



2011
Tracking the
Effectiveness of
Development
Efforts in the
Pacific Report



PACIFIC ISLANDS FORUM SECRETARIAT

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Acronyms

ADB	Asian Development Bank
AusAID	Australian Aid Programme
CROP	Council of Regional Organisations for the Pacific
EU	European Union
FIC	Forum Island Country
FSM	Federated States of Micronesia
MDGs	Millennium Development Goals
ODA	Overseas Development Assistance
PBA	Programme Based Approach
PEFA	Public Expenditure and Financial Accountability
PIFS	Pacific Islands Forum Secretariat
PLAS	Planning Long Acting Short
PNG	Papua New Guinea
RMI	Republic of the Marshall Islands
TERM	Tonga Energy Roadmap
TVET	Technical and Vocational Education and Training
UN	United Nations
WB	World Bank

Executive summary

1. This is the second year of presenting evidence of progress under the Cairns Compact on Strengthening Development Coordination in the Pacific (Forum Compact). This report covers progress in 2010/11 on coordination of development efforts or processes. A companion report, the 2011 MDG Tracking Report, covers evidence of development outcomes. It presents the quantitative baseline data drawn from 2010 and 2011 reporting and summarises the qualitative information obtained through the 2011 processes, which included peer reviews in Vanuatu, Tuvalu and Niue; Peer Review Progress Updates from Nauru and Kiribati; Country Notes from Federated States of Micronesia (FSM), Palau and the Republic of the Marshall Islands (RMI), Country and Evaluation Reports on the Paris Declaration Monitoring Survey and Evaluation processes for the Cook Islands, Papua New Guinea, Samoa, Solomon Islands and Vanuatu, and individual Development Partner reports from the Asian Development Bank (ADB), Australia, European Union (EU), Japan, Korea, Pacific Islands Forum Secretariat (PIFS), New Zealand, the UN System and the World Bank. The report also highlights good practice and key challenges.

2. In line with the mandates from Leaders in 2010, the Forum Secretariat has streamlined the 2011 reporting, using existing sources where possible and minimising country and development partner reporting. Simplification and integration of monitoring will continue.

3. Global, regional and national experience is identifying concrete ideas as to what needs to be done to create a system that integrates domestic and international resources better in pursuit of improvements in people's lives. The process of implementing the Compact this year has involved translating these general understandings of necessary steps into specific priority actions at country level. The following are some key generic messages and proposed actions for Forum Leaders, development partners and policy makers that can be considered depending on country context.

4. The key messages to policy makers from the evidence from 2010/11 are:

- i) **The Pacific is making good progress in improving development coordination.** The attention being given to public financial management and the increasing use of more flexible forms of aid represent major gains in the last two years. But many countries still struggle to turn resources into development results, and some are considerably behind the best practice in the region.
- ii) **The crucial factor in alignment and harmonisation is strong political leadership and aid management capacity in Forum Island Countries (FICs).** Development partners may have a strong contribution to make to harmonisation and alignment, but it will only go so far unless there is strong strategic direction from FICs which amongst other factors require strong institutional and human resource capacity at the country level.

FICs could consider:

- a. Establishing a robust, credible and sustainable national development framework that is operational and states a clear role for aid;
- b. Linking policies to the national planning framework and budgetary processes including resource allocation;
- c. Intensifying commitment to country systems improvement; and
- d. Streamlining and committing adequate personnel to the management of national planning, statistical services and aid.

Development partners could consider:

- a. Supporting country systems and using them, recognising that using them can help to strengthen them;
- b. Agreeing to align with partner countries' strategies, basing their support on them, and where possible, drawing conditions from the partner's own strategy, and linking funding to a single framework of conditions derived from this strategy; and
- c. Formalising harmonisation efforts through policy agreements outlining comparative advantage and expertise

iii) **Having a national or strategic plan does not always lead to clear direction or determine resource allocation.**

While nearly all FICs have a national development strategy, only those with relatively good capacity and with many years of experience in national planning are able to use it to shape sector activity and budgets. Generally, development partners are finding it easy to align to national plans and budgets which are pitched at a high level of generality, but they need, and will generally respond to, tighter direction.

FICs could consider:

- a. Through their own national planning processes, making a frank assessment of the effectiveness of their national plans;
- b. Limiting investment in national planning systems and processes which do not match their implementation capacity; and
- c. Considering alternative planning frameworks (shorter and more specific plans or sector plans) which work better for accountability, tracking results and directing development partners.

Development partners could consider:

- a. Supporting FICs where requested in strengthening national and sector planning systems and processes including the development of alternative planning frameworks; and
- b. Alignment of development cooperation priorities to those of the partner country.

iv) **The Pacific needs simpler and less fragmented aid delivery modalities,** ie fewer projects, more program support and a reduced mission burden. Progress is being

made in some countries, but in others there is still no clear road map based on mutual understanding of how new modalities such as program based approaches will be phased in. There is insufficient appreciation of how much time and effort is needed to create successful program approaches.

FICs could consider:

- a. Setting out their vision for aid delivery (through aid policies or statements) and plan incremental steps towards it; and
- b. Learning from regional experience of aid management.

Development partners could consider:

- a. Analysing their collective impact on the administrative systems of FICs, especially the smaller islands states; and
 - b. Engaging with governments in drawing up realistic and time bound plans for changes in aid delivery.
- v) Notwithstanding the importance of country leadership, the **pace of harmonisation and alignment is still driven by the internal regulations and preferences of some development partners rather than country needs.**

FICs could consider:

- a. Asserting stronger leadership and ownership through the measures outlined above;
- b. Exercising selectivity over time in development partnerships, favouring those that are more effective

Development partners need to consider:

- a. Adapting their regulations and procedures to the needs and capacities of small island states;
- b. Discussing how risk might be better managed and shared;
- c. Making greater efforts to be transparent about the level and composition of their aid and about their decision making processes.

- vi) **Managing for development results is still an area that require greater focus throughout the Pacific** by FICs and development partners. Some countries such as Vanuatu and Samoa have already or are beginning to give it the resources it needs, and to work out how to generate useful information that suits their capacity to collect and report it. Others are still challenged by the complex reporting requirements of national plans which they have never had the capacity to meet.

FICs need to consider:

- a. Investing in practical and appropriate systems to track development results; and
- b. Encouraging meaningful engagement of civil society, private sector and parliamentarians in the development process and being able to implement processes for mutual accountability.

Development partners need to consider:

- a. Continuing to support the generation of information on development results through support to National Planning and Statistics Offices and in the context of sector programs;

- b. Encouraging dialogue about results that focuses on development outcomes and targets, not just the activities and results of individual projects;
- c. Agreed minimum performance measures with countries to track progress in behavioral and policy reform.

Ownership and leadership

5. Experience with implementing national plans is variable. Whilst all but one FIC have national development plans or strategies, it is common to find that even comprehensive national plans developed with widespread consultation are lacking genuine influence at sectoral level and with development partners. Reasons for this include lack of definition and measurability in the national plan, there being no focal point in government for managing the implementation of the plan, the plan having narrow ownership at the operational stage and in some cases, limited capacity to manage its implementation. Countries can deal with this by lowering the level of their ambitions, in other words, narrowing the focus of their efforts or, depending on the country situation, concentrating on sector plans or annual budget descriptions of actions.

6. There is positive experience with using sector plans to galvanise domestic and aid resources around national targets. However, sector approaches take time and effort.

7. Despite the positive growth in sector plans and medium term expenditure frameworks across some countries, the main expression of future action by the public service in most Pacific countries remains the annual budget bid. The ability to demonstrate links between budget bids and what a department hopes to achieve in the year, whilst improving, is still variable across the FICs. The factors that weaken these links are fragmentation of resources (the public service not being accountable for a single set of inputs) and the quality of scrutiny of budget bids and annual plans within budget systems and by parliament and the community.

8. The use of Public Expenditure and Financial Accountability (PEFA) assessments is spreading; by the end of 2011, twelve (12) of the thirteen (13) Forum island countries who provided data will have undertaken one, with some having completed their second and one planning their third in 2012. With development partners showing an ever greater interest in public financial management systems, countries who have undertaken assessments are mostly finding that the assessments and the reform plans based on them are a useful framework for discussion on the direction of change and the support required from stakeholders internally and with development partners to implement.

9. Aid management, or the way that countries integrate aid into their own development efforts and engage in dialogue with partners aimed at changing behaviour, has emerged as a key issue in this year's reviews. With increasing levels of aid, and the prospect of significant climate change financing in coming years, project-dominated aid programs are becoming even more difficult to manage. Moving development partners towards more flexible forms of aid integrated into country systems is not just done by asking; the process needs active

management and internal links to policy reform and better monitoring of results. This year's peer reviews have promoted the idea of simple statements of aid policy which set out the direction in which aid should go, and clear expectations of countries and development partners.

