

EVALUATION

THE PARIS DECLARATION

Evaluation of the implementation of the Paris Declaration:

Case study of Australia
Australian Agency for International Development
(AusAID)

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This report was written by an independent consultant, Michael Pilbrow. The views expressed in this report reflect those of the author; they do not necessarily reflect those of the Australian Government.

ABBREVIATIONS

ACIAR	Australian Centre for International Agricultural Research
ACFID	Australian Council for International Development
ARDE	Annual Review of Development Effectiveness
AusAID	Australian Agency for International Development
DFID	UK Department for International Development
FSU	Fragile States Unit (of AusAID)
HLF	DAC High-Level Forum
IDG	International Deployment Group (of the Australian Government)
NITF	Niue International Trust Fund
NPP	New Policy Proposal
NZAID	New Zealand Government International Aid and Development Agency
ODE	Office of Development Effectiveness
OPMU	Operations Policy Management Unit
PAF	Performance Assessment Framework for the Australian Government
PRSC	Poverty Reduction Support Credit (Vietnam)
SWAp	Sector Wide Approach
TWG	Technical Working Group (Cambodia)
WoG	Whole of Government

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Executive Summary

Australia rates well in terms of its high-level commitment to the Paris Declaration principles...

The policy framework for the aid program, the creation of the Office of Development Effectiveness (ODE) and the performance assessment and evaluation policy demonstrate Australia's high-level commitment to the Paris Declaration principles and the broader "aid effectiveness" agenda. Key cross-cutting policies, such as the Anti-Corruption Policy and the Gender policy, strongly support the Paris Declaration.

Country & Regional Strategies are being used to give emphasis to the Paris Declaration in country programs...

Of ten AusAID country and regional strategies considered by this evaluation, all touched on some or all of the principles of the Paris Declaration, although there was no discernible consistency in how this was done across the strategies. While all strategies were prepared in consultation with partner governments, two were specifically developed as 'joint' strategies with the partner government, with one also being 'joint' with another donor.

Australia's large involvement with fragile states brings extra challenges in a Paris context...

Fragile states comprise a greater percentage of Australian aid than any other DAC member, and so Australia's commitment to, and implementation of the Paris Declaration, is very often in the context of working with a fragile partner. Australia has taken an active role in the development and trialling of the DAC Principles for Good International Engagement in Fragile States.

Australian aid to fragile states places a particularly strong emphasis on working in a coherent, whole-of-government way. For example, in the Solomon Islands and Papua New Guinea, Australia has deployed a range of public servants to work inside the governments of these two countries. While this approach is controversial because it runs the risk of undermining ownership, Australia places particular emphasis on high quality capacity building, including developing twinning arrangements at the institutional level. In the long-term the decision to build capacity through strengthening government systems from the ground up has the potential to be more Paris-compliant than the alternative of setting up parallel systems.

AusAID's recent management changes support implementation of the Paris Declaration...

AusAID has recently devolved more staff, responsibility and decision-making authority to country offices. One of the drivers for these changes was the Paris Declaration and, while it is early days, the presence of more key staff and decision-makers in developing countries should help with the Paris principles of 'ownership, alignment and harmonisation'. Another recent management change, the establishment of the Office of Development Effectiveness (ODE) and the concurrent introduction of an Annual Review of Development Effectiveness (ARDE), has strengthened the Agency's capacity in relation to 'managing for results' and, potentially, also in relation to 'mutual accountability'.

However, the depth and breadth of understanding about the Paris Declaration is mixed...

Some staff have translated their broad commitment to the Paris principles into a thorough understanding of the Declaration's detail and its practical implications. For other staff, however, the Paris Declaration remains a vague idea around 'working more closely with partner government systems'. Overall, understanding of the first four pillars (ownership, alignment, harmonisation, managing for results) is much stronger than for the fifth pillar (mutual accountability).

Operational guidance has been lacking, but is on its way...

