



**TRACKING THE EFFECTIVENESS OF DEVELOPMENT EFFORTS IN
THE PACIFIC**

**Pacific Islands Forum Secretariat
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Executive Summary

1. For the purposes of this report, the effectiveness of development efforts means the ways in which domestic and external resources are allocated, turned into development operations, monitored and evaluated. More effective resource use is only one contribution, but an important one, to achievement of the Millennium Development Goals.

2. This is the summary report from the evidence gathering activities mandated by Leaders in the Cairns Compact. It draws on the reports of peer reviews carried out in Kiribati and Nauru and country and development partner reporting on national plans and aid programs respectively. It provides the beginnings of a baseline, and many good practice examples, but more information is needed to get a consistent picture across the region.

Ownership

3. All Forum Island countries have national plans intended to guide the allocation of aid and domestic resources. National plans are effective when they reflect popular demand and political direction; when they are turned into costed operational tools; when there are robust frameworks for the management of aid within overall national resources; and when development partners are engaged in consistent and frank policy dialogue. All these are happening in the Pacific, but not consistently enough. In the absence of strong country leadership, policies for aid management and the ability to set clear sectoral policy, targets and budgets, Pacific countries can find it difficult to give direction or assert their expectations, even where development partners show that they are responsive to greater direction.

Alignment

4. There have been moves away from discrete projects towards program based support for national strategies in education in Vanuatu, Kiribati and PNG, and in energy in Tonga. This increased the significant amounts of aid already provided in this way. Experience in the Solomon Islands also shows that countries and development partners can work together on themes such as dealing with the effects of the global economic crisis. Countries have made improvements in public financial management and other systems, and are working with development partners on others. Use of the Public Expenditure and Financial Accountability diagnostic is increasing; the *Public Financial Management Road Map*, also produced as part of the Cairns Compact, makes a strong case for using the assessments to set out a single reform program which can be commonly backed by all development partners.

5. Evidence on the use of national systems by development partners is incomplete. The increasing use of budget support in the Pacific, together with existing arrangements for aid to be entered in the budget, means that budgets are including increasing proportions of aid flows. But some countries are still struggling to keep track of aid. There are encouraging examples of

greater use of national systems, and evidence that development partners see greater use of national systems as a priority and are tracking their own progress. But in the short term development partners see obstacles to greater alignment: the robustness of systems; constraints in capacity; perceptions of corruption and fraud; and inability to spend or report in an effective and transparent manner. These need to be transparently discussed with Pacific island countries, which sometimes face inconsistent positions from development partners.

6. Alignment depends on the development of trust within long term relationships. Moves to increase in-country presence have been welcome. Countries with restricted resident development partner representation need to find innovative ways to develop dialogue. Frequent turnover of Pacific Island staff undermines the creation of relationships.

Harmonisation

7. There are many examples of good practice: new delegations, initiatives to harmonise accounting requirements and other forms of collaboration, often connected to strengthened program approaches. These suggest that for the major traditional development partners there is a strong policy imperative, led from the top and bolstered by specific agreements and regular consultations, towards carrying out activities jointly, or for delegation and division of labour. The effects of these policies are clearest when there is strong Pacific leadership encouraging their practical implementation.

8. Data on development partner missions, coordinated with other development partners or not, for 2008 records over one thousand missions, with just over a quarter coordinated. A larger proportion of coordinated missions (eg in Samoa) is correlated with the existence of well established program based approaches. Numbers of missions continue to be a burden for all Pacific countries, especially the smallest.

Managing for results

9. There are examples of nationally owned monitoring and evaluation arrangements, particularly connected to sector plans. Attempts to track progress of national plans overall are not as consistent as arrangements at sector level, despite monitoring and evaluation being a standard element in these plans.

10. The issue of promoting accountability is fundamental to managing for results. Some Governments are grappling with the risk that performance and reporting arrangements, even if they are comprehensive, may not be effective because the incentives to be accountable do not yet exist.

11. Data remains a problem. Key performance indicators have not always been set with regard to the availability of information, and where the information is available there has not

been clarity on responsibility for collating it. The political demand for and the supply of statistics is weak.

12. Development partners are increasingly focused on results, and on the need for national systems to be the primary means by which these are tracked. Some Pacific countries are managing this focus well and are using it to build support for national and sectoral arrangements and to discourage separate reporting and monitoring.

Mutual accountability

13. Mutual accountability is both a technical agreement (on what needs to be done) and a political agreement (to see the actions through, to generate public support, and to provide resources). It depends on establishing an open and consistent dialogue about what works and what does not, and on the structures for that dialogue to happen. This dialogue is taking place most effectively in the Pacific in sector contexts. In the absence of clear agreement on responsibilities such as is generated in program based approaches, the concept of mutual accountability is still weak. In the medium term peer reviews may become a helpful way of promoting mutual accountability.

Conclusions

14. Across the Pacific, countries are looking at the systems, human and financial, that deliver development outcomes. Some reforms are being pursued, and development partners are responding to make aid more efficient and integrated into national plans and systems. In some contexts development coordination is well advanced. But Pacific countries are still, through lack of capacity or political direction in relevant areas, missing opportunities to ensure that the funds they have are directed to their highest priority development challenges.

15. Pacific countries need to focus on the steps that suit their circumstances. But there are examples to draw on. A key ingredient is a robust national framework that brings together policies on development aid and domestic resources.

16. The following appear from the evidence to be areas of focus in the short term for countries and for the regional organisations that support them:

- Greater focus on sector or thematic (eg public financial management) arrangements as the means to drive better dialogue and concentration on alignment and harmonisation;
- Collaborative focus across the region on key weaknesses in public financial management systems (eg procurement);

- In contexts where development coordination is difficult, agree country by country on one or two firm targets for changes in the pattern of aid delivery, to keep the focus on mutual responsibility for change;
- Greater sharing of experience on involving the non-government sector in planning and implementation of development activities.

17. Lessons have been drawn from the methods for evidence gathering used in this round. Peer reviews have shown the potential to be useful learning experiences, especially where they are aimed at finding practical ways forward for the most pressing development coordination problems faced by countries. Information gathering through questionnaires has provided the beginnings of a baseline, but has suffered from lack of complete coverage and variations in the focus of answers to qualitative questions. The Forum Secretariat will convene a reference group to look at the evidence required and methods for collection in future.