Alignment and harmonisation

10. Overall, there are perceptible shifts in aid delivery modalities in the region, from discrete project funding to more use of country systems and/or general budget support. The trend towards program based approaches (PBAs) is growing. Eight countries are currently receiving general or sector budget support. The Forum Secretariat estimates that there are at least seventeen (17) PBAs (some of which involve sector budget support) active in the Pacific in 2011. International experience shows that an increase in the share of aid delivered through PBAs is associated with positive changes in other alignment and harmonisation indicators.

11. Despite these improvements, projects remain the dominant form of aid provision in most countries. Although there are encouraging moves towards more flexible forms of aid, there is no clear road map to dealing with the large number of projects. There are particular concerns about the impact of climate change financing if structures for managing external assistance are not strengthened through collective action by countries and development partners.

12. There are continuing problems with transparency of aid flows. The ratio of amounts appearing in national budgets to amounts reported by development partners as having been disbursed in 2010 varies widely above and below 100%.

13. The highest proportions of aid using national systems are seen in Samoa, where around 60%¹ of aid uses national financial management systems. For the Pacific as a whole only around 25%² of aid uses the full range of national financial management systems (excluding procurement). The use of procurement systems is consistently lower than for other financial systems. The decision to use national systems is still largely that of the development partner and the reasons for non-use may not be explicit. Countries and development partners need to develop transparent ways to have a discussion about each other's perceptions and expectations in this area.

14. Harmonisation initiatives among development partners are continuing. But although there may have been a reduction in the absolute number of missions since 2008 (and Pacific countries do not have this impression) the proportion that was coordinated with other development partners appears to have remained around a quarter. Pacific countries are looking to introduce mission protocols which involve advance notice, detection of duplication and a mission free period.

15. Pacific countries have changed and are continuing to change the way they manage collective consultations with development partners. The main conclusion from this year's peer reviews and PIFS supported self assessments of three of the FICs is that in order to build trust and personal relationships, regular collective discussion is needed with major development partners of progress on policy and

outcomes, not just projects; and that these need to happen more often than annually.

16. In terms of development coordination practice, there are marked differences within the major development partner group in the Pacific: ranging from those who promote and are most likely to engage in efforts to improve alignment and harmonisation to international institutions that provide pivotal policy advice in improving financial management systems, but whose institutional constraints limit the extent of their assistance that can be channeled through country systems. Some development partners foster flexible aid modalities, including budget support, and provide substantial project support, yet it is often accompanied by complex funding and management criteria causing significant administrative burdens on countries. Concerted efforts by some development partners to consolidate a single entry point for countries through a "One Agency" framework, aligning its programmatic efforts to national and regional priority frameworks, remain a work in progress. Ongoing challenges remain as some major and emerging development partners whose work promotes primarily project based modalities are not as engaged in collective development coordination and harmonisation dialogue as much as the other key bilateral and multilateral partners.

17. The place of CROP agency programs, global and regional programmes and activities in alignment behind national priorities has remained largely unexplored this year, particularly as information on consistency with aid effectiveness principles was again not obtained from all CROP and regional organisations.

Managing for results and mutual accountability

18. A number of countries in the Pacific have recognised that past attempts to monitor results under the national plan have not been successful and are putting in place improved arrangements for the future. For some smaller countries, the monitoring effort implied in the national plan has been beyond their capacity and there has in effect been little systematic monitoring of outcomes. Samoa and Vanuatu both have arrangements for tracking progress across a broad range of development activity. Sector approaches are generating a greater interest in outcomes and enhanced capacity to measure them.

19. Countries which do not have well functioning established internal monitoring and reporting systems are finding that the multiplicity of reporting formats for different sources of aid is causing heavy workloads in agencies where capacity is already stretched. This should be a strong incentive for them at least to produce their own standard reporting template in consultation with development partners and to negotiate its use for all public investment activities regardless of the source of finance.

20. In considering mutual accountability in the Pacific, most attention has been paid to the means by which countries and development partners jointly track commitments to greater

¹ Samoa Country Report - Evaluation of the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action Evaluation Report, December 2010

² Development Partner Synthesis Report, 2011



Niue Peer Review team - From left: Greta Moses (Nauru); Noumea Simi (Samoa); Niue Acting Premier Mr Kupa Magatotia; Bill Costello (Australia)

aid effectiveness. As noted above, Samoa and PNG have the most developed statements in the region of mutual responsibility for the effective use of aid. In the absence of collective mutual accountability agreements, bilateral arrangements (such as the Australian Partnerships for Development) are encouraging more explicit commitments to mutual accountability.

21. All the peer reviews have noted the perception of civil society and the private sector that despite consultations over national plans, they are not seen as partners in implementation or assessing results. There were consistent calls across the FICs for more regular and systematic participation of CSOs and private sector in national development dialogue. Similarly, the involvement of Parliamentarians in national development processes varies across the Pacific and is an area requiring further significant attention. There have been recent and more active efforts in some FICs with support of the UN system to more actively engage Parliamentarians in national development and this should be further encouraged. Further research and learning on development coordination in the Pacific should aim to build on experience of this topic elsewhere.

Promoting further progress in 2011/12

22. The key to further progress in 2011/12 is that each FIC if not already done so, should consider the identification of, and follow up to priority actions in consultation with their development partners, and draw on regional and development partner resources for implementation.

23. The Forum Secretariat will track priority actions through regular contact with Forum island countries; set up a monitoring and evaluation system for the Compact which integrates current streams of information and is centred on country level information; collaborate with funding agencies to set up an arrangement for exchanges of personnel across the Pacific through triangular and south-south cooperation to promote learning; and pursue discussions with other CROP agencies, regional and multilateral organisations on regional programs and the application of development coordination principles to regional programming.

24. The Secretariat will also coordinate inputs from the region to the High Level Forum on Aid Effectiveness in Busan in November 2011, based on a number of messages and strategies agreed by members.

Introduction

1. At their meeting in Cairns in August 2009, Pacific leaders adopted the Cairns Compact on Strengthening Development Coordination in the Pacific ("Forum Compact" - Annex 1). The objective of the Forum Compact is to drive more effective coordination of development resources from Pacific island countries and all development partners so that the region makes faster progress towards the Millennium Development Goals and national targets. Through the Compact, Leaders asked for more comprehensive and consistent evidence of both development outcomes and coordination processes, and decided to maintain high level attention to these issues through tracking progress annually.

2. This is the second year of presenting evidence of progress under the Compact. This report covers progress in 2010/11 on coordination of development efforts or processes. A companion report, *the 2011 MDG Tracking Report*, covers evidence of development outcomes.

3. Coordination is a widely used term, and covers a variety of actions. For the purposes of the Compact, the following definitions are usually used:

- a. Development coordination is the way in which **domestic and external resources** are allocated by agreement between countries and their development partners under national leadership, turned into actions, monitored and evaluated;
 - b. Aid coordination is the arrangements at national level for ensuring that **aid is consistent** with government policies and systems; and
 - c. Development partner coordination is the means by which **governments direct development partners, and/or** development partners coordination/harmonise and manage themselves in the absence of government leadership, to collaborate and avoid duplication.
4. Forum Leaders at their meeting in August 2010 at Port Vila reviewed progress on the first year of the Compact and:
- a. reaffirmed the importance of the peer review process;
 - b. called for the identification of priority actions for strengthening development coordination at the country level between 2010 and 2011; and
 - c. noted the need to streamline reporting processes and integrate them into existing reporting arrangements.
5. They tasked the Forum Secretariat, development partners and relevant CROP agencies to make available necessary support to assist the Forum Island Countries (FICs) with the identification and implementation of these priority actions.
6. In line with the 2010 directives given by Leaders, the Forum Secretariat has:
- a. facilitated additional peer reviews for Vanuatu, Tuvalu and Niue and received progress reports from Kiribati and Nauru on the implementation of their 2010 Peer Review recommendations;
 - b. utilised the Paris declaration monitoring survey process

to focus particular support on FICs (FSM, Palau and RMI) that did not undertake a self-assessment or peer review in 2010 and were not part of the 2011 global reporting on the Paris Declaration;

- c. minimised additional and separate reporting from FICs and development partners by drawing on the reports from the 2011 Paris Declaration Monitoring survey for PNG, Samoa, Solomon Islands, Tonga and Vanuatu and Paris Declaration evaluations for Samoa and the Cook Islands. Nauru and Kiribati had already undertaken peer reviews in 2010 so the focus for them was on tracking the progress of implementation of their peer review recommendations;
- d. received individual development partner reports using the Paris Declaration Monitoring survey process from Australia, Asian Development Bank (ADB) European Union (EU), Japan, Korea, New Zealand, Pacific Islands Forum Secretariat, the United Nations and the World Bank;
- e. laid the foundation for moving from information collection and reporting to promoting change in the direction mandated by the Compact, through facilitating the identification of priority actions and the support required to undertake them at country level; and
- f. developing a streamlined and predictable monitoring mechanism which will allow judgments of progress to be made in the future.