For the past two and a half years, there has been little guidance about operating in a Paris-compliant environment, but the signs for the future are more positive. AusAID is discarding its old operational guidance, "AusGuide". This is sensible given that AusGuide was focused on the traditional project modality. Workshops on "Forms of Aid" have taken place recently and have given attention to options such as Sector Wide Approaches (SWAs) and working directly through partner government systems. New business processes are near completion, and will be released soon in the form of written guidance, to be complemented by training, in the near future. Guidance for Country and Regional Strategies, and for Peer Reviews, could be strengthened to help encourage early attention to the Paris Declaration principles.

Implementation needs to continue...

Australia has made progress in moving to Paris-compliant ways of operating in its country programs. Over the past two years there has been a significant shift in the Australian aid program with increased emphasis on partnerships. For example, Australia has played a strong and active role in helping ‘localise’ the Paris Declaration in Vietnam over the past few years (through the Hanoi Core Statement), and more recently in PNG (through the Kavieng Declaration on Aid Effectiveness). Australia has delegated authority to the New Zealand Government to implement Australia’s aid in two small Pacific countries and has delegated a significant component of its aid program to Nepal to the United Kingdom (DFID). Increasingly a range of non-project aid modalities are being explored in various programs, including sector-wide approaches (SWAs) and greater use of partner government systems, but there are still significant stand-alone projects with parallel management structures. There are also pockets of positive examples of joint analysis and missions, but these appear to be in the minority at this stage. The Agency also needs better systems to capture progress against the Paris Declaration – while management is rightly concerned about the difficulties in obtaining basic statistical information relating to Paris (e.g. how many dollars are being delivered through partner government systems), a concerted management effort is needed to remedy this situation.

Overall, Australia has made a reasonable start in the two and a half years since the Paris Declaration was signed

While there is a long way to go for Australia’s commitment on Paris to be matched by its actions, it appears to be heading in the right direction. This evaluation puts forward a number of recommendations to encourage this forward direction.

1. Introduction

1.1 General evaluation context

This evaluation was conducted as part of the DAC Evaluation of the Paris Declaration that will be presented to the 2008 High Level Forum on the Paris Declaration (HLF-3) in Accra, Ghana.

In accordance with the Terms of Reference for the Evaluation, this evaluation is one of “*a number of donor evaluations (carried out primarily as desk work supplemented with interviews) that would look at how the Paris Declaration is finding expression in the policies and guidelines of a sample of donor organisations.*”¹

The evaluation was conducted in the knowledge that there would also be “*a series of country level evaluations*” undertaken in self-selected partner countries and “*short-term and medium-term programmes of analytical work*”² to complement the donor evaluations, such as this one, and to feed into the overall Evaluation.

1.2 Agency-specific evaluation context

The focus of the evaluation is on the Australian Agency for International Development (AusAID), an autonomous agency within the Foreign Affairs and Trade portfolio which is the lead agency for the Australian Government’s international development assistance program. However, with the program increasingly becoming a ‘whole of government’ effort over the past few years, the evaluation also touches on the roles played by other Australian Government agencies charged with delivering discrete aspects of the program.

In the financial year 2007-08, the Australian Government has allocated A\$3.2 billion in official development assistance,³ focused on Australia’s neighbours in the Asia Pacific region, a significant proportion of which are considered to be ‘fragile states’. The major recipients of Australian aid are Indonesia, Papua New Guinea, and the Solomon Islands, along with other countries within the Pacific and Southeast Asia.

At the time of this review, the sectors, approaches and modalities used in the program were guided by the policy framework outlined in “Australian Aid: Promoting Growth and Stability”. The results and performance of the aid program are captured through a Performance Assessment Framework (PAF) that underpins a new Performance Assessment and Evaluation Policy. These two documents are the primary vehicles for encouraging, and monitoring, the implementation and compliance with the Paris Declaration. Actual implementation on the ground is set out in Country and Regional Strategies prepared by AusAID in partnership with partner countries.

¹ Framework Terms of Reference, p. 8.

² Ibid. p. 8.

³ Australia’s overseas aid program 2007-08.

Australia also is subject to regular DAC Peer Reviews of its performance as a donor. The last DAC Peer Review was completed in 2005 and predated the signing of the Paris Declaration (although it did look at similar principles). The next DAC Peer Review of Australia will be undertaken in 2008.