Introduction

1. At their meeting in Cairns in August 2009, Pacific leaders agreed the Cairns Compact on Strengthening Development Coordination in the Pacific (Annex A). The objective of the Compact is to drive more effective coordination of development resources from Forum Island Countries and all development partners. The proposed actions set out by Leaders in the Compact were based on an understanding that one key to improved development policy and action was more consistent evidence of both development outcomes and coordination processes, together with sustained high level attention to these issues; and that the countries and regional institutions of the Pacific could do more to generate and analyse relevant evidence for themselves.

2. This report covers progress in the first year in generating evidence on coordination of development efforts. For the purposes of this report, the effectiveness of development efforts means the ways in which domestic and external resources are allocated, turned into development operations, monitored and evaluated. A companion report, the *2010 MDG Tracking Report*, covers evidence of development outcomes. The present report is a synthesis of the material coming out of processes mandated by Leaders in the Compact. These processes were:

- Peer reviews of national plans to promote international practice in key sectors, improve effective budget allocation processes and guide support from development partners (peer reviews were trialled in Nauru and Kiribati in March and April 2010 respectively; generic terms of reference at Annex B).
- Reporting by Forum Island Countries on their national development plans (defined as reporting on planning and budgeting processes and measures to integrate aid from development partners; questionnaire at Annex C).
- Development partner reporting on their efforts in support of the Compact (questionnaire at Annex D).

3. The two sets of information (on development outcomes and coordination of development efforts) are complementary. Aid effectiveness and achievement of associated targets are simply a means to an end, and should be judged by the contribution they make to national and regional development priorities and to the achievement of the Millennium Development Goals. They are only one contribution to development outcomes, and there is a significant time lag between better planning and resource use and results. Nevertheless, there is a well established agreement between developing countries and their development partners, set out in the Paris Declaration and the Accra Agenda for Action and reflected in the 2007 Pacific Principles of Aid Effectiveness, that greater country ownership of development efforts, integration of aid into implementation and monitoring of those efforts, reduction in fragmentation and other transaction costs of aid programs, and greater mutual accountability can make a strong contribution to development, are worthwhile in themselves, and are urgently needed.

4. Evidence on the effectiveness of development efforts has been lacking in the Pacific. Only PNG participated in the 2008 survey *Monitoring the Paris Declaration*, and only two Pacific countries, Samoa and Cook Islands, will participate in the 2010 survey. The Pacific is largely omitted from other international studies of aid effectiveness. The Cairns Compact is therefore an opportunity to establish a distinctly Pacific perspective on international efforts to improve development, in the run up to the Fourth High Level Forum on Aid Effectiveness (HLF4) in Seoul in 2011.

5. 2009/10 was a year of negotiating and trialling systems. The reporting obligations of countries and development partners were the subject of considerable debate at a workshop hosted by the Forum Secretariat in November 2009 and subsequently. The resulting questionnaires were an attempt to navigate between some quite divergent views of what would be acceptable and useful to all parties. Completed questionnaires were received in April and May 2010 (list of respondents at Annex E).

6. A start has been made on setting quantitative and qualitative baselines. The qualitative data yields some insights. On both the country and development partner side there is evidence that setting and backing national plans and using resources effectively are high policy priorities. Responses contained extensive information on approaches to development coordination and structures that underpin them. However, unsurprisingly for a first round, there was considerable diversity in the responses over the interpretation of questions and core concepts, and an emphasis on description of structures rather than an assessment of whether they are working. The response rate was good for development partners but not as good as expected for Forum Island Countries.

7. The quantitative data was derived from development partner responses. A number of questions asking for data on partners' use of national systems, which is regularly collected in monitoring of Paris Declaration targets, were optional this year and the response to these was mixed. There is some information on the level of joint missions, but in the absence of a consistent set of responses on other issues the 2010 data does not yet provide a comprehensive baseline.

8. The detailed arrangements for and remit of peer reviews was also the subject of extensive discussion. The ground rules were agreed at the November workshop and further developed in consultation with the Governments of Nauru and Kiribati. The most important principles in establishing the usefulness of the reviews were

- emphasising country leadership
- the unique value of the perspective of other Forum Island Countries

- the peer review being not a single approach for all countries, nor underpinned by fixed views, but on the contrary to be shaped by the country undergoing review so as to draw maximum value from it.

9. The peer reviews provided both valuable baseline information on the status of coordination within the two countries and an in-depth look at some generic issues of coordination in the Pacific context. Moreover, because they were cast as a dialogue rather than a means of extracting information, they helped to generate ideas and highlight areas for priority action.

10. A recurring theme of the reporting is good practice examples. This is both strength and a weakness of the approach taken to gathering data this year. A strength, because widely recognised good practice has much to teach the region; and a weakness, because there is less evidence on the reasons for less effective action and on contexts where achieving aid effectiveness is highly problematic.

11. This report summarises the available evidence, identifies some emerging issues for further work by Forum Island Countries and their development partners, and makes some proposals for work in 2010/11 to build further on the evidence base. Evidence is based for convenience on the five main elements in the Paris Declaration, although all of these elements are interdependent and in practice track the same set of capacities in Forum Island Countries and responsiveness in their development partners.

12. Although the three main forms of investigation used this year each have their advantages, they all need improvement; and the use of three separate strands raises questions about efficiency, focus and mutual accountability which need to be addressed in future rounds of evidence gathering.

Ownership

13. All Forum Island Countries have a national development plan, and investment continues in updating them. In 2009 PNG launched its Vision 2050, Nauru updated its National Sustainable Development Strategy, and Tonga replaced its run of Strategic Development Plans with a more focused planning framework. These documents are the reference point for sector strategies where they exist, for budget policies, and for development partner interventions.

14. Ownership is the most difficult of the elements of aid effectiveness to define, being a complex mixture of political leadership and technical capacity. The existence of a national plan is a strong starting point for establishing ownership of development priorities, but even if it has been produced by national officials and within the institutions that set development policy, it does not by itself drive political decisions or resource allocation. International experience suggests that active national ownership of development efforts requires

- mechanisms that help to ensure that decisions about development arise from the political debate of the country, through formal and informal processes
- the ability to translate national priorities into operational costed programs (“prioritised results-oriented operational programs as expressed in medium term expenditure frameworks and annual budgets”, as the Paris Declaration has it)
- a robust national policy framework on the use of development resources that guides budget management and relationships with development partners
- the ability to generate understanding and commitment in development partners through consistent dialogue

15. These elements appear in varying degrees in the Cairns Compact reporting. It is not surprising that those countries where they are strongest are also those where alignment and harmonisation have made most progress.

