiveness. The global discourse of Rome and Monterrey is being increasingly heard and applied in Vietnam with a government and donor community willing and ready to act.

The Vietnamese experience demonstrates the growing importance of nationally-led aid coordination and management and shows how a country that positively and proactively oversees its aid agenda is well-placed to enhance the leverage drawn from its development effectiveness. While the experience is rich and holds considerable promise, there are areas where more needs to happen, particularly in the arena of UNDP - a neutral facilitator on aid coordination

UNDP has been a precursor in early efforts at donor coordination and management in Vietnam. Building on a basis of long-term trust with the government, the organisation established strong relationships and credibility with senior officials, providing valued advice on the economic transition and opening up of relations with the international donor community. UNDP’s strategy of support for aid coordination involved action on a number of different fronts, including national and sectoral policies and strategies and public administration reform. UNDP also brought NGOs into the donor coordination and policy dialogue process, and helped facilitate dialogue between the government and civil society. The UNDP programme has become relatively smaller over the years but the organisation continues to be seen as a neutral broker on aid coordination issues. Together with the international financial institutions, UNDP worked out a mutually agreeable division of responsibility, thus facilitating further coordination.

Moving from intent to action. Clearly, national ownership exists and is being asserted. However, the capacities to deliver on the ground are not in place yet and international agencies are stepping in to fill these gaps. A phased plan needs to be put in place where capacities to coordinate, implement and monitor the public budget, including aid are developed not only at central level, but also at provincial and district levels.

Towards improved aid effectiveness in Cambodia

Background and current state of play

Cambodia has reached a crossroads in its development as it moves away from a post-conflict situation towards a more stable development paradigm. Several decades of isolation and conflict have devastated much of Cambodia’s physical, social and human capital. Much has been achieved since the Paris Peace Accords were signed in 1991, and Cambodia has made great progress in ensuring peace and security, rebuilding institutions, and establishing a stable macroeconomic environment and a liberal investment climate. With peace and macroeconomic stability more firmly entrenched, the country has an opportunity to make far-reaching reforms so as to achieve sustained social and economic development.

Cambodia’s gross domestic product (GDP) has grown by an average of 6% per annum over the past decade. The industrial sector has been the main engine of growth, with garment manufactures forming 85% of Cambodia’s exports. Tourism has begun to contribute to growth, while agriculture has grown only modestly, lagging behind population growth. Official Development Assistance (ODA) has averaged 12% of GDP in the past decade and represents the largest share of total public spending in the social sectors.¹

In this context, effective aid coordination and management is crucial if Cambodia is to achieve the Millennium Development Goals. Significant changes have been registered in this regard during the past few years. At the 4th Consultative Group (CG) meeting in Paris in 2000, the Royal Government of Cambodia presented a new paradigm for development cooperation management to its development partners.² In this framework, the Cambodian government appointed the Cambodian Rehabilitation and Development Board (CRDB) at the Council for the Development of Cambodia (CDC) as the nodal agency within the government for aid coordination and resource mobilisation for public investments. At the 5th CG Meeting in Tokyo in 2001, the Cambodian government provided further details on the strategic implementation considerations that need to be taken into account in developing effective cooperation partnerships with development partners. However, it has only been since the 6th CG meeting in Phnom Penh in 2002 that both the

¹ Ministers, Heads of Aid Agencies and other Senior Officials representing 28 aid recipient countries and more than 40 multilateral and bilateral development institutions endorsed the Rome Declaration on Harmonisation in February 2003 (http://www.oecd.org/dataoecd/54/50/31451637.pdf).

² The author gratefully acknowledges the submissions of the DAC Working Party on Aid Effectiveness and Donor Practices to the Second High-Level Forum, especially the ‘Review of Progress, Challenges and Opportunities’ submitted to the DAC Senior Level Meeting in December 2004 and the presentations by the Government of Vietnam at the Regional Workshop on Harmonisation and Alignment and Managing for Development Results in Bangkok, October 2004.

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The capacity-building practices of Cambodia’s development partners; the practices and lessons learned in the management of development cooperation; the preparation of national operational guidelines for development cooperation.