Australia's participation in this evaluation is consistent with Australia's active involvement in the Paris process, as well as Australia's role in the broader aid and development effectiveness agendas. In addition, Australia had concerns about the DAC's 2006 Baseline Monitoring Survey of the Paris Declaration, and hoped that this Evaluation would provide a more realistic and balanced assessment of trends in Australia's implementation of Paris as a donor rather than a comparison against other donors. While generally in agreement with the overall findings of the Baseline Survey, including that "in half of the developing countries signing on to the Paris Declaration, partners and donors have a long road ahead to meet the commitments they have undertaken", Australia was concerned about the misrepresentation of donor performances in specific partner countries.

In particular Australia felt that:

- the choice of indicators had a discriminatory effect on small donors;
- the survey effectively discriminated against donors working in difficult areas, especially fragile states; and
- the survey used an unrepresentative sample with little Asian and no Pacific representation. With aid to Pacific nations making up around 40 percent of the Australian aid program, Australian assistance was therefore under-represented in the survey.

While Australia agreed with the overall findings of the survey, it was concerned that the survey's weaknesses may encourage unproductive debate on how donors are performing against Paris indicators rather than on progressing broader Paris principles and strengthening aid effectiveness. While Australia acknowledged that the bulk of the survey's aims were achieved, it remains hopeful of significant strengthening in the lead up to the Third High-Level Forum on Aid Effectiveness in Accra, Ghana.

2. Methodology

The methodology for this independent donor-level headquarters evaluation was guided by the methodology proposed in the DAC Terms of Reference, i.e. that donor evaluation be “carried out primarily as desk work supplemented by interviews”.⁴ Desk work primarily involved reviewing a range of AusAID documents and publications. Interviews were undertaken face-to-face with Canberra staff, and by phone with country program staff working overseas.

The focus of the desk work and interviews was on:

- High-level policies
- Operational procedures and guidelines
- Country strategies and country-level implementation experience

2.1 Sampling

The primary sampling took place in relation to the countries that were included in the interviews with a selection of countries from Australia’s two main areas of focus (Southeast Asia, South Pacific) and one ‘outlying’ program (South Asia):

- Southeast Asia – Indonesia, East Timor, Vietnam, Cambodia
- Pacific – whole of Pacific, with specific focus on Papua New Guinea and Vanuatu
- South Asia – whole program given that it is managed as a single regional program

Sectoral approaches and strategies were not considered in detail, as a focus on geography was considered more likely to deliver a considered assessment of Australia’s performance against the Paris Declaration. However, the key cross-cutting issues of anti-corruption and gender have been given some consideration given their relevance to the Paris and aid effectiveness agendas.

2.2 Data collection instruments

In relation to Document Review, there was a focus on 3 main types of documents:

1. Agency-wide policy documents, primarily “Australia Aid: Promoting Growth and Stability”, AusAID 2010 Blueprint and Annual Budget Papers
2. Country Strategies
3. Agency operational guidelines

See [Annex 3](#) for full list of documents reviewed.

⁴ Framework Terms of Reference, p. 8.

Interviews were held with key staff of AusAID – including senior executives, thematic advisers and key country program staff – as well as a small number of representatives from the Australian NGO community. See [Annex 2](#) for a full list of people met. A simple interview template was used to guide the discussion during interviews. A copy is at [Annex 4](#).

It should be noted that, while the Australian aid program is a ‘whole of government’ enterprise, AusAID is the focus of attention here as it is Australia’s lead Agency for development cooperation and for the implementation of the Paris Declaration⁵. For the 2007-08 year, it is estimated that AusAID will directly manage approximately 87 per cent of the aid program.⁶

2.3 Evaluation management

The evaluation was undertaken by a single independent consultant, working to the Office of Development Effectiveness (ODE) within AusAID.

2.4 Limitations

The two main limitations of this exercise were: 1) the time and resources available for the evaluation; and 2) the political context in Australia at the time of the evaluation.