The convergence of politics and development

16. There is widespread acceptance that drawing up a national plan is not a simple technocratic exercise and that it needs popular and political input. All reports describe a process of consultation in the formulation of the national plan which includes communities, the private sector and non-governmental organisations, though not all of these in every case. There is no common view of the objective of consultation or where it ends (the Cook Islands continues consultation through the implementation phase). At least one report identifies the need to involve the private sector and non-government organisations more visibly into public planning processes, and experience from the peer reviews (and underlined in the Samoa country report) is that

consultation at the planning stage needs to shade into collaboration at the implementation stage if non state actors are to feel that their stake in national development is valued.

17. Country written responses do not reflect the quality of debate about national strategies or their degree of recognition in the country, and different sorts of research would be needed to establish what is happening on the ground. On a positive note, however, the Nauru peer review concluded that that country's National Sustainable Development Strategy had high brand recognition, and that people saw the priorities in it as genuine political commitments. Indeed, the NSDS was prepared at a time when Nauru was going through sweeping changes and was one vehicle for public debate about the future direction of the country.

18. Where MDG-related outcomes are mainstreamed in political platforms in response to public demand, the probability of success is greatly increased. The best examples are at sector level, particularly in education. The political impetus behind accelerating progress or reversing declines in education has led to a number of comprehensive sector programs and maintenance of education budgets, and in Samoa, Solomon Islands and Vanuatu has led to specific expenditure measures using external and domestic funds to reduce the burden to families of paying school fees.

Translating strategies into operational and costed programs

19. In most Pacific countries, national plans are supported by a set of sector and corporate or operational plans which set out strategies, activities and targets in more detail. Sector plans vary in their coverage, with some countries having two or three in place while Samoa, which has adopted a strong and consistent program of sector planning, has eight with a further three under preparation and is the only country to report multi-year costing of these strategies. Other than for Samoa, the extent to which sector and other plans are consistent with each other and with the national plan, and drive resource allocation and accountability, is not clear from the reporting. The case of Niue, which lists 22 'sector' plans existing or under development, and notes the burden attached to implementing and monitoring them, suggests that the existence of such plans are not in themselves a guarantee of a well functioning system. The experience of Nauru and Kiribati illustrates the dilemma for smaller states, that while they have some good experience of sector plans, they lack the capacity at present to roll them out to all areas of expenditure, and meanwhile have no framework between the annual budget and the national plan against which to judge progress over a large swathe of expenditure. The Cook Islands and Vanuatu have tried to short cut this problem where there is no formal sector strategy by setting short term targets coupled with checks on delivery which at least provide a pragmatic basis for calling line departments to account.

20. The underlying principle that different levels of planning need to hang together and that activities need to be justified in terms of their contribution to medium term objectives is implicit in all the reports. All the reports state that budget bids are expected to be aligned to national plan priorities. However, there is a wide variation in practice, correlated with length of country experience, in aligning outputs to budgets, and in capacity in Ministries of Finance. Practice ranges from partial scrutiny of bids (eg scrutiny primarily of new expenditure proposals or investment projects) to a detailed examination of the objectives to be met by through all projected financial resources. Samoa operates medium term expenditure frameworks for all sectors with strategic plans which provide added discipline to budget proposals.

21. A similar range of practice is found in costing plans. In principle multi -year costings at the national, or more likely, a sector level entrench priorities and allow attention to focus on the overall cost of an outcome. A variant of this practice is some form of public sector investment plan, such as Tuvalu has, which takes a medium term view of investment expenditure. But for most Pacific countries the point at which plans are costed is the annual budget, that is, progress towards development outcomes can only be determined for the year ahead and may be subject to budget or policy pressures for that year. In some countries even this forecast is not possible because there are no mechanisms for translating annual activities into a statement of progress against medium term outcomes or because Departments are not sure that development funds for the year, a significant element in achieving outcomes, will actually arrive.

Robust frameworks for the use of resources

22. Where development coordination is well developed elsewhere in the world, it is usually because Ministries of Finance or their equivalents have invested heavily in leading donor dialogue and setting and monitoring norms for behaviour, and setting the requirements for development partners in the context of more effective overall (including domestic) resource use. While Pacific countries largely understand the rationale for such frameworks (eg all have single points of contact for the management of aid), they can be difficult to put into practice in the light of weak national plans and systems, differing development partner requirements and the persistence of fragmented relationships that encourage the negotiation of aid arrangements outside the primary channels.

23. In practice, when asked to describe the way in which development assistance is managed, a number of Pacific countries speak of arrangements for coordinating programs, avoiding overlap and ensuring coverage of national priorities, rather than of arrangements for setting out expectations for development partners and managing external inputs so as to make the most effective contribution to outcomes.

Understanding and commitment from development partners

24. Evidence from development partner reporting is that most take seriously the responsibility of countries to set their own development agenda and of development partners to follow it. The preparation of country strategies by development partners, where programs are sufficiently large to justify them, involves a high degree of consultation and aims at consistency with national priorities. Development partners also respond to opportunities for country led coordination over national and sector plans.

25. Internationally, development partner backing for country led processes has moved from formal but weak structures, based around infrequent large gatherings, nominal consistency with national plans and coordination that concentrates on the avoidance of duplication, towards informal but stronger structures that rely on long term personal relationships, consistent policy dialogue, aid delivery led by country demand, and coordination by development partners around constructive policy positions¹. This movement has taken place in some Pacific countries, and in some sectors than others, but overall there is still much more scope for Forum Island Countries to take the initiative in leadership and to hold development partners more effectively to their international commitments.

26. The key learning point from good practice in the Pacific, backed by international experience in the implementation of the Paris Declaration, is that political engagement and leadership in setting the terms of aid relationships is the most important factor in determining how much the country will exercise ownership in practice². In the Pacific this leadership has been exercised directly by political leaders, or indirectly by senior officials working within the terms of a political mandate.

Localised aid effectiveness agreements

27. One of the ways in which developing countries can assert the behaviours expected of development partners is by agreement on local versions of international agreements. At present these exist in Tuvalu, Tonga, and Papua New Guinea (they existed already in August 2009; there have been no new agreements). These agreements were mentioned by two development partners as evidence of country led coordination mechanisms. But neither Tonga nor Tuvalu mentioned them in their country reports, suggesting that their practical effects may have been limited. The PNG example is the most developed in terms of mutual commitment and arrangements for

¹ In the most advanced examples this process has led to a single joint development partner country strategy.

² *Evaluation of the Implementation of the Paris Declaration, OECD, 2008*

follow up, but it has not been possible for the group set up to monitor it to meet in the last year. As with other mechanisms for changing the way aid is delivered, such agreements need consistent follow up as part of an overall dialogue.