7. This report presents the quantitative baseline data drawn from 2010 and 2011 reporting; summarises the qualitative information obtained through the 2011 processes; and highlights good practice and key challenges. The information base is more consistent and quantitative coverage is better than last year, mainly because of the structure of the Paris Monitoring survey.

8. Underlying the reporting has been the principle that information collection should contribute to a shared understanding of the state of development coordination in the region. One of the essential building blocks for this is treating information gathering and reporting as part of the exercise of mutual accountability at country level and integrating the views of all stakeholders in each piece of data collection. This principle has been entrenched this year through the use of the Paris survey and opportunities for validating development partner data through country visits, and will underlie future monitoring by the Forum Secretariat.

9. The Fourth High Level Forum on Aid Effectiveness in Busan, Korea will be held in 2011, which has been the stimulus for the monitoring surveys and evaluations referred to above. A synthesis evaluation of the Paris Declaration has also been prepared, and is referred to in this report where its findings align with the Pacific experience. The evidence collected on the implementation of the Compact in 2010/11 will underpin the presentation of the Pacific position at the High Level Forum; this is covered in the final section of the report.

10. Last year's tracking report was organised around the five Paris Declaration principles of ownership, alignment,



harmonisation, managing for results and mutual accountability. These principles are reflected in the Pacific region's Pacific Principles of Aid Effectiveness adopted in Palau in 2007 (Annex 2). The Paris Declaration and Pacific Principles of Aid Effectiveness are not well known or understood in the Pacific outside the central Ministries dealing with aid and other resources day to day, and the principles do not therefore resonate with most Pacific public servants who understand their task in terms of planning, budgeting and reporting cycles and day to day relationships with development partners. However, the Paris and Pacific principles have been found to be a useful way of framing the discussion around, and expressing progress against, the issues that affect that day to day work. For example, the Samoa and Cook Islands evaluations concluded that the Paris Declaration had provided useful language for governments to use in their external relationships because the major development partners were signed up to it (even though the ideas it represented were already part of the governments' own agenda at the time of the Declaration). For the sake of consistency, therefore, this report contains three sections based on the Paris/Pacific principles. The principles are closely interrelated; progress on one will encourage progress on the rest, and actions taken by governments and development partners to improve development coordination will usually impact on all. It should be borne in mind, therefore, that the section headings are to some extent artificial distinctions.

11. A final section looks at future actions including proposed monitoring and reporting on the effectiveness of development coordination efforts, support required from development partners, and framing the Pacific position for the High Level Forum on Aid Effectiveness in Busan.

12. The focus that the Compact has provided on national and development partner systems, together with the wider participation (six Pacific island countries compared to one in 2008) in the Paris Declaration Monitoring Survey in 2011, has meant that all Pacific island countries have further concentrated attention on development coordination over the past year. It is firmly on the agenda for all Pacific governments, but because of different histories, institutions

and capacity, some countries are further along the continuum of effective resource use than others.

13. There has been welcome and significant progress in some countries, and emerging good practice in most. But given the regional approach to effectiveness implied in the Compact, it is a matter of concern that some countries are falling behind; the gap between the more advanced countries and the least in respect of development coordination is widening. This makes it more important that all countries look at their own situation where they have not already done so, identify the key bottlenecks to progress in consultation with development partners, and prioritise them within available resources.

14. The peer review process has proved itself as one way among others in which this self-reflection can be facilitated. Nauru and Kiribati both report concrete follow up actions on some of the peer review recommendations from 2010, and Vanuatu reports plans to follow up recommendations from this year³. The level of analysis possible in the time allowed for peer reviews means that recommendations will on the whole be similar to directions that governments have already thought of, and it would be wrong to claim that the value added of the reviews is a set of entirely fresh ideas. However, comments by countries reviewed and by peer reviewers themselves confirm that the value is in cross learning about how to put ideas into action; sharing of documents and templates; the fact that recommendations are coloured by experience close to home; encouraging frankness within governments and with development partners about what needs to be done; and the contacts that are made in the process.

15. This year's experience has generated further learning about how to manage the review process, including the value of good preparation, further consideration over the time to be allowed in country, and improving the immediacy of the benefits by building in prioritisation of recommendations and structured follow up at an earlier stage than has been done so far.

³ Three country reports and Presentations to the PIC Development Patners meeting, July 2011

PROGRESS IN STRENGTHENING DEVELOPMENT COORDINATION

Ownership and Leadership

16. Governments exercise ownership and leadership in development efforts by:

- a. setting out their priorities with widespread consent among the public service and communities;
- b. demonstrating regular and renewed commitment through their policies and through budgets;
- c. having a credible program of improvement to operations and administration that turns policy into action, notably planning, budgeting and public financial management systems;
- d. actively using government plans and policies to direct development partner efforts; and
- e. setting up the capacity to implement plans and measure and report on results.

17. Country leadership and ownership is the basic and most important building block for progress in development coordination. The Paris Declaration synthesis evaluation reiterates the global finding that:

“The key driver for successful reform in countries and donor agencies has been high level political engagement and support. Its absence may be one of the crucial reasons for lagging progress elsewhere.”

It also finds that:

“Most donors and agencies endorsing the Declaration will be prepared to rally behind clear country leadership, although some of their systems are not yet equipped to field the necessary authority, expertise and continuity on the ground.”

18. The adoption and widespread participation in the implementation of the Compact, unique among groupings of countries and development partners worldwide, demonstrates the political drive in the Pacific behind better development coordination. But at country level, there remain capacity issues as well as some disconnect between political processes such as the budget, the allocation of personnel and the management of external relations on the one hand, and the business of better development coordination on the other, all of which constrain the ability of Pacific countries to demonstrate clear direction within the country and to their development partners.

19. As noted last year, all Pacific Island countries but one have a current national development plan. None has been analysed according to the World Bank methodology for determining whether a plan is “operational”⁴, so assessments of their effectiveness are to some extent subjective, but experience with implementing them is clearly variable. In Samoa, a set of sector plans with medium term costing provide the framework for turning national objectives into activities and budgets, and both the sector plans and budgets are scrutinised for their contribution to national objectives. Papua New Guinea has adopted a policy and institutional framework

aimed at ensuring that all sectoral and sub-national plans are aligned to the new, target driven and costed medium term plan.

20. Although the pattern set in most of the Pacific is a hierarchy of national vision, national plan, sector and corporate plans and annual budget plans, the investment in getting all these linked and effective is very large. Without sustained attention and necessary capacity, not all of these levels of planning will be effective all the time. It is common to find that even comprehensive national plans drawn up with widespread consultation are lacking genuine influence at sectoral level and with development partners within a short time after preparation. Reasons for this include:

- a. *Lack of definition and measurability in the national plan.* National plans are typically broad brush, though they may contain very specific measures often for short to medium term implementation. Often subsidiary sector and corporate plans are intended to specify actions to operationalise the national development plan, to link it to annual activities and budgets, and to set out clear targets behind which development partners can put coordinated support. But the resources and incentives to complete these operational plans are often lacking, leaving few or imprecise targets against which to measure progress;
- b. *No home for the plan.* Putting a national plan into operation requires that a central agency with some influence over the whole of government “own” the plan (ie advocate for its implementation and monitoring and scrutinise proposals for consistency with the plan). If no agency has this responsibility, or if the agency with nominal responsibility does not have the capacity to carry it out, the plan may remain formally recognised but not effective. Where a plan is being actively implemented and there is effective challenge to departments over their annual plans and budgets, it is usually because an agency, such as the Ministry of Finance or an interdepartmental committee has demonstrated added value to those processes and built legitimacy with departments. Both of these take time to develop.
- c. *Narrow ownership of the plan.* Recognition of the plan may be nominal or restricted within government and outside. The plan may be seen as the product of compliance with development partner requirements or having been largely prepared by consultants, or there may not be a strong sense of political and public sector responsibility for its implementation.

21. When a national plan or strategy is not recognisably driving choices in activities or budgets, or promoting accountability, it is difficult for governments to demonstrate ownership of development efforts. Apart from a wholesale overhaul of the plan, options which have been used in the region include:

- a. setting a more specific set of actions for the remainder

⁴ Results based national development strategies, World Bank, 2007

of the plan period or for a shorter time within the plan period, as a basis for renewing political and public service commitment to a realistic set of targets; and

- b. building on existing momentum in selected sectors by encouraging collaboration between sector leadership and development partners on target driven and costed sector plans.