The small size of the evaluation team (1 person) and the limited amount of time allocated allowed for a review of policy and program documents and discussions with key staff. However, there was no provision for gathering data or statistical analysis around the Paris Declaration indicators. Consequently, the review is qualitative, rather than quantitative, in nature.

In relation to the political context, this evaluation was undertaken in the period leading up to, and immediately following, the 2007 Australian Federal Election. For most of this period, Australia had a Caretaker Government – this limited the availability of stakeholders due to the high demands of the election and preparations for the incoming government. Consultation with political representatives was not possible due to the timing in relation to the political cycle.

⁵ The Australian Centre for International Agricultural Research (ACIAR) has also done significant work in relation to the Paris Declaration, as outlined in a separate document “ACIAR and the Paris Declaration on Aid Effectiveness”.

⁶ Source 2007-08 Australian Government Aid budget papers.

3. Assessing leadership

This chapter seeks to assess Australia's alignment with the Paris Declaration at the level of principles and intentions. In doing so, the evaluation notes that, for Australia, the ultimate aim is not to achieve 'the Paris Declaration' but to enhance 'aid effectiveness'. The Paris Declaration is supported in Australia not because it is an important international commitment, but because it is a well-developed approach with the potential to significantly enhance aid effectiveness. The fact that many other countries – both recipients and donors – have signed up to the Paris Declaration helps by providing common ground to discuss and agree approaches to enhance effectiveness.

Evaluation Questions: *How is the Paris Declaration owned at development partner HQ level? How is the Paris Declaration acknowledged at governing body/parliamentary level and by civil society? What are the potential conflicts with other political/administrative systems, and what is being done to resolve these?*

3.1 AusAID

As mentioned in the 'Methodology' section, this evaluation has not been able to engage at the political level due to the evaluation being conducted in the period immediately before and immediately after a national election. This section will therefore focus on the aid bureaucracy largely responsible for implementing Paris but with the political context in the background, especially the commitment to scale up the aid budget being significantly premised on demonstrated aid effectiveness.

During consultations in AusAID, it was clear that the principles of the Paris Declaration – and the wider aid effectiveness agenda – have become successfully embedded in the mindset of AusAID, at least a general level of broad commitment. The policy framework for the Australian Government's overseas aid program at the time of the review has played a key role in this shift. The policy framework gives prominence to the Paris Declaration:

“Aid programs that are owned and driven by partner countries are more likely to be sustainable. Australia will work towards the principles of the *Paris Declaration on Aid Effectiveness*, and look for opportunities to use partner country processes and systems in aid program delivery.

Australia will work with other bilateral donors to reduce the burden of aid coordination for already stretched partner governments, and will identify opportunities to lead other donors towards coordination. A particular emphasis will be given to engaging emerging donors, such as China in the Pacific.”⁷

Throughout the policy framework, there are many more references that support the Paris Declaration – the fact that most of these references do not mention the words 'Paris Declaration' is not a concern. In fact, an indicator of the AusAID's success in

⁷ Australian Aid: Promoting Growth and Stability: A White Paper on the Australian Government's Overseas Aid Program, p. xiv.

owning the Paris Declaration is that principles are talked of as being part of the AusAID 'way of operating', not as an international declaration.

Another key priority flowing from the policy framework for the Australia aid program was the establishment of the Office of Development Effectiveness (ODE) in April 2006. In line with the increased emphasis on aid effectiveness, the ODE was established to monitor the quality and assess the impact of Australia's aid program. It has a major advisory function to the Government through the Development Effectiveness Steering Committee,⁸ and a significant reporting role through the production of the Annual Review of Development Effectiveness (ARDE), the first of which has recently been produced. The ARDE draws on the breadth of the ODE's work, including quality process reviews, evaluations and on the experiences of all Australian agencies delivering Official Development Assistance. It will be integrated into the Government's budget cycle and provide a practical link between expanding allocations and increased aid effectiveness.