Strengthening regional input into national plans

28. One factor which can help to consolidate ownership of national planning processes is the availability of support that is context-specific and appropriate. So the initiative by the CROP Working Group on Sustainability in late 2009 to revive the Pacific partnership for supporting the National Sustainable Development Strategy process is particularly welcome. An informal grouping of the members of this partnership provided valuable support to Nauru in its review of its NSDS in 2009, and helped to carry out Nauru's self assessment for the Cairns Compact peer review. The group now constitutes a standing resource for other Forum Island Countries.

Alignment

29. As noted above, virtually all development assistance in the Pacific is designed with demonstrable links to national plans. But since the plans themselves are often set at a high level of generality, this is a relatively easy test to pass (just as it can be easy for line departments to argue that their expenditure proposals are in line with the national plan). In practice it has been found to be hard all over the world for countries to break down high level plans into operational, costed programs; and development partners find that alignment with effective operational programs (because they limit discretion by the development partner and specify how and when aid should be provided) and national systems requires significant changes in incentives and approach.

30. There has been some encouraging progress on alignment in the last year. The increasing use of program based approaches and mutual commitment to results (such as is intended in the Australian partnerships for development) raises the potential for greater dialogue, adaptation of aid delivery, and use of national systems. The good examples cited in both country and development partner reporting are mainly associated with sector and thematic programs.

31. New program based approaches have been put in place over the last year for education in Vanuatu (see box), Kiribati and PNG, and for energy in Tonga, adding to the significant amounts of aid already delivered through such approaches. These approaches confirm that by being clear about their own plans, countries can improve the quality of their aid requests, control the proliferation of development partner activities, and demand greater coherence among development partners.

Alignment to a sector plan: education in Vanuatu

In the light of data showing falling enrolments, Vanuatu has decided to give additional focus to its efforts to improve access to and quality of primary education. This policy is a key commitment of the current Government. Specific medium term priorities, with targets, have been set out in the Vanuatu Education Road Map (VERM). While work continues on medium term costings, indicative expenditures have been agreed for the first three years and will form the basis of education bids within Vanuatu's budget process. The VERM contains a detailed performance framework.

Based on this strategy, which builds on many years of collaborative work with development partners, partners have agreed to contribute pooled funding or to align their support to the VERM in other ways. Pooled funds will use Vanuatu's expenditure, procurement and audit systems. There is provision for joint monitoring through regular reviews using the VERM performance framework, and a comprehensive written agreement with development partners sets out the rights and obligations of all parties.

Source: Vanuatu Education Road Map. Government of Vanuatu, 2009

32. Country led actions do not need to be sector based to work. The Tuvalu Trust Fund has for some time been a successful example of a country working with its development partners collectively on important financial and economic issues. In the last year the Core Economic Working Group has established itself in the Solomon Islands as a means of providing economic support and advice to help deal with severe fiscal pressures (see box).

Collaborative economic reform in Solomon Islands

During 2009 the global economic crisis intensified public expenditure pressures in the Solomon Islands. The Government's response was to draw up with development partners a set of priority and time-bound policy reforms mainly in the areas of public financial management and the business environment. These now form the basis of dialogue in the Solomon Islands Government-chaired Core Economic Working Group (CEWG), which includes representation from the World Bank, the ADB, the EU, Australia, New Zealand and RAMSI. Through it the Government and its development partners have planned a coordinated response to the additional pressures of the crisis and assistance for specific reforms. The group has met monthly to review progress and agree forward actions. Successful implementation of the policy framework has led to the disbursement of flexible performance related assistance by Australia.

Source: Policy Action Matrix, Ministry of Finance and Treasury, Solomon Islands, 2009

33. Progress towards program based approaches is not a universal ambition. Some development partners continue to operate different models of development cooperation,

primarily based on projects and without becoming involved in systemic issues. Although their inputs are in many senses aligned with a country's development policy, they hold out little prospect of greater integration of their development efforts with other development partners or with country systems.

Improvements in national systems

34. There is evidence of countries taking steps to review and improve public financial systems in the last year. Public Expenditure and Financial Accountability (PEFA) assessments were carried out in Samoa, Kiribati and Tonga, and one is planned for Nauru. Vanuatu has introduced an Integrated Development Budget system to ensure that aid expenditure is considered alongside other elements of the budget. Tonga is working with development partners on procurement reform, while in Solomon Islands capacity for contracting road maintenance is being developed. Other recent improvements are covered in *A Public Financial Management Roadmap for Forum Island Countries*, also commissioned through the Cairns Compact. There is still a long way to go in some countries; for example, the peer reviews commented on the difficulties faced by countries which treat development and recurrent expenditure separately, particularly when development expenditure is almost entirely donor financed; and procurement surfaces regularly as a weak point in national systems.

35. Financial management reform in the Pacific has had mixed results. *The Public Financial Management Roadmap* sets out the overarching importance of getting public financial management right, and makes the case for regular diagnostics backed by a sequenced reform plan within which all development partners work and which is jointly monitored (such as is being established in Solomon Islands).

Use of national systems

36. Because the quantitative information is patchy, information on the use of national systems tends to be anecdotal and is drawn mainly from development partner reporting.

37. The most comprehensive (though still qualitative) information is on the recording of aid in national budgets, since both countries and development partners were asked specific questions on this point. The increasing amounts of budget support being provided in the Pacific by definition appear in the budget, as do loan funds from the international financial institutions and funds from the United States under Compact arrangements, but beyond that practice is mixed in the Pacific. Strong relationships involving a high degree of predictability usually lead to reasonable accuracy in budget forecasts and expenditure records, particularly when national systems are used for disbursement. Development partners state that they provide forecast and actual disbursements when requested (though some rely on proxy measures which assume that money will be recorded if a part of Government is informed about it). However, accurate recording of aid flows is generally identified as a weakness in PEFA assessments and some

countries say they are still struggling to record aid which pays for contracts and technical assistance outside national systems. Kiribati and Nauru recognise that their budgets routinely miss significant aid flows. Information is more complete where

- there is agreement, 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)
- countries are clear about their budget timetable and assert their right to accurate forecasts
- projects are giving way to program based approaches

38. Evidence on the use of other national systems comes almost entirely from development partner reporting and the peer reviews. It suggests that