22. On the first, the peer review of Vanuatu noted that:

"The Planning Long Acting Short (PLAS) matrix which was prepared by the then new government in 2008 was partly an attempt to give more focus to actions which had become important to the implementation of the Priorities and Action Agenda, and partly a means of clarifying the development agenda priorities of the new government. It is part legislative and administrative program and part reaffirmation of existing MDG type targets. As a short, action oriented and mostly measurable document on which politicians and the public service collaborated, it provides a useful model for the Pacific, where plans may be too long, broad or unmeasurable or too irrelevant to real political concerns to influence resource allocation or outcomes."

23. Sector plans, as elaborations of national plans, or brought about through special circumstances of sector leadership and development partner responsiveness, are proving in some countries as an effective way to set out specific country-owned plans, to discuss costs, and to negotiate more flexible forms of aid delivery. As noted above, Samoa has adopted sector planning as a way of putting the national plan into operation. Sector approaches are well established in PNG. Vanuatu is promoting sector plans as the basis for future sector and development partner engagement, and Tonga, Solomon Islands and Kiribati are leading some sector approaches based on nationally developed plans. In each case the key elements are strong national leadership, clear targets (such as reversing the decline in school attendance) which are preferably a true political priority and a shared vision among a critical number of development partners.

24. The returns from successful sector approaches (including budget support) are high, but so are the costs of establishing them. To quote the Vanuatu peer review report

"Vanuatu is promoting the program based approach because it hopes to reduce the transaction costs of dealing with multiple development partners. At least some development partners share the same aim. However, the immediate effect of the intense processes involved in negotiating a program based approach is to increase workloads while the normal burden of project administration, basic management and adapting to political change remains."

International and regional experience is that effective sector approaches start with regular informal country-led discussion, including all potential contributors, of the systemic constraints to the achievement of country goals, and that this helps to generate confidence to plan for the medium term and commitment to support country led actions, leading over time to more aligned and harmonised aid delivery. However, the Vanuatu peer review underlined that moving to sector approaches generated high expectations in the country and

among development partners about what they could deliver, and that consistent effort was needed to ensure that the inevitable difficulties of change and reliance on weak national systems did not lead to disappointment and friction. Countries need to display a high degree of leadership, accountability and ability to track results if they are to run successful sector approaches.

25. Despite the growth in sector plans and medium term expenditure frameworks, the main expression of future action by the public service in most Pacific countries remains the annual budget bid. The ability to demonstrate links between budget bids and what a department hopes to achieve in the year is variable. The factors that weaken these links are:

- a. *Fragmentation of resources:* Countries with a limited revenue base often have little in their budgets for purposes beyond paying salaries, rents and utility costs. Expenditure aimed at bringing about change for their citizens often has to come from aid budgets. If the aid is provided in project form, is poorly aligned to national plans, or is unpredictable, it is less easy to capture it, or its intended impacts, in annual budget statements. This weakness tends to be made worse when recurrent and development budgets are treated separately, so that Cabinets and parliaments cannot see the totality of funds going to each sector. Emerging better practice in the Pacific is to integrate recurrent and development budgets (as Vanuatu, Tuvalu and Niue⁵ among the countries reviewed this year have done); and (as in Samoa) to take a whole of sector approach to budgeting in which domestic and aid resources are treated as parts of a common financing package aimed at meeting sector targets, and shown together in the budget with intended overall outputs.
- b. *Quality of scrutiny within the budget system.* Many countries have national development or budget or expenditure committees whose task is to review budget bids, and there is increasing interest in parliamentary public accounts committees in examining the budget before it is voted. Such mechanisms can act as a means of checking that bids demonstrate how they will take forward national priorities; this can be reinforced if budget bids are the product of prior discussion with sector analysts in the Treasury and Planning Departments as they are in Vanuatu and Samoa. However, line departments in a number of Pacific countries report that budget processes do not contain meaningful negotiations and that they may go unchallenged if they roll over annual recurrent budgets and objectives from one year to the next. Tuvalu has begun to work on this basic level of accountability by reviewing program descriptions in the budget with departments in the budget process. Sectors with costed sector plans often report greater satisfaction with the budget process

⁵ Niue has also taken an important first step in capturing aid in its investment and development budget and matching it to national strategic plan outcomes; but how it will be treated in the budget is not yet determined.

because the links between targets and expenditure has usually been widely discussed before the budget process. Finally, much depends on the transparency of the budget process at all stages, including the stage of final political decision, and the extent to which such decisions are open to effective debate and challenge by parliament and the community.

26. One of the findings of the Paris Declaration synthesis evaluation is that countries have

“Employed and embedded the Declaration-style improvements, not just to manage aid better but because they serve the countries’ national needs, for example to introduce better financial management, public procurement or accountability.”

This has been true in the Pacific, where discussions between countries and development partners over the use of national systems has focused attention on the overall need to improve those systems in everybody’s interest, not just for aid delivery. The use of Public Expenditure and Financial Accountability (PEFA) assessments is spreading; by the end of 2011, twelve (12)⁶ of the thirteen (13) Forum island countries who have provided data, will have undertaken one. With development partners showing an ever greater interest in public financial management systems, countries who have undertaken assessments are mostly finding that the assessments and the reform plans based on them are a useful framework for discussion on the direction of change and the support required (Nauru and Kiribati both report this). *The Public Financial Management Roadmap* strongly advocates a sector approach for financial management reform based on such shared diagnostics.

27. Aid management, or the way that countries integrate aid into their own development efforts and engage in dialogue with development partners aimed at changing behaviour, has emerged as a key issue in this year’s reviews. Countries such as Samoa who have a well-developed aid policy talk of managing and directing development partners. Others who take a less structured and assertive approach to matching donor funds with national needs still talk primarily of monitoring or coordinating development partner programs.

28. With increasing levels of aid, and the prospect of significant climate change financing in coming years, project-dominated aid programs are becoming even more difficult to manage. Moving development partners towards more flexible forms of aid integrated into country systems is not just done by asking; the process needs active management and internal links to policy reform and better monitoring of results. Those countries who are managing the transition best are those where structures and functions for aid management is concentrated in one place, properly resourced, and integrated into domestic resource allocation and outcome monitoring systems, and where staff have the confidence and political backing to negotiate authoritatively with development partners. Conversely, countries where responsibility for aid is divided between Departments sometimes with little clarity in division of labour, under resourced (Tuvalu has just one person in its Aid Coordination

Unit) and not working within an established aid policy, are struggling. Samoa has launched

its development cooperation strategy (see box), PNG is re-launching the PNG Commitment on Aid Effectiveness, the Cook Islands is finalising its draft aid policy and Vanuatu is in the process of discussing their Commitment on Aid Effectiveness with its development partners. These set expectations for how aid will be managed, and offer useful lessons for the rest of the Pacific.

Partners in Development: Promoting Aid Effectiveness - the Samoa Development Cooperation Policy

This policy, completed in December 2010, lays out the ground rules for managing aid within the Government of Samoa and by development partners. It specifies the focal point and decision making structures within the government, and the roles and responsibilities of each part of the structure. It sets out expectations for development partners in the areas of alignment and respect for government priorities, moving away from projects, use of national financial and implementation systems, predictability and transparency, and management of missions.

It commits the government to instituting performance monitoring, improving systems and procedures within the public service, and managing an open and collective dialogue with development partners over policy issues and resource frameworks. It also recognises the role of civil society and the private sector in planning and implementation of national policy.

The policy states that the government’s preferred mode of aid delivery is budget support, and describes the institutional strengthening that Samoa will undertake to ensure that development partners providing budget support can have confidence in national systems. It concludes with a statement of action that will be undertaken within central agencies and line ministries to implement the policy and to review progress jointly with development partners.

Source: Government of Samoa

29. This year’s peer reviews have promoted the idea of simple statements of aid policy which set out the direction that aid should go in and expectations of countries and development partners. The Tuvalu peer review, for example, recommended that as part of a package to reinforce the country’s leadership of the development process, Tuvalu should develop a short development cooperation/aid policy summarising the direction in which they wish to take development aid, and how they intend to promote the institutional changes that will help to bring this about. Several other countries are considering this option where they do not already have one.

30. One important aspect of active aid management and

⁶ All except Palau will have undertaken PEFA’s by end of 2011, Vanuatu, Samoa have undertaken two PEFA’s with Samoa planning a third in 2012.

leadership which is emerging is taking a selective approach to development partners. Some countries with a limited national and development partner resource base feel under pressure to accept funds from wherever they are available, even if they come in forms which are difficult to access, absorb and manage; in others the decision as to whether to work with a particular development partner is often made by sector Ministries who often manage a country's external professional relationships (in areas such as health, environment, meteorology), without reference to the costs and benefits to the country as a whole. Having an aid management unit with a mandate and capacity to negotiate with development partners on behalf of government allows a country to make informed decisions about how to manage a range of aid relationships and to take a structured approach to the challenges set out in the remainder of this section. The Samoa evaluation notes that:

"Some donors, who are signatories to the [Paris Declaration], have neither advocated its implementation nor sought to change their way of aid delivery. The government has responded pragmatically, dealing with each donor based on their preferred way of operating, although it has not been prepared to forgo country ownership and alignment with [national] development plans."