Based on the findings of these studies, new partnerships with donors, private sector actors, and civil society organisations are being currently structured around the principles of a common vision and shared objectives, agreed governance and accountability standards, harmonised strategic management and operational capacities, and a spirit of building and maintaining trust. The 2003 Rome Declaration on Harmonisation and Alignment was also drafted and included in a Declaration on Harmonisation and Alignment signed by the government and 12 development partners. In 2004, the Royal Government of Cambodia and its development partners agreed to establish 18 Joint Technical Working Groups (TWGs) for particular sectors and themes.

An Action Plan on Harmonisation and Alignment was also drafted and included in a Declaration on Harmonisation and Alignment signed by the government and 12 development partners. In 2004, the Royal Government of Cambodia and its development partners agreed to establish 18 Joint Technical Working Groups (TWGs) for particular sectors and themes.

A ‘Government-Donor Coordination Committee’ (GDCC) was formed to coordinate these TWGs. The GDCC’s job is to provide policy guidance, to set priorities, and to propose action to solve problems raised by the TWGs. The GDCC is chaired by one individual who holds the three portfolios of Senior Minister, Minister of Economy and Finance and vice-chairman of DCD, and its membership includes ministers or heads of government agencies, ambassadors or heads of diplomatic missions, and heads of multilateral institutions. The GDCC is assisted by a secretariat based at the Cambodian Rehabilitation and Development Board (CRDB) at the CDC.

Aid coordination in action

The strong lead taken by the government in recent times, as well as donors’ efforts to better coordinate their cooperation programmes and harmonise their own practices, have moved things along in the right direction. Solid examples of effective aid coordination can be found in the Seila decentralisation programme, the education and health sectors, and in public financial management.

Seila is the government’s multi-donor funded programme for fostering local development and enhancing the capacity of provincial and local authorities for managing sustainable development. It is Cambodia’s most celebrated programme, since it has produced unique decentralised systems for planning, programming, financing and implementation, as well as monitoring and reporting systems. Seila shows that government-donor relationships can be established on an even keel, based on clarity and trust and negotiated through dialogue.

In education, a sector-wide approach (SWAp) has been developed to support a common framework and expenditure policy (including planning, monitoring and evaluation) introduced by the Ministry of Education, Youth and Sports. Under the aegis of this programme, all donor-funded projects are intended to support a single-sector policy. The SWAp in the education sector has made two important contributions. First, it has given the Ministry of Education a mechanism for aligning donor assistance with the needs of the education sector. Second, it has reduced the transaction costs imposed on the Ministry in coordinating with each donor agency bilaterally. On the financing side in 2003, donor funding was mostly in the form of loans from multilateral financial institutions, and 18% of total donor assistance accounted for direct budget support.

In the health sector, a sector-wide management (SWiM) programme was introduced. Under this programme, the government and donors developed a strategic plan for the health sector covering the period from 2003 to 2007, including a rolling
Medium Term Expenditure Framework and a five-year implementation plan - all through broadly consultative processes. However, the bulk of donor assistance to the health sector under the SWiM arrangement is being provided in the form of project-type support, thus constraining the potential reduction in transaction costs.

A SWAp has also been established for the Public Financial Management Reform programme. This is aimed at improving the provision of Technical Assistance and ensuring a concerted effort in support of this reform initiative.

Challenges remain
As outlined above, significant steps have been taken in improving aid effectiveness and enhancing donor coordination. However, while alignment with government strategies and national priorities has dramatically improved, alignment with government administrative and financial systems is still lagging behind, partly because Cambodia’s systems and procedures are not yet in place or are not up to international standards. As a consequence, much aid - nearly 90% of it - translates into procurement, disbursement and monitoring systems.

Cambodia still remains overwhelmingly in the traditional Technical Assistance (TA) mode. Individual and institutional capacity development is the avowed main thrust of most of the development programmes, accounting for 43.2% of total ODA expenditure in 2002. The delivery remains overwhelmingly conventional TA-type: 12.7% is used in employing international staff, 11.8% in providing training and overseas trips, 8.2% is spent on operational support and equipment, 8.1% on employing national staff and 2.5% on topping up civil service salaries, which remain by and large below the poverty line. This is where the Cambodian government will be challenged to lead the way, and achieve some significant results in the next few years.