- instances of budget support are increasing (for example, assistance to Samoa for reconstruction of tsunami-affected areas was delivered direct to Samoa's budget), and some development partners have a policy of increasing the use of this modality; the use of performance payments which effectively act as budget support is also increasing
- some development partners are focused on using national systems more and are tracking their success (the UN, Australia and New Zealand provided the optional information on the proportion of aid flows using national systems); however, the limited quantitative data available indicates that use of national systems in most Pacific countries is below levels found elsewhere
- there are good examples both of the proportion of aid using national systems rising, and of specific initiatives to use systems or parts of systems ("starting small")
- development partners perceive some real obstacles to greater alignment in the short term: the robustness of systems; constraints in capacity either across Governments or within individual agencies to manage funds; perceptions of corruption and fraud in some cases; inability of agencies to spend or report in an effective and transparent manner; and concerns that a concentration on alignment will, by focusing internally on systems, lead to a drop in quality of service delivery to clients
- judgements about whether national systems are to be used are driven by development partner perceptions of readiness. In the country reports the primacy of national systems was hardly mentioned; only Samoa talked of requiring

development partners to “harmonise support through the systems and institutional structures of the relevant sector”

- development partner judgements are inconsistent – for example, in Nauru Australia and Taiwan use national procurement systems extensively but the EU does not
- development partners have a strong commitment to consultation and to the use of national resources in program design, but cite few examples of using national systems to shape aid expenditures, suggesting that ‘design’ is still strongly embedded in development partner structure and requirements.

39. Predictability of aid is improving. The EU, the UN system and the international financial institutions have had multi-year commitments for some time, and New Zealand works on rolling three year allocations. Taiwan commits to stable levels of aid into the future. The Australian partnerships are contributing to predictability with implied annual allocations where implementation schedules exist. More importantly, predictability by itself does not help countries to manage unless development partner plans are integrated into sector arrangements; this is increasingly happening with the spread of program based approaches.

40. International experience is that alignment is not a technical fix, but grows out of mutual trust and understanding, and that there is therefore a need for the consistency of relationship that comes from having staff in country or visiting for longer than the “fly in – fly out” mission, for a degree of delegation to local offices, and for time for policy dialogue, not simply for moving forward a particular development program. The major development partners have recognised this, and recent moves by the World Bank and the ADB to strengthen their in-country representation are positive. At the same time, countries without resident development partner representation face particular problems in fostering close relationships, and alternative contacts such as meeting out of country or virtually need to be consciously encouraged. Pacific countries also need to be aware of cases where frequent turnover of staff dealing with development partners adversely affects the development of experience and long term relationships.

41. Incremental improvements in alignment are welcome, and some countries are in a position to promote and demand them. However, the experience of the peer reviews indicates that incremental improvements on their own are likely to be slow, and that meanwhile countries with weak capacity are caught between their inability to manage current programs, which are typically fragmented and project-dominated, and their inability to drive changes in aid delivery. In these circumstances, change is only likely to be accelerated if those development partners who are committed to greater effectiveness and mutual accountability work with the Government to define clear pathways to different forms of support – and as a first step harmonise their assessments and use of national systems where this is not already their practice. The Kiribati peer review suggested that the first step should be more frequent, inclusive and informal sector or

theme based dialogue, with special efforts made to get over the problem of non-resident representation by development partners.

Harmonisation

42. Nearly all development partner reports give several examples of working closely with other partners, and of recent harmonisation initiatives. These include

- new delegations and divisions of labour (eg by Australia to the ADB in public financial management in Kiribati and Tuvalu, and between Australia and New Zealand in Tonga)
- joint management of scholarships programs in Samoa and Tuvalu
- closer collaboration between UN agencies, and the introduction by UNDP, UNICEF and UNFPA of the Harmonised Approach to Cash Transfer (HACT), a new way of managing the transfer of funds to implementing agencies using national systems, in Vanuatu, Kiribati and Solomon Islands
- cooperation between the UN, SPC and bilateral partners on a statistics capacity building program for the region
- development partner reporting suggests that the largest scale harmonisation initiative in the Pacific, the Pacific Regional Infrastructure Initiative, is established and is beginning to provide the expected one stop shop for the Pacific on issues of constructing and running infrastructure.

43. In general it is program based approaches linked to sector plans which are influencing harmonisation practices such as pooling of funds, joint designs and review missions and common monitoring and evaluation arrangements.

44. The evidence from the quantitative indicator for harmonisation is not so encouraging. Bearing in mind that it is for 2008, the number of missions declared by development partners to all Forum Island Countries is nearly one thousand, of which just over a quarter were coordinated with other development partners (although two thirds of missions to Samoa were coordinated). Although the aim of harmonisation is to reduce transaction costs for countries and to transfer the costs of coordination to development partners, the evidence that this is actually happening is weak so far. Typically countries incur greater costs at the set up phase of coordinated aid delivery arrangements in the expectation that there will be fewer later. The peer reviews found that in Kiribati and Nauru (not countries in which coordinated arrangements are well advanced, and countries with few resident development partner representatives) dealing with visiting development partner missions was seen as a significant burden which distracts Government from

other tasks. The burden is not sufficiently well quantified yet in either country to form the basis for dialogue with development partners, but it should in future.

45. One feature of aid management in Nauru and Kiribati was the perceived large number of visits from regional organisations. Since these were excluded from reporting this year it is not possible to test whether the impression is founded on fact, but this is an issue that countries will need to tackle in the medium term. Regional organisations bring aid money, but their visits are also part of keeping the day to day business of regional organisations, of which Forum Island Countries are members, running. The question of how far they should be regarded as development partners, and how to weigh the costs and benefits of their visits, is one that all Forum island Countries need to answer for themselves.

46. The large number of examples available of harmonisation initiatives suggests that at least in the major development partners there is a strong policy imperative, led from the top and bolstered by specific agreements and regular consultations, towards carrying out activities jointly, or for delegation and division of labour. This direction is reinforced when there is strong country leadership of well planned sector strategies or on important themes. However, for the countries with weaker capacity, development partners (and regional organisations) could do more to assess their collective impact on Governments and consider whether there are still more effective ways to reduce transaction costs, including by greater use of delegated aid.

Managing for results

47. A focus on tracking results and drawing the implications for policy often lags behind the more operational aspects of alignment and harmonisation. Evidence on this point from the questionnaires was variable. Some countries described processes and structures for monitoring the progress of national and sector plans, for linking the results to budget discussions and donor consultation and for calling heads of department to account for results. Samoa and Vanuatu are planning mid term reviews of their national plans. However, this is not universal. Where program based approaches have been in place for some time (as in the health sector in PNG) outcomes are routinely tracked and resources in principle moved to deal with lagging areas. But attempts to track progress of national plans overall are rarely so consistent, despite monitoring and evaluation being a standard element in these plans.