31. In general aid management is well supported by development partners, particularly the UN system and AusAID. But given the systemic difficulties faced by many, especially smaller, Pacific Island countries, there is a case for stronger and more collaborative approaches to diagnosis and capacity building in this area, such as are being developed for public financial management.

32. Four of the thirteen (13) Forum island countries consulted (Palau, Marshall Islands, the Federated States of Micronesia and Niue) constitute a special case, receiving over half of their operational expenditure from a single external source (the United States or New Zealand). In these circumstances, establishing and sustaining ownership of national development plans is a particularly complex issue. Because this support is linked to constitutional or historical relationships, and because the aid relationship is therefore even more than usually linked to the political concerns and priorities of the development partner, it is difficult to assess the relationship against the accepted aid effectiveness criteria. In effect, the expectations of outcomes from external support, and a number of internal planning and implementation mechanisms, may be set by the procedures and preferences of the external partner.

33. Although good working understandings are possible under these circumstances they are not inevitable; what may be seen as an open ended commitment on one side may be subject to unspoken and unpredictable expectations of results on the other. Palau is proposing a joint advisory group with the United States on economic reform to negotiate and monitor economic policy on a regular basis; Niue is negotiating a new aid agreement with New Zealand. Both of these offer an opportunity to move away from prescriptive approaches towards a more open and structured dialogue based on outcomes rather than outputs. This offers an opportunity for expectations to be made explicit and for bargains to be struck about what each side will do, consistent with the capacity of the Pacific island partner country.



Alignment and harmonisation

34. Similar to experience globally for developing countries, progress on alignment and harmonisation has been uneven in the Pacific. The factors that affect how well it has gone include the set of ownership and leadership issues in Pacific island countries covered in the previous section, the preferences and constraints of development partners and the degree of trust and dialogue that has been built up between both sides. Just as there are problems with some Pacific countries exercising leadership, so there are problems with development partners not living up to their commitments.

35. Overall, there are perceptible shifts in aid delivery modalities in the region, from discrete project funding to more use of country systems and/or general budget support. The trend towards program based approaches (PBAs) is growing. Eight countries are currently receiving general or sector budget support. The Forum Secretariat estimates that there are at least seventeen (17) PBAs (some of which involve sector budget support) active in the Pacific in 2011. There is no time series for this figure, but anecdotal evidence suggests that it has grown significantly in the last two years.

36. In the countries completing the Paris survey the proportion of aid delivered through PBAs in 2010 varies from 61%⁷ for Samoa to 21% for Tonga. International experience shows that an increase in this figure is associated with positive changes in other indicators; in other words, when a country is clear about its plans for a sector, it is better placed to ask for the kind of aid it really needs, control the proliferation of development partner activities, and demand greater coherence among development partners (Samoa was managing 300 discrete projects before 2005; in 2010, with progress on sector planning, it had fewer than 100 despite a near doubling in overall aid). The increasing use of PBAs noted above is a positive signal of increased harmonisation, though the headline figure should not mask the considerable amount of work that is done in establishing them to take account of the non-negotiable procedures of some development partners.

37. There has also been a small increase in the last few years in high level policy matrices, in which commitments from a government's own plans are tracked and successful implementation triggers payments of flexible support from development partners (in practice this is how all budget support works). In Samoa all development partners use the same policy matrix for release of budget support funds. In countries where this agreement is with only one or two major development partners (Vanuatu, Tuvalu) there is scope to expand it to others.

38. Despite these improvements, projects remain the dominant form of aid provision in most countries (in the sense of taking up most dialogue and transaction costs, if not of absolute volume). The dominance of projects arises from a combination of aid relationships with partners who will only work in this modality and slow progress towards alternatives with those who will consider them. The Tuvalu peer review report describes a common experience:

"The widespread incidence of projects is leading in Tuvalu to the problems often associated with this modality: preparation and reporting documentation is seen as being out of proportion to the value of the initiative and results; project implementation units and staff are distorting the labour market, both in terms of salaries relative to the public service and the national talent they absorb (there are more staff in projects supervised by the Environment Department than there are core staff in the Department); departments are having to patch together projects from various development partners/sources to make up an investment program such as conversion to solar energy; and project support is unpredictable and subject to shifts in development partner policy.

Alongside the difficulty of managing multiple aid inputs are their effects on the business of government. Ministries which rely on activities they feel they do not fully control to carry out their development programs are less likely to develop medium term planning and reporting frameworks or to integrate external resources with their own recurrent budget. In circumstances of weak capacity, planning, monitoring and reporting can become centred on a project portfolio rather than a set of national objectives. Equally, aid management can become a matter of matching Tuvalu's needs to development partner programs and preferences rather than influencing development partners to adapt to Tuvalu's development needs and or programs."

Although even in the countries with the weakest capacity there are encouraging moves towards more flexible forms of aid, there is no clear road map to dealing with the large portfolio of projects. To come to grips with it requires the active approach to aid management described in the previous section.

39. There are particular concerns about the impact of climate change financing if structures for managing external assistance are not strengthened though collective action by countries and development partners. The Niue peer review summarises these concerns:

"Niue needs to consider taking a managed approach to accessing climate change funds. Having a more proactive aid policy and strengthened national monitoring and reporting systems will take it some of the way. But greater progress will be made if Niue can use the opportunity of preparing its National Adaptation Plan of Action (NAPA) to consider how the country will position itself in respect of climate change funding. The alternative is both likely and unsatisfactory: a plethora of small, disjointed and management-heavy activities. It is possible to see this emerging already in the Environment Department. The key points are to ensure that Niue's NAPA is subjected to comprehensive whole of government scrutiny and approval; that it focus on Niue's long term and significant needs (eg: relocating villages, securing water supplies) rather than a plethora of small projects; that thought be given to a funding mechanism such as an Adaptation Fund, with robust

⁷ Samoa Country Report - Evaluation of the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action Evaluation Report, December 2010.

governance mechanisms that will allow contributors to put funds in with confidence, to provide a cushion between receiving funds and spending them at the rate that Niue can sensibly manage; and a single point of management in a central department, with implementation delegated to a range of appropriate agencies.”

40. Comparisons between disbursements for the government sector in 2010 and the amounts appearing on Pacific island country budgets suggest that there is still a problem with accurate forecasting of aid revenues. The ratio of amounts appearing in national budgets to amounts reported by development partners as having been disbursed in 2010 varies between 143% for PNG and 21% for Solomon Islands. In the Tuvalu 2010 budget forecast aid receipts were A\$27.4 million, while the revised estimate for aid received at the time of passing the 2011 budget was A\$9.5 million. The reasons for variations include:

- a. The way that aid is treated in the budget (Solomon Islands only records budget support on its budget);
- b. Money being managed in different fiscal years;
- c. Incomplete information available to budget-makers, for example on projects run directly with line Ministries, or on aid in kind;
- d. Failure to adjust original activity budgets as the activities progress, or, over-optimistic current year forecasts; and
- e. Lack of clarity from development partners.

41. Factors leading to better forecasting and in-year reporting of aid flows include a common understanding, for example in the context of improving financial management, on why information on aid flows is required and how it will be used (eg to inform medium term expenditure frameworks and prepare national accounts); countries being clear about their budget timetable and asserting their right to accurate forecasts; and the existence of PBAs which lend themselves to more collaborative annual forecasting and reporting.

42. The only time series data for use of national systems is for PNG, where the proportion of aid using national systems is largely unchanged from 2007. The highest proportions are seen in Samoa where around 60% of aid uses national financial management systems and 52% uses national procurement systems. For countries without previous surveys, officials estimate that the proportions have increased significantly in recent years; however, for the Pacific as a whole reporting suggests that only around 25% of aid to the region uses the full range of national financial management systems (excluding procurement).

43. All countries report that development partners are significantly less willing to use their procurement systems than other systems. In most cases it is recognised that procurement is an area of weakness and that further support is needed. But there are strict requirements for the use of country procurement systems in some development partners which are seen by Pacific countries as very hard to negotiate over. Samoa is pushing for more evidence-based decisions in this area by inviting the ADB and the World Bank to

undertake an audit of the country's procurement systems.

44. This illustrates a wider problem with the use of national systems, namely that the decision to use them is still largely that of the development partner and that the reasons for non-use may not be explicit. The Vanuatu peer review noted that despite widely recognised improvements to the public financial management system there was still an apparent lack of trust in it and continuing decisions to opt out of using it which were not the subject of open debate. Even accepting that the technical assessment of a financial management system and having trust in its operation are two separate steps, countries and development partners need to develop mutually agreeable ways to have a discussion about each other's perceptions and expectations. The Vanuatu peer review suggested that such a discussion might need external expert facilitation.