The road ahead
The Cambodian experience clearly holds many lessons for policy-makers and advocates of aid coordination worldwide. With no experience of handling donors prior to the UN-brokered peace in the 1990s, Cambodia is still on a steep learning curve. With national institutions and systems gradually gaining ground and enhanced capacities being developed in the government, donors and senior officials can now engage in a dialogue based on mutual trust and accountability. The SWAps have helped to raise government commitment to reforms in the health and education sectors, as has clearly been demonstrated by government’s decision to raise the budgets for these two sectors. In Siela, the managerial authority over donor funds has been transferred to the government, a key milestone in aligning and trust-building.

The Royal Government of Cambodia is moving steadily ahead to develop much-needed aid management information systems. Key documents emanating from the Government-Donor Partnership Working Group indicate that lessons are being learnt and applied. The new joint technical working groups were challenged to come up with sector priorities and action plans before the CG meeting scheduled for December 2004.

The government has clearly outlined the challenges that donors working with the Cambodian government need to address:

- developing capacities at ministries;
- strengthening national systems and procedures, and discouraging donors from using parallel implementation systems and structures;
- enhancing delegated cooperation arrangements;
- aligning ODA-supported activities with national priorities;
- diminishing reliance on international experts;
- addressing incentive issues in the civil service.

The government is committed to preparing a single National Strategic Development Plan for 2006-2010, implementing the action plan on harmonisation and alignment as a follow-up to the Rome Declaration, preparing a National ODA Management and Utilisation Policy, promoting sector and/or thematic programme-based approaches to ODA programming, and strengthening partnerships among sectors.

Cambodia’s progress in assuming overall charge of ODA management also holds lessons for post-conflict countries. The global debate on aid coordination, harmonisation and alignment has doubtless added to the interest and the ability of Cambodian government officials to engage with donors on these issues. The leadership of the Cambodian Rehabilitation and Development Board at the Council for the Development of Cambodia has also been instrumental in driving this agenda forward at a rapid pace in the last few years. However, significant obstacles remain and the Cambodian government’s leadership will be crucial in overcoming the complex problems surrounding, for example, the question of national capacity retention in the face of very low civil service salaries.

1 World Bank 2004, Cambodia at the Crossroads, p. 111.

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Strategies and mechanisms for ODA coordination in the Philippines

Initiatives
The coordination of official development assistance (ODA) in the Philippines takes place between the Philippine government and donors, within the Philippine government, as well as among donors. Government-donor coordination takes the form of policy dialogues (the Philippine Development Forum, formerly Consultative Group, or CG) or policy round-tables, annual or periodic programming, and annual portfolio reviews. Together with the Philippine government, major donors are seeking to harmonise their procurement procedures and guidelines for crosscutting themes (such as gender and development). Meanwhile, the government has begun to require the inclusion of a logical framework analysis in project proposals, and the use of results-based monitoring and evaluation (M&E).

Philippine laws require ODA assistance to be harmonised with the country’s development priorities, an annual review to be performed of ODA, and an annual ODA review report to be submitted to Congress. The Philippine development priorities are articulated in the Medium-Term Philippine Development Plan (MTPDP) and the Medium-Term Public Investment Plan (MTPIP). These plans are currently supplemented by Strategic Planning Matrices (SPM), which specify sector-agency priorities underpinning the President’s Ten-Point Agenda.

Strategies and structure
Three supervisory bodies play important roles in ODA coordination and management. The National Economic and Development Authority (NEDA) coordinates planning and programming, the Department of Finance (DOF) negotiates and manages loans, while the Department of Budget and Management (DBM) provides budget appropriations to cover loan ‘draw-downs’ and other expenses specified in loan agreements.

While the DOF is primarily responsible for negotiating and managing ODA loans, NEDA takes the lead in coordinating all types of ODA. NEDA coordinates the requests for assistance received from the various Philippine government agencies. The latter usually identify and prioritise projects and specify potential donors. The agencies submit proposals to NEDA for review and endorsement. At the present time, projects that cost at least five hundred million pesos (equal to some 71 million Euros) are referred to the Investment Coordination Committee (ICC).