48. The issue of promoting accountability is fundamental to managing for results. Cook Islands reports that it is learning through the process of managing its national plan what the gaps are in its performance management. In both Nauru and Kiribati Governments are grappling with the risk that performance and reporting arrangements, even if they are comprehensive, may not be effective because the incentives to be accountable do not yet exist. Moreover, key performance indicators have not always been set with regard to the availability of information, and where the information is available there has not been clarity on responsibility for collating it.

49. Data remains a problem. The creation of a common set of statistics on the MDGs in the Pacific is a step forward, and there is better data on poverty. But at the more operational national level both the political demand for and the supply of statistics is weak. The Nauru and Kiribati reviews found that small Statistics Offices struggle to gain the cooperation of other parts of the public service and to provide routine products. Although receiving funding to carry out major surveys, they are often overlooked by development partners when building management information capacity in sectors such as education and health, with the risk that parallel capacity can be created.

50. Development partners are increasingly focused on results, and on the need for national systems to be the primary means by which these are tracked. The centrality of targets to Australia's partnerships has accelerated the trend, with provision for statistics and management information being integrated into a number of implementation strategies. Some Pacific countries are managing this focus well and are using it to build support for national and sectoral arrangements and to discourage separate reporting and monitoring, while others are still struggling to cope with what they see as frequent demands for information.

Mutual accountability

51. Mutual accountability, like alignment, depends on establishing an open and consistent dialogue about what works and what does not, and on the structures for that dialogue to happen. The country/development partner consultative mechanisms associated with program based approaches may in many cases need developing, but they are the point at which this dialogue is taking place most effectively. Formal mechanisms such as Donor Round Tables have their place in setting out country positions on issues and for disseminating information, but because of their size and infrequency they are likely to be less effective channels for joint assessment of mutual progress in implementing agreed commitments. The challenge is to ensure that opportunities for consultation between Forum Island Countries and their development partners collectively allow for sustained evidence based approaches to problems and recognise the need for both sides to contribute to change.

52. Mutual accountability is both a technical agreement (on what needs to be done) and a political agreement (to see the actions through, to generate public support, and to provide resources). The incentives on both sides to pursue such agreements with determination vary over time and between institutions. The emphasis on accountability within the Australian partnerships is positive and may blaze a trail for development partner relationships in the future, but the results will need careful and participatory evaluation.

53. In the medium term peer reviews may become a helpful way of promoting mutual accountability (much as some countries elsewhere use an independent body to assess whether they and their development partners are keeping to aid effectiveness commitments). With the

right participation, they can bring a knowledgeable, constructive and independent perspective to bear on practice at country level and propose practical solutions.

Conclusions

54. Country and development partner responses, and the peer reviews, suggest that greater effectiveness of development efforts is at the top of everyone's agenda. Structures exist in all Forum island Countries for expressing national aspirations consistent with the Millennium Development Goals and translating them into action. Development partners express their support for national leadership, greater integration of aid with national efforts and reduction of transaction costs, and can cite many examples of where this is happening. But where responses were self-reflective, they confirmed that development coordination is patchy across the region and overall is not going as far and as fast as all participants would like it to. This view is confirmed by the peer reviews, which provided the only opportunity in this round of evidence gathering to get behind the description of structures and intentions to talk about how well they were working. They confirmed the view that at least some countries are facing rapidly changing circumstances without correspondingly fast change in external support.

55. Many of the obstacles to greater effectiveness are embedded in the financial and human resource constraints of Forum Island Countries, and in the attachment in some cases to aid relationships which are not integrated into national systems for resource allocation. One development partner rightly warns of the danger of attempting to force the pace of alignment and advocates judicious and risk-managed approaches to changing aid delivery mechanisms. However, this does not mean that the pace of change cannot be accelerated in modest ways.

56. The main principle for future action is, as always, that countries need to find the solutions which suit them best. There is no recognised pathway to greater effectiveness in development coordination, and Pacific countries vary in their progress and experience. However, one essential step endorsed by the most recent Regional Aid Effectiveness Workshop was a robust national policy framework on aid and development effectiveness that encompasses budget management and the use of aid.

57. Keeping the effective use of development resources on the agenda at the political level should in itself generate a momentum for change. But the following appear from the evidence to be areas of focus in the short term for countries and for the regional organisations that support them:

- *promotion of sector or thematic programs.* If, as appears to be the case, it is operational plans at the sector or thematic level that are driving effective dialogue, alignment and changed development partner behaviour, countries should make more explicit efforts to establish them. This does not mean that costed medium term sector plans are required for

all areas of public sector activity; the capacity is not there to do everything at once. International 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. The *Public Financial Management Roadmap* strongly advocates this approach for financial management reform based on shared diagnostics. There is no guarantee that genuinely outcome oriented dialogue can be sustained – there are examples of collective development partner actions becoming hooked on the minutiae of joint management – but it does offer a chance to shift the debate away from progress of projects. There is sufficient experience of how to make such approaches work in the Pacific for countries to tap the experience of other Pacific Islanders, through commissioned case studies, facilitated contacts, future evolution of the peer review process and other forms of South-South cooperation.

- *concentration of support on areas of common weakness.* Regional collaboration over external audit has allowed resources to be shared around smaller countries, and development partners have collaborated on support to the Pacific Association of Supreme Audit Institutions. A similar approach could be applied to issues such as procurement which regularly surfaces as a weak point in PEFA assessments and could benefit from concentrated and collaborative action.
- *countries setting specific next steps in more effective coordination in consultation with development partners.* There is a risk that national approaches to more effective coordination try to address too many problems at once. Deciding on one or two actions for the short term and following them through keeps the focus on development coordination without trying to fix everything at once. Agreed actions such as raising the proportion of aid using government systems or delivered through program based approaches would shape expectations and keep all sides fixed on the systemic obstacles that need to be dealt with, and each partner's contribution.
- *more systematic approaches to involving the non-government sector in planning and implementation of development activities.* There is scope for greater sharing of experience among Pacific countries on the objectives and forms for consultation about national and sector plans, and on appropriate ways for non-state actors to be involved in the delivery of development activities. Although consultation is a feature of most country planning processes, the experience of the peer reviews was that the non-government sector felt that this could be better managed and include more dialogue not just about communities' needs but about how they and those who work with them can contribute.