45. Other harmonisation initiatives beyond PBAs noted in last year's tracking report are still in place and there have been others, including a jointly financed community development fund in Samoa. In Tonga, Australia is delegating responsibility to New Zealand for the Interim Ferry and the Education Program, while New Zealand is delegating responsibility to Australia for the Tonga TVET Support Program. Step changes in harmonisation such as the full delegation that Australia has already given to New Zealand in the Cook Islands are under discussion, but have encountered reservations from the Pacific island countries themselves who see diversity of aid sources as a strength.

46. Although development partner reporting suggests that there may have been a reduction in the absolute number of missions since 2008, this figure needs to be treated with care since this is not the impression of most Pacific island governments. The proportion that was coordinated with other development partners appears to have remained about the same, i.e. around a quarter (again, mainly associated with sector approaches). Pacific countries are looking to introduce mission protocols which involve advance notice, detection of duplication and a mission free period. Information gathered during the 2011 peer reviews of Vanuatu and Tuvalu, which do not yet have mission management in place, was that the mission burden on a few senior officials was preventing them from doing their mainstream work. Where mission management is not in place, there is also little information on where the problem is coming from and therefore what early wins might be possible. In the absence of more complete data and analysis, a mission free period is a relatively easy solution, even if some development partners will not always respect it.

47. Pacific countries are beginning to change the way they manage collective consultations with development partners. Experience from some countries is that collective development partner discussions are an important way to contribute to mutual understanding and to influence both harmonisation and alignment; countries in the northern Pacific are just beginning to institute (or revive) this kind of event. Some countries like Samoa and Tonga hold regular discussions with all development partners at sector level, often linked to joint

sector reviews. These are often supported by sector coordination mechanisms to improve management of development partner activity and accountability in their assistance - a good example of this is the Tonga Energy Roadmap (TERM). Others like the Solomon Islands and the Cook Islands prefer to hold regular meetings at a more general policy level.

48. The main conclusion from this year's peer reviews is that in order to build trust and personal relationships, regular collective discussion is needed with major development partners to progress on policy and outcomes, not just projects; and that these need to happen more often than annually⁸. There is a place for the donor round tables which are still held by some countries, but:

- a. they need preparation so that they do not become "a bragging list and a shopping list";
- b. they are best held around major events such as a mid-term review or development of a new national plan; and
- c. if they are aimed at changing the way that business is done, they need to be supplemented by more informal, trust-building contacts.

49. This year's evidence on those development partners who are perceived by Pacific countries as making the most effort to align shows again that there is a strong correlation between successful alignment and an effective in-country presence, preferably with decision making responsibility. The implication for countries where resident representation on any scale is impractical is that they and their development partners need to create opportunities for dialogue which replicates as far as possible that which happens in larger countries.

50. An emerging theme in the international assessment of progress towards effective aid is that of risk management. The Paris Declaration synthesis evaluation finds that:

"Some [development partners] have been too ... risk averse to play their expected proactive part in the relationship. Most have set high levels of partner country compliance as preconditions for their own reforms rather than moving together reciprocally and managing and sharing risks realistically."

The theme of risk and the level of acceptance by development partners runs through the evidence above: retaining the ultimate discretion about whether to move to the use of national systems, the attachment to projects, maintaining the political visibility of aid contributions and mission overload.

51. In terms of development coordination practice, there are marked differences within the major development partner group in the Pacific: ranging from those who promote and are most likely to engage in efforts to improve alignment and harmonisation to international institutions that provide pivotal policy advice in improving financial management systems, yet institutional constraints limit the extent of their assistance that can be channeled through country systems. Some development partners foster flexible aid modalities, including budget support and provide substantial project support, yet it is often accompanied by complex funding and management criteria causing significant administrative burdens on countries. Concerted efforts by some development partners to consolidating a single entry point for countries through a "One Agency" framework, aligning its programmatic efforts to national and regional priority frameworks, remain a work in progress. Ongoing challenges remain as some major and emerging development partners whose work promotes primarily project based modalities are not as engaged in collective development coordination and harmonisation dialogue as much as the other key bilateral and multilateral partners.

52. The place of global, CROP agency programs and regional activities in alignment behind national priorities has remained largely unexplored this year, particularly as information on consistency with aid effectiveness principles was again not obtained from regional organisations (with the exception of the Pacific Islands Forum Secretariat). While support from regional organisations is greatly appreciated, there is some anecdotal evidence that governments would like them to act in a more coordinated way with development partners. Similarly, although the rationale for global and regional programs and activities is well understood, governments (and local representatives of development partners) feel that they do not have the same degree of control over their contribution to development as for bilateral activities. The Samoa evaluation notes that

"Regional programs add a relatively uncontrollable dimension to the development arena in Samoa. Donors ... have enthusiastically adopted regional approaches as a means of supporting a large number of small island states...While Samoa is a member of [regional organisations], and usually involved in the design of regional programs, the correlation between Samoa's needs and priorities with regional programs vary across sectors."

⁸ For example, the Tuvalu Peer Review commented: "Round tables have a role (the one following the mid-term review of Te Kakeega II should have substantial policy content) but they need to be supplemented. Depending on where the government decides to take its aid relationships, it may need to develop more trust and understanding that can be generated in annual meetings".

Managing for results and mutual accountability

53. Internationally, managing for results and mutual accountability have been assessed as having advanced least out of the Paris principles - the former because it requires other building blocks to be put in place before results can be targeted and tracked, and the latter because the principle is poorly defined and mutual partnerships are intrinsically hard to form.

54. A number of countries in the Pacific have recognised that past attempts to monitor results under the national plan have not been successful and are putting in place improved arrangements for the future. For some smaller countries the monitoring effort implied in the national plan has been beyond their capacity and there has in effect been little monitoring of outcomes. Moreover, weaknesses in national monitoring and evaluation systems have been matched by superficial or uncoordinated systems, or simple lack of interest, in development partner organisations.

55. At national level, approaches to managing for results in the Pacific include:

- a. Putting into operation the monitoring framework for the national development plan under a central agency, with the support of the statistics office, but drawing on related monitoring frameworks for sectors (Samoa); and
- b. Recognising that the national plan is not by itself easy to monitor and devoting dedicated resources to collecting available national and sectoral data to assess progress in the broad areas covered by the plan (Vanuatu).

56. At sectoral level, sector approaches are, as expected, leading to a greater interest in outcomes and enhanced capacity to measure them. Development partners are investing within sector approaches in statistical and management information capacity. Arrangements such as the Australian Pacific Partnerships for Development and the United Nations Development Assistance Framework (UNDAF) are concentrating joint efforts on setting and measuring high level targets. Where sector approaches are well established, countries report that development partners are content to use the monitoring information generated by sector frameworks as an authoritative set of performance information which they do not need to supplement with their own monitoring.

57. The lack of systematic and ongoing demand from legislatures, Ministers and communities for outcome information and of performance management within most Pacific island public services remains an obstacle to effective monitoring of results. Countries where monitoring of outcomes is weak are considering how accountability for results could be improved by concentrating on simple accountabilities such as meeting the targets in budget descriptions before developing more complex monitoring arrangements.

58. Countries which do not have well established internal monitoring and reporting systems are finding that the multiplicity of reporting formats for different sources of aid is causing heavy workloads in agencies where capacity is already stretched⁹. In principle this should be a strong incentive for them to produce their own standard reporting template and frequency in consultation with development partners and to negotiate its use for all public investment activities regardless of the source of finance.

59. The availability of results at both impact (eg children in school) and intermediate outcome (eg changes in development partner behaviour) level underpin mutual accountability. They enable governments to track and explain results to their people, and enable governments and development partners to pinpoint the factors that are contributing to success or failure.

60. In considering mutual accountability in the Pacific most attention has been paid to the means by which countries and development partners jointly track commitments to greater aid effectiveness. Because this is also the focus of the Paris Declaration monitoring survey, the evidence this year is slanted towards the existence and monitoring of formal policies or agreements. As noted above, the Cook Islands, PNG, Samoa, Solomon Islands and Tuvalu have the most developed statements in the region of mutual responsibility for the effective use of aid. Such statements tend to reflect and codify existing practice, so it would be wrong to conclude that the existence of a policy in itself enhances mutual accountability. However, aid policies or agreements are a good starting point for discussions on mutual responsibilities. In the absence of collective agreements, bilateral arrangements (again, such as the Australian Partnerships for Development) are encouraging more explicit commitments to mutual accountability.