NEDA consists of a Board and a Secretariat. Power rests with the Board, which is chaired by the President, and whose other members consist of the NEDA Director-General (concurrently the Socioeconomic Planning Secretary), secretaries of key departments, the Executive Secretary, and the Central Bank Governor. The Board is assisted in its operations by Cabinet-level interagency committees, including the ICC.

The Secretariat handles the day-to-day operations of NEDA. In particular, its Public Investment Staff lead in programming and project appraisal, while its Project Monitoring Staff (PMS) are responsible for ODA monitoring and lead the annual portfolio review with donors. Each group has assigned staff members to deal with multilateral and bilateral donor agencies. These offices interact with both donors and government agencies that are proposing or implementing foreign-assisted projects.

Aid modalities
The Philippines has adopted several ODA modalities. There are sector-wide reforms (i.e. in procurement, legal, health and education), programme-based ODA (i.e. poverty reduction, HIV/AIDS, Millennium Development Goals, good governance and gender mainstreaming), area-based programming, as well as project-specific ODA. Loans have also been negotiated to finance existing programmes that cannot be funded from domestic resources. Since 1999, the government has received two direct budget subsidy (DBS) loan packages for social services and another for diversified farm income. Unlike other loan portfolios, with utilisation rate lower than 42 percent, almost all of the DBS loans are used up.

Coordination processes: the 'how' of ODA coordination
The government sits down with ODA donors, both individually and collectively, to set development assistance priorities, negotiate fund requirements and review loan portfolios. With the exception of loan negotiations, NEDA leads many of the ODA coordination activities. Those that are initiated by donors generally involve NEDA or other counterpart Philippine agencies as co-convenors or resource persons. For its part, NEDA has begun to impose uniform requirements for appraising and monitoring ODA projects and programmes. It is not clear, however, whether the results of ODA harmonisation or coordination efforts will apply to the largest donors. Meanwhile, low implementation performance of ODA projects points to capacity weaknesses among Philippine government agencies. These generalisations mask the fact that the logic, government-donor dynamics, and resistance to coordination efforts vary. These are illustrated by some examples of how the Philippine government (in the shape of NEDA) and aid donors coordinate ODA.

Assuming joint leadership
Policy dialogues that are jointly convened by a donor and its counterpart Philippine agency are donor creations. Now described as ‘joint government-donor forums’, they serve as venues at which the participants can discuss broad policy reform issues.

The Philippine counterpart generally provides secretarial support. Theoretically, the Philippine government and the donor serve as co-chairs and jointly set the agenda, but the latter often has its own agenda to push. For instance, the UNDP has actively promoted the Millennium Development Goals not just before the executive, but also before the Philippine Congress. The Consultative Group (CG) has lobbied to have the population issue included on the agenda of the Philippine Development Forum, or, in the case of earlier Consultative Group meetings held in-country, corruption discussed as a major problem or constraint on development.
Influencing programming

During the annual programming exercises initiated by donors, NEDA presents its country assistance strategy and the year’s investment requirements to the donor agency in question. The meeting is chaired by NEDA and discusses a set of proposed projects that the donor agency (represented by a team, or ‘mission’, from headquarters) has already reviewed. At the end of the two-day meeting, the mission states what its government (if bilateral) or organisation (if multilateral) is or is not willing and able to fund, based on its own priorities. Particularly during annual programming of multilateral agencies, the Philippine government is expected to provide ‘the substance’, while the donor sets the process or time line.

The influence that the Philippine government can exert on donor programmes depends on how well its agencies or local government units have prepared their substantive inputs, that is, assessments, sector analyses and project priorities. Without clear priorities, the agencies or government units would end up adopting the priorities of donors. Similarly, without the priorities spelled out in the Philippine Strategic Planning Matrices (SPM), donors and proponent agencies could easily ‘harmonise’ or justify proposed projects with the ‘visionary’ MTPDP. Now, the Philippine government can accept a proposed project only if it is in the SPM and MTPIP. Otherwise, it can encourage the donor to consider the other priorities in the plan documents.