Gathering evidence of the effectiveness of development efforts

58. A further short term measure is to build on this year's information gathering. The collection of qualitative and quantitative data is appropriate and follows experience in monitoring and evaluating international agreements. Relying on quantitative data alone would be unlikely to tell a full story in the Pacific. However, the approach to both needs amending in the light of this year's experience.

59. The peer reviews confirmed the value of an extended look at development coordination in its country context and of exchange of experience between Pacific officials. Lessons have been learned about some aspects of their management, including assembling the team and in-country preparations. The experience underlined the importance of country ownership and of adapting the process to give it maximum value for the country. Further value could be achieved in further rounds if a peer view were associated with a milestone such as the review or preparation of a national development plan. More generally, the experience confirms that more selective, research based methods may be an effective supplement or alternative to widely administered questionnaires.

60. If comprehensive coverage of countries and development partners is to be retained, the questionnaires will need some adjustment. They should be shorter and more specific, with more definitions and guidance provided to avoid the varying interpretations of questions seen in this round (or should be administered in an interview structure by a single set of people to improve consistency). They should contain prompts that lead to reflection on whether processes being described are working, and which concentrate responses on change over a common reporting period (eg the last year).

61. More consistent coverage of quantitative data is required if it is to provide a useful baseline. One possible approach is to adopt the Paris Declaration monitoring arrangement of having a country representative and a lead development partner work jointly on the statistical indicators for each country. This is more demanding of country focal points than relying entirely on development partner reporting, but would improve the Pacific perspective on the data. If a complete Paris-type data set were too ambitious, a slimmed down set with options for informed estimates could be adopted.

62. Regional organisations were exempted from this year's reporting round. There are methodological issues involved in extending coverage to them (ie making sure they are not double counting some flows) which will need to be scoped. Nevertheless, they are an important part of the development coordination picture in the region and should have a contribution to make to the collection of evidence.

63. Overall, the process of evidence gathering could be more focused and integrated, and provide space for greater Pacific Islander involvement. Running three strands of evidence

gathering was helpful in widening the range of participation and methodology in the first round, but legitimate concerns have been raised in consultation as to whether greater efficiency could be introduced; whether more information was collected than could be used; and whether the separate development partner and Pacific reporting missed an opportunity for cross checking and reinforcing mutual accountability. The Forum Secretariat will therefore convene a reference group to look at the evidence required and methods for collection in future, giving particular weight to the need for Pacific Islander involvement and for the reporting to contribute to an integrated, collective and action oriented aid effectiveness debate for the region.

Annex A

CAIRNS COMPACT ON STRENGTHENING DEVELOPMENT COORDINATION IN THE PACIFIC

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

2. 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.

3. 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.

4. Leaders agreed that the Post Forum Dialogue will be the preminent 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.

5. 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.
6. 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.
 7. 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.
 8. Leaders also agreed that, ultimately, national development plans were matters for national governments to determine.

Annex B

Terms of reference for peer reviews

Purpose

This note sets out draft Terms of Reference for a peer review of [...]’s national development planning and related processes under the Cairns Compact on Strengthening Development Coordination in the Pacific.

These draft Terms of Reference draw on a concept note on the peer review process that was circulated by the Pacific Islands Forum Secretariat (PIFS) on 20 October 2009 and discussed at a regional workshop on 26-28 November.

Background

Through the Cairns Compact, Forum Leaders agreed in August 2009 that the Pacific Islands Forum Secretariat (PIFS) should establish and report annually to the Post-Forum Dialogue on a process of regular peer review of Forum Island Countries’ (FICs’) national development plans to:

- a. promote international best practice in key sectors,
- b. improve effective budget allocation processes; and
- c. guide support from development partners.

The objective of the peer review process is also to guide improvements in development coordination, including by informing discussions at the Pacific Islands Forum and Post Forum Dialogue, through reviews of coordination at a country level.

Peer reviews are an opportunity for mutual learning between FICs on the one hand and their peers in other FICs and development partners (donors) on the other about how best to address development challenges. The peer review process is intended to contribute to reinforcing country leadership over the establishment of national priorities, and enhance the capacity of countries to guide the use of development resources.

Issues for review

The peer review will consider the following issues:

- Processes for preparing and reviewing plans, including:
 - whether the national and sector plans define a clear set of development results and set realistic timeframes for achieving these

- how domestic stakeholders are consulted in the preparation and review of national and sector plans
 - the extent to which the Government has communicated national and sector plans within Government and to other domestic stakeholders
 - the extent to which the Government has established and implemented an effective review process for national and sector plans
 - how evidence (including statistics) was used to develop national and sector plans, set budgets and monitor progress.
- Links between the national plan, sector plans and budgets, including:
 - the extent to which the plans included above are supported by realistic and appropriately costed annual budgets and sector plans
 - whether the processes for developing and reviewing national plans, sector plans and annual budgets are integrated with each other
- Relationship of development partners to plans, including
 - the extent to which development partners align their assistance to the priorities articulated in national and sector plans in a coordinated manner
 - the adequacy of national and sector plans to provide clear guidance to development partners on how aid can complement national resources
 - the extent to which development partners deploy aid resources through national (government and other domestic stakeholder) systems.
- Monitoring the implementation of plans, including
 - processes for tracking and reporting progress against outcomes in national and sector plans, and for drawing policy conclusions from progress reporting.

Outputs

The key output from the peer review process will be a report prepared by the review team and agreed by the Government that will summarise the available evidence, based on existing documents and in-country consultations, to draw conclusions on the above issues as the basis for:

- Recommendations to the Government on how it can improve:
 - processes for preparing and reviewing its national and sector plans, including consultation mechanisms with domestic stakeholders
 - processes for linking these plans to the annual budget
 - coordination of development partners assistance, including by providing appropriate guidance through national and sector plans
 - budget allocation and monitoring systems

- Recommendations for development partners on how they can improve:
 - processes for aligning their assistance to the priorities articulated in national and sector plans
 - processes for coordinating assistance between development partners
 - efforts to support and strengthen Government monitoring and implementation systems.

- Broader lessons on the above issues for other FICs and development partners to consider through the Post Forum Dialogue and other regional meetings.

Review team

The review team will consist of two representatives from other FICs [insert details] and one representative from a development partner [insert details]. The review team will be supported by an international consultant engaged by PIFS.

Stages of review process

Analytical review

The consultant engaged by PIFS will consider the Government's self assessment against the agreed format for annual reporting by all FICs on their national development plans, and any reflections by, or commissioned by, the Government on the implications of the self assessment, as well as any other recent reporting on implementation of plans, progress against the MDGs, and the economic and financial situation. An issues paper will be prepared for the review team and shared with the Government.