61. The Paris Declaration synthesis evaluation points to an increasing recognition that although aid effectiveness principles foster an equal relationship between countries and development partners, in fact the relationship is profoundly asymmetrical, with development partners outgunning countries many times over in capacity, access to information and powers of sanction. This asymmetry also underlies the difficulties that the Pacific faces in trying to mould development assistance to its needs. The evaluation highlights the importance of transparency as a principle in aid relationships and recommends that countries should have the option of calling on independent facilitator/rapporteurs to monitor and facilitate aid management and reform processes. The Tuvalu peer review noted that the Pacific has in the Tuvalu Trust Fund Advisory Committee a possible model for "facilitation" of mutual accountability between the Tuvalu government and its development partners as part of a package of aid reforms.

62. All the peer reviews have noted the perception of civil society and the private sector that despite consultations over national plans they are not seen as partners in implementation

⁹ See, for example, the Country Notes for the Northern Pacific States.

or assessing results and have recorded their wish for more systematic and ongoing representation in policy dialogue processes. Pacific representatives are now active in global networks aimed at defining and supporting the place of civil society in promoting transparency and accountability by governments and development partners over the use of resources.

63. Similarly, the involvement of Parliamentarians in national development processes varies across the Pacific and is an area requiring further significant attention. There have been recent and more active efforts in some FICs with support of the UN system to more actively engage Parliamentarians in national development and this should be further encouraged. Further research and learning on development coordination in the Pacific should aim to build on experience of this topic elsewhere.

Right: Tuvalu Peer Review team - From left: Johnson Naviti (Vanuatu); Secretary to Tuvalu Government Panapasi Nelesone; Sinai Tuitahi (Tonga); David Smith (UNESCAP)



Below: Vanuatu Peer Review and support team. From left: Charmina Saili (PIFS); Rick Woodham (NZ); Litara Taulealo (Samoa); Joseph Turia (PNG); John Winter (PIFS)



PROMOTING FURTHER PROGRESS IN 2011/12

64. As part of FICs' own on-going work under development cooperation policies or as follow up to participation in the Paris Declaration monitoring survey, peer reviews or Secretariat visits, Forum island countries have identified, or will shortly identify, priority actions to promote development coordination over the remainder of 2011 and 2012. These have been or will be communicated to development partners, together with requests for support. Priorities will vary from country to country, but in general development partners and regional organisations will be requested to:

- a. intensify moves towards more flexible forms of support;
- b. back public financial management reform plans in a comprehensive, joined up and prompt manner;
- c. engage where appropriate in open discussions about perceptions of risk within the programs they support and ways in which risk might be equitably shared;
- d. promote transparency over development cooperation programs by ensuring that more aid appears on national budgets, that aid coordination units are informed of aid flows and revised forecasts at specified intervals and that there is comprehensive ex post reporting at the end of the country's financial year;
- e. have regard in the way they deliver aid to the capacities of the system that underpins development coordination in the country, take a systemic approach to building the capacity of the systems, and avoid undermining existing capacity by complexity or excessive and uncoordinated missions; and
- f. cooperate with countries in setting up informal regular collective contacts with development partners with a view to building more formal mechanisms, with particular emphasis at the sector level.

65. The Forum Secretariat will:

- a. track priority actions through regular contact with Forum island countries and facilitate contact with development partners where requirements emerge that need a regional or common response;
- b. engage relevant CROP agencies and other technical agencies to negotiate levels of support and follow up on development coordination actions at country level based on their comparative advantage;
- c. set up a monitoring and evaluation system for the Compact which integrates current streams of information; is centred on countries as the place where accountability for results and changed behaviour rests; is simple to operate; incorporates occasional research on topics of interest to members; and generates information in forms which are useful for lesson learning and policy development at the country level. This M&E system is being developed and will be shared with Forum members and development partners for consideration before the end of 2011;

- d. develop a set of minimum performance measures for development partners drawn from the 2011 development partner reporting recommendations;
- e. collaborate with funding agencies to set up an arrangement for exchanges of personnel across the Pacific to promote learning (triangular south-south cooperation);
- f. pursue discussions with other CROP agencies and with development partners who provide global and regional assistance on ways to ensure that development cooperation which passes through regional and multilateral channels and programmes is subject to the same tests of good practice and development results as bilateral programs;
- g. maintain annual reporting to Forum Leaders through evidence based thematic reports and case studies on the effectiveness of development efforts and progress towards achieving the MDGs.

66. The Secretariat will also coordinate inputs from the region to the High Level Forum on Aid Effectiveness in Busan, based on a number of messages and strategies agreed by members. The key messages include, but are not limited to:

- a. the Pacific region takes aid effectiveness and commitments made at Paris and Accra seriously. This is demonstrated in the good progress made in meeting some of the partner country targets and indicators on aid effectiveness. To build on good progress made, the Pacific region acknowledges the need for more targeted and consistent effort across the principles and commits to further strengthen these areas with development partner support;
- b. the Pacific has something to share with the rest of the world in its experience prior to and including its implementation of the Compact, more recently with the focus on peer reviews
- c. the Pacific region remains supportive and fully committed to the principles and agreements in the Paris Principles and Accra Agenda for Action and seeks a continued and intensified global focus on implementation of these commitments;
- d. the new global agenda on aid effectiveness needs to acknowledge and reflect the special circumstances and needs of the Pacific Small Island Developing States (SIDS); its capacity constraints and inherent vulnerabilities including: diseconomies of scale, isolation and distance to markets, vulnerability to climate change, exposure to external shocks, and frequency and severity of natural disasters;
- e. the new global agenda should promote the integration of climate change financing delivery with existing structures for ODA and principles of aid effectiveness, given the potential of climate change financing to overwhelm the capacities and economies of SIDS;
- f. development partners should intensify their efforts to work towards meeting their commitments on aid, the use of country systems, transparency and



predictability of aid, matching aid commitment with disbursement, and encouraging a broader and more consistent policy approach to risk sharing with governments in the delivery of development support;

g. regional and global monitoring frameworks should work to support country level accountability and

development outcomes, based on the principles of simplicity, clarity and accessibility; and

h. the strong focus on government to government relationships in aid effectiveness should be extended to civil society, parliamentary processes and other forms of development financing.

CONCLUSIONS

67. The Compact was launched in the confidence that better aid, and its integration with strengthened national systems for planning, budgeting and service delivery, would have a positive impact on development outcomes. The Paris Declaration synthesis evaluation recognises that it is still early days to see gains across the board, but it concludes that:

“A strong cross section of the country evaluations found evidence that Declaration type measures, launched either before or since 2005, but reinforced since then, have contributed to more focused, efficient and collaborative aid efforts, particularly at the sectoral level. These evaluations then found plausible evidence that those efforts had already contributed to better development results, with good prospects of being sustainable.”

This reinforces the case for the Pacific to follow through with the implementation of the Compact and in so doing to catch up as a region to some extent with other parts of the world where the implementation of principles of good development coordination has been going on for longer. As always, each country needs to determine for itself what the immediate feasible priorities are and to make its position clear to development partners. However, both global and regional experience is identifying concrete ideas as to what needs to be done to create a system that integrates domestic and international resources better in pursuit of improvements in people's lives. The process of implementing the Compact this year has involved translating these general understandings of necessary steps into specific priority actions.

68. The key messages to policy makers from the evidence from 2010/11 are:

The Pacific is making good progress in improving development coordination. The attention being given to public financial management and the increasing incidence of more flexible forms of aid represent major gains in the last two years. But many countries still struggle to turn resources into development results, and some are considerably behind the best practice in the region.

Ownership

The crucial factor in alignment and harmonisation is strong political leadership and aid management capacity in FICs. Development partners may have a strong contribution to make to harmonisation and alignment, but it will only go so far unless there is strong strategic direction from FICs which amongst other factors requires strong institutional and human resource capacity at the country level.

FICs need to consider:

- a. Establishing a robust, credible and sustainable national development framework that is operational and states a clear role for aid.
- b. Linking policies to the national planning framework and budgetary processes including resource allocation.

- c. Intensifying commitment to country systems improvement; and

Streamlining and committing adequate personnel to the management of national planning, statistical services and aid.

Development partners need to consider:

- a. Supporting country systems and using them, recognising that using them can help to strengthen them.
- b. Agreeing to align with partners' strategies, basing their support on them, and where possible, drawing conditions from the partner's own strategy, and linking funding to a single framework of conditions derived from this strategy

Having a national or strategic plan does not always lead to clear direction or determine resource allocation.

While nearly all FICs have a national development strategy, only those with relatively good capacity and with many years of experience with various forms of national planning are able to use it to shape sector activity and budgets. Generally, development partners are finding it easy to align to national plans and budgets which are pitched at a high level of generality, but they need, and will generally respond to, tighter direction.

FICs need to consider:

- a. Through their own national planning processes, making a frank assessment of the effectiveness of their national plans;
- b. Limiting investment in national planning systems and processes which do not match their implementation capacity;
- c. Finding alternative planning frameworks (shorter and more specific plans or sector plans) which work better for accountability, tracking results and directing development partners.