Negotiating harmonised ODA systems and procedures

Annual ODA reviews are usually initiated by NEDA (led by the Project Management Staff), along with the Department of Finance, the Department of Budget and Management and implementing agencies, and involve meetings with individual donors. NEDA also conducts a joint portfolio review with the country’s three largest creditors - Japan Bank for International Cooperation, the World Bank, and the Asian Development Bank - to discuss common implementation issues and how these can be addressed. While reviews have made clear the need for harmonised systems (for procurement, reporting and M&E), bilateral donors tend to resist these, constrained as they are by their own government policies. There is little that the Philippine government can do about this. Nonetheless, harmonisation is gaining some momentum because of the global ODA agenda, and the results are being incorporated in planned projects.

Instituting uniform requirements for all ODA projects

NEDA has decided to require all ODA project proposals to have a logical framework analysis (‘logframe’) and a results-based M&E plan. All government agencies are aware of the ‘logframe’ and its application. However, the Investment Coordination Committee (ICC) continues to rely on the project assessment report, rather than the logical framework analysis, in its evaluation or appraisal of project proposals.

Beginning in 1999, NEDA also instituted results-based M&E, urging foreign-assisted projects and programmes to look beyond inputs and outputs. Some agencies have already developed in-house capacity and systems for results-based monitoring and evaluation, but most agencies have yet to build these competences. Because expertise in project planning and M&E is often vested in project management offices, which are staffed by staff working on short-term contracts, these capacities are lost to the agency once the project ends.

Lessons learned

The Philippine case highlights the following lessons and the key capacities needed to achieve results. First, donor country assistance or development frameworks reflect, to a large extent, the development priorities of the Philippines. This has been facilitated by the global debate and concern for the alignment of ODA with the recipient country’s priorities, and by the considerable planning capacity in the Philippines. ODA planning and negotiation will improve, however, if the country has clear long-term plans and priorities as well as a medium-term plan. In addition, NEDA, other supervisory bodies and implementing agencies need to develop the capacity to learn from past projects and to use these during negotiations. Of particular importance is to recognise at an early stage which proposed projects are likely to fail.

Second, the efforts made by NEDA to introduce new planning and M&E systems require Philippine agencies to build competences in these areas. This generally means NEDA Project Management Staff running training sessions for the technical staff of implementing agencies. Peer learning has been possible thanks to NEDA’s ability not just to use the
systems, but also to transfer the requisite knowledge and skills to others. This raises a recurring question though: how can this and similar capacities be retained in government, given the low pay and incentives?

Third, the implementation of ODA projects has been hampered by many factors, including structures that weaken implementation incentives, and different systems or procedures or procurement and reporting requirements. The existence of project management offices creates a perverse incentive to unduly prolong project implementation. Meanwhile, confusing procurement procedures can delay project completion. Efforts to harmonise systems and procedures benefit from the ongoing global debate among ODA donors. This debate particularly helps recipient countries that have little political clout vis-à-vis their largest donors or creditors, who may insist on the continued use of their own systems in projects they fund.

Finally, there is a strong anti-corruption campaign and domestic support for civil society participation in policy dialogues, transparency in the procurement process, and accountability for ODA loans. These create pressure for reform in procurement procedures and systems, and the inclusion of non-government stakeholders in talks and supervision, particularly of ODA loans.

Resources / Further reading:


The purpose of this report is to allow the development community in Vietnam to review the progress achieved in improving aid effectiveness during 2004, and consider the next steps to take in 2005.


Mizrahi, S. (2003). Who is paying the highest price for uncoordinated aid? http://www.aidharmonization.org/download/212914/Highest_price_for_uncoordinated_aid.doc. The article briefly analyzes the potential problems that can arise due to inconsistencies in policies and procurement regulations when donor organizations make contributions to developing nations


This report describes the progress achieved until the Second High Level Forum in Paris in implementing the commitments the development community made at the Rome High-level Forum on Harmonisation in February 2003. Further country specific details can be found on: http://www.oecd.org/document/61/o/2340,en_2649_15577209_31659517_1_1_1_1,00.html

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