In-country review

The peer review team would meet with relevant stakeholders. A list of stakeholders will be agreed between the Government and the review team. It is anticipated that consultations will include:

- Ministers and officials in central planning and financial management agencies and key service delivery agencies (e.g. education and health).
- Representatives of key development partners
- Representatives of non-government organisations and the private sector.

The peer review team will also hold an open public consultation session.

Preliminary Report

The peer review team with PIFS' assistance will produce a preliminary report for review and comment.

Government Response

The host country will be able to respond to and approve the draft reports.

PIFS Report on Peer Reviews to PIC-Partners and PPAC meetings

PIFS will present the peer review report and a consolidated report summarising the peer reviews undertaken in 2010 at the Pacific Island Countries – Development partners meeting and the Pacific Plan Action Committee (PPAC) meeting. The conclusions of the peer reviews will be reported to the Forum Leaders meeting as part of the PPAC Chair's Letter to the Chair of the Forum.

PIFS Report on Peer Reviews to Leaders and Post Forum Dialogue – August 2010

PIFS will present a summary of the peer review report and a consolidated report summarising the peer reviews undertaken in 2010 to Forum Leaders and the Post-Forum Dialogue to inform discussions on development coordination.

Administrative arrangements

In addition to the consultant, PIFS will provide logistical and administrative support to the peer review process.

The major costs of the peer review process will be met by PIFS with the support of Australia and New Zealand (and possibly other development partners). These costs include the consultant and administrative support provided by PIFS, travel by the peer review team and incidental costs incurred by the Government such as hiring meeting facilities and catering. The only significant costs to the Government will be the time of officials consulted. It is proposed that the development partner participating in the review team will cover their own costs.

The Government will nominate a designated focal point to set up and manage the consultation process in close coordination with PIFS.

Annex C

Country National Development Plan Template

National Planning and Budgeting Processes

1. Describe your current national development plan, including timeframe and key priorities.
2. Describe how development outcomes are reflected in your planning processes.
3. Describe how your national development plan incorporates regional priorities.
4. Set out the government agency/ies or department/s responsible for developing and monitoring your national development plan and how often a monitoring report is prepared.
5. List the development partners which have supported your planning processes and in what areas.
6. Describe the consultative processes involved in preparing the national development plan, including civil society.
7. Describe your process for reviewing your national development plan, developing the next national development plan and its link to development outcomes.
8. Describe how your national development plan and budget processes are aligned.

Sector Planning and Budgeting Processes

9. Outline existing sector plan/s, including sectors, timeframes and key priorities.
10. Describe how development outcomes are reflected in sector planning process/es.
11. Describe the process by which sector priorities are decided.
12. Set out the government agency/ies or department/s responsible for developing and monitoring your sector plan/s and how often monitoring report/s are prepared.
13. Describe the consultative processes involved in preparing the sector plans, including with civil society.
14. Describe how sector plans are aligned to the national development plan.
15. Describe how budgeting processes and sector plans are aligned, including how sectors report on how funds were used and how this then feeds into the following year's budget.
16. Describe your procedure for reviewing sector plan/s and developing future sector plan/s.

Development Partner Coordination Mechanisms

17. Describe development partner coordination mechanisms including ways assistance is aligned to national and sector plans.
18. Describe how development assistance is taken into account in your budget processes.
19. Provide any further comments on achievements or issues relating to planning processes, including how development partners could better support you to implement your national development plans.
20. Provide any further comments on constraints and challenges relating to planning processes.

Annex D

Development partner reporting

Reporting Template (Qualitative Section)

Questions

Support for country ownership and alignment

Please provide examples of how the development partner aligns programs with country or regional priorities and systems and how this reduces aid fragmentation, eases the burden of aid administration and improves effectiveness.

1. Does the development partner participate in **country-led coordination mechanisms and forums** at a national, sectoral or sub-national level, and if so, how has this improved coordination with governments and between development partners?
2. How, and on what basis, does the development partner **determine priority sectors** at a country and a regional level?
3. What processes, if any, does the development partner follow to ensure that the aid it provides is **recorded in national budgets**?
4. Has the development partner implemented actions to **improve the predictability of aid flows**, including through multi-year funding commitments and/or efforts to improve in-year predictability for both bilateral and regional aid?
5. How does the development partner **use FIC systems** (national planning systems, public financial management systems, procurement and monitoring and evaluation)? If the development partner does not use FIC systems, what are the reasons for not using these systems at present?
6. How does the development partner use FIC systems, or involve FIC governments and other stakeholders, in **program design**?
7. How does the development partner **support locally-owned program-based approaches**, including through the harmonisation of processes for reporting, budgeting, financial management and procurement.

8. How does the development partner **align technical assistance** to the capacity-development objectives of FICs?

Harmonisation

Please provide examples of how the development partner harmonises programs with other development partners and how this reduces aid fragmentation, eases the burden of aid administration and improves effectiveness?

9. How does the development partner **involve other development partners** in program design, monitoring and evaluation?
10. How does the development partner use mechanisms such as pooled funding and delegated cooperation to **coordinate technical and financial resources**?³

Managing for results and mutual accountability

Please provide examples of how the development partner supports managing for results and mutual accountability and how this reduces aid fragmentation, eases the burden of aid administration and improves effectiveness?

11. How does the development partner use FIC systems (or regional organisations' systems) **to measure results** or involve FIC governments and other stakeholders in program monitoring and evaluation?
12. How does the development partner **participate in mechanisms for mutual accountability** with FICs (or regional organisations), including the review of partnership agreements, high-level dialogues and public expenditure reviews?

Overall issues (optional)

13. Identify any **other issues**, describe **lessons learned**, or **elaborate on areas** that the development partner may want to improve or reform in its approach to development coordination and aid effectiveness in the Pacific.

³ The DAC defines delegated cooperation as when one donor (a "lead donor") acts with authority on behalf of one or more other donors (the "delegating" donors or "silent partners"). The level and form of delegation vary, ranging from responsibility for one element of the project cycle for a specific project (e.g. a particular review) to a complete sector program or even a country program.

Annex E

Development partners reporting on Pacific programs

Australia

Asian Development
Bank

European Union

France

Israel

Japan

Korea

New Zealand

Thailand

United Nations

United States

World Bank

Forum Island Countries reporting on national plans

Cook Islands

Niue

Samoa

Tonga

Tuvalu

Vanuatu