Development partners need to consider:

- a. Supporting FICs where requested in strengthening national and sector planning systems and processes including the development of alternative planning frameworks; and
- b. Alignment of development cooperation priorities to those of the partner country.

Alignment and Harmonisation

The Pacific needs simpler and less fragmented aid delivery modalities, ie fewer projects, more program support and a reduced mission burden. Progress is being made in some countries, but in others there is still no clear road map based on mutual understanding of how new modalities such as programme based approach will be phased in. There is insufficient appreciation of how much time and effort is needed to create successful program approaches.

FICs need to consider:

- a. Setting out their vision for aid delivery (through aid policies or statements) and plan incremental steps towards it; and
- b. Learning from regional experience of aid management.

Development partners need to consider:

- a. Analysing their collective impact on the administrative systems of FICs especially the smaller islands states; and
- b. Engaging with governments in drawing up realistic and time bound plans for changes in aid delivery.

Notwithstanding the importance of country leadership, **the pace of harmonisation and alignment is still driven by the internal regulations and preferences of some development partners rather than country needs.**

FICs need to consider:

- a. Asserting stronger leadership and ownership through the measures outlined above;
- b. Exercising selectivity over time in development partnerships, favouring those that are more effective.

Development partners need to consider:

- a. Adapting their regulations and procedures to the needs and capacities of small island states;
- b. Discussing how risk might be better managed and shared;
- c. Making greater efforts to be transparent about the level and composition of their aid and about their decision making processes.

Managing for Results

Managing for development results is still an area of weakness throughout the Pacific shared by FICs and development partners. Some countries such as Vanuatu and Samoa have already or are beginning to give it the resources it needs, and to work out how to generate useful information that suits their capacity to collect and report it. Others are still challenged by the complex reporting requirements of national plans which they have never had the capacity to meet.

FICs need to consider:

- a. Investing in practical and appropriate systems to track development results; and
- b. Encouraging meaningful engagement of civil society, private sector and parliamentarians in the development process and being able to implement processes for mutual accountability.

Development partners need to consider:

- a. Continuing to support the generation of information on development results through support to National Planning and Statistics Offices and in the context of sector programs; and
- b. Encouraging regular dialogue about results that focuses on development outcomes and targets, not just the activities and results of individual projects.



Annex 1: Cairns Compact on Strengthening Development Coordination in the Pacific

The Leaders of the Pacific Islands Forum met from 4 to 7 August 2009 in Cairns to bring new determination and an invigorated commitment to lift the economic and development performance of the region.

Leaders expressed their deep concern that, despite continued high levels of development assistance over many years, the Pacific region remains off-track to achieve the Millennium Development Goals (MDGs) by 2015. Given the need to improve development outcomes, address the impact of the global economic downturn, and strengthen long-term economic resilience, Leaders agreed there was an urgent need to establish a new development compact for the Pacific. The key objective of this compact will be to drive more effective coordination of available development resources from both Forum Island Countries and all development partners, centred on the aim of achieving real progress against the MDGs. They also called on the International Financial Institutions to assist the Pacific Islands countries in responding to the global economic crisis, including through supporting better coordination mechanisms.

To realise this objective, Leaders agreed that the new development compact would be based on the following principles:

- a recognition that broad-based, private sector-led growth was essential to achieving faster development progress and that donors should encourage the private sector, including through micro-finance and support for larger-scale private sector projects;
- a recognition that improved governance and service delivery are essential to achieving faster development progress;
- a recognition that greater investment in infrastructure would underpin greater economic development;
- an acknowledgement that country leadership, mutual accountability and mutual responsibility between Forum Island countries and their development partners are fundamental to successful development outcomes;
- the need to draw on international best-practice as expressed in the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action; and
- a revitalised commitment to the achievement of the MDGs in the Pacific.

Leaders agreed that the Post-Forum Dialogue will be the preeminent mechanism for collective review of progress in strengthening development coordination, to improve development outcomes and ensure effective use of all resources for development. To this end, Leaders agreed that:

- The Forum Secretariat establish and report annually to the Post-Forum Dialogue on a process of regular peer review of Forum Island countries national development plans to promote international best practice in key sectors,

improve effective budget allocation processes and guide support from development partners;

- To help Pacific Island countries, especially small island states, meet these reporting requirements Australia and New Zealand in consultation with the Forum Secretariat would develop models for the presentation of national development plans to the Post-Forum Dialogue, and would assist states and the Forum Secretariat in preparing these reports by providing appropriate resourcing;
- Development partners be urged to provide an annual report to the Forum Secretariat on their efforts in support of this Compact, including efforts to reduce aid fragmentation, ease the burden of aid administration and improve aid effectiveness, through measures such as increased use of country partner systems, multi-year funding commitments, pooled funding, the delegation of aid delivery to lead donors, and collaborative analytical work;
- the Forum Secretariat would be tasked to prepare a consolidated assessment of annual reports from development partners for consideration by the Post-Forum Dialogue;
- The Forum Secretariat also prepare and present to the Pacific Islands Forum Leaders and the Post-Forum Dialogue an annual report on progress towards the MDGs and the effectiveness of overall development efforts in the region;
- Leaders ensure the capacity and resources of the Forum Secretariat are enhanced to support improved development coordination and implementation of this Compact.

At the regional and national levels, Leaders agreed to the following additional practical measures to give effect to a new development compact for the Pacific:

- committing to an annual high level dialogue with national, regional and international representatives of the private sector, as part of the Pacific Islands Forum, to foster the reforms required for faster private sector growth and employment generation;
- directing the Forum Secretariat to coordinate with relevant development partners to develop a "road map" aimed at progressive strengthening of Forum Island countries public expenditure management, procurement, accountability and monitoring systems so they are the best delivery mechanisms for official development assistance;
- the close alignment of regional aid efforts with regional priorities - as identified by Leaders, including through the Pacific Plan and Leaders other initiatives on regional trade and economic integration;
- the improvement of Forum Island countries development data to guide better decision-making; and
- committing to drive a higher-level of development coordination through the Forum Economic Ministers Meeting, the Pacific Island Countries-Development Partners Meeting and annual national-level dialogues with development partners.

Leaders called on all development partners to join with Pacific Islands Forum countries in supporting the principles and the

implementation of this Compact. Development partners were asked to ensure high level participation to review progress at future Post- Forum Dialogue meetings.

Leaders directed the Forum Secretariat to work with Forum

members to develop an implementation schedule and timetable to track progress in delivering on this Compact.

Leaders also agreed that, ultimately, national development plans were matters for national governments to determine.



Annex 2: Pacific Principles of Aid Effectiveness

Preamble

These principles derive from the Paris Declaration on Aid Effectiveness (2005). They have been work-shopped and consulted upon widely across the Pacific region, and are designed to fit the Pacific context. The Pacific Aid Effectiveness Principles, like the original Paris declaration, include actions and approaches for both countries and development partners (donors). References to the relevant section in the Paris Declaration, and related monitoring indicators, have been included.

Principle 1:

Country leadership and ownership of development through an accountable and transparent national development planning and financial management system/mechanism which is adequately resourced from the national budget - including longer term operation and maintenance of donor sponsored development

(Paris Declaration Section 14, 19; Indicator 1, 2)

Principle 2:

Multi-year commitments by development partners and countries aligned nationally identified priorities as articulated in national sustainable development strategies, or the like, with agreement on performance indicators and monitoring and evaluation mechanisms

(Paris Declaration Section 16, 26; Indicators 3, 5, 7)

Principle 3:

Greater Pacific ownership of regional development, Development Partners' Pacific Regional Strategies designed

and formulated with the Pacific Plan and other Regional Policies as their corner stone

(Paris Declaration 14, 15; Indicator 1)

Principle 4:

Pacific Development Partners and Countries pursue a coordinated approach in the delivery of assistance. Encouraging harmonisation will be a priority for both.

(Paris Declaration 32-42; Indicators 9, 10)

Principle 5:

Strengthened institutional mechanisms and capacity in countries to enable increased use of local systems by development partners.

(Paris Declaration 17, 21, 22-24, 31; Indicator 4, 6, 8)

Principle 6:

(i) Provision of technical assistance (TA), including in aid coordination/management, in such a way that ensures that capacity is built with tangible benefits to the country to support national ownership. Provision of an appropriate level of counterpart resources through established procedures and mechanisms.

(ii) Short term TA, that address local skills gaps to conduct studies, are culturally sensitive.

(Paris Declaration 22-24; Indicator 4)

Principle 7:

Use of an agreed monitoring and evaluation framework that will ensure joint assessments of the implementation of agreed commitments on aid effectiveness.

(Paris Declaration 43-46; Indicator 11)

Adopted on 13 July 2007, Koror, Palau

These principles are not legally binding.

The Government of Japan and the European Union have expressed reservations to the principles.



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