In line with the ODE's key objective of developing a stronger performance orientation across the aid program the office has established a new Performance Assessment Framework (PAF) for assessing the effectiveness of the Australian aid program. The PAF includes specific reference to questions relating to Australia's implementation of Paris Declaration commitments: "How does the program make use of national systems? How many joint donor missions and analyses are undertaken?"⁹

Following its first year of operation the ODE undertook a review of the PAF and has developed a performance assessment and evaluation policy which replaces the PAF and brings together all performance measurement and evaluation tools under a single policy framework.

One noteworthy observation from consultations is that AusAID's commitment to the Paris Declaration is not even across the five pillars. The first three – ownership, alignment and harmonisation – tend to be grouped together given their focus on reducing the transaction costs for partner countries in receiving assistance from donors. The fourth pillar – managing for results – is generally seen as something that is part-and-parcel of AusAID's commitment to 'effectiveness' and its accountability requirements as an Australian Government agency.

⁸ The Development Effectiveness Steering Committee is chaired by the Director General of AusAID with Deputy Secretary representatives from the Departments of Finance, Prime Minister & Cabinet, Foreign Affairs and Trade, as well as the Treasury.

⁹ Performance Assessment Framework for the Australian Aid Program, February 2007, p. 1

It is the fifth pillar – mutual accountability - that receives the least attention. For most people consulted, it was generally the case that ‘mutual accountability’ was not as well known or readily understood as the other four pillars. The evaluation did not uncover any evidence of explicit AusAID attention to the three different aspects of mutual accountability:

1. Accountability of the developing country to its stakeholders;
2. Accountability of the donor to its stakeholders;
3. Joint accountability of the two sets of partners to each other

If AusAID is to take seriously all of the Paris Declaration, it needs to give more attention to mutual accountability in the future.

3.2 Cross-cutting policies – anti-corruption and gender

In 2007, Australia launched its anti-corruption for development policy “Tackling Corruption for Growth and Development”. This policy is highly relevant to the Paris Declaration, especially in the guidance it gives around managing corruption-related risks associated with the type of aid modalities encouraged by Paris that involve channelling funds through partner government systems:

“Choosing the appropriate form of aid is important in minimising corruption risk. It requires judgment about how much the allocation and management should be integrated into partner government institutions and systems. New forms of aid – such as programmatic and sector-wide approaches – can promote partner ownership, reduce transaction costs, improve partner government accountability, and lead to more sustainable outcomes. However, where corruption still poses a challenge, reliance on partner government financial management systems may also increase the risk of fraud.”¹⁰

The anti-corruption policy is being fleshed out at the individual country level through a requirement for Anti-Corruption Action Plans. While ostensibly about anti-corruption, these Action Plans will also provide an opportunity for country programs to crystallise the ways in which they will shift their program implementation to be more aligned with partner government systems.

Australia’s gender for development policy “Gender Equality in Australia’s aid Program – Why and How” was released in 2007. While gender is not prominent within the Paris Declaration, it is an essential component of Australia’s efforts to implement the Paris Declaration and the wider aid effectiveness agenda. As the policy notes, “advancing gender equality is essential to reducing poverty and increasing the effectiveness of aid”¹¹. The gender policy is a very practical and hard-nosed approach to promoting the full participation of women and men if development efforts are to be effective and, like the anti-corruption policy, it needs to be embraced if Australia is to have a Paris-compliant and effective aid program.

¹⁰ Tackling Corruption for Growth and Development, AusAID, p. 9.

¹¹ Gender equality in Australia’s aid program – why and how, AusAID, p. 1.

3.3 Potential Conflicts

There are a number of potential conflicts between the Paris Declaration and the political/administrative systems of the Australian Government. Some potential conflicts are as follows:

- New aid initiatives in the annual Australian budget are largely allocated on a sectoral or thematic basis, sometimes requiring adjustments to program priorities previously agreed between Australia and partner countries. Some programs manage new funds under as many as seven different thematic initiatives;
- Paris wants long-term financial commitments from donors to give partner governments certainty, whereas the Australian Government's financial procedures pertaining to aid funding only allow for annual budget allocations;
- Paris wants partner governments to 'own' initiatives, whereas the Australian Government might want to "see things done quickly" for domestic political reasons;
- Reducing the transaction costs on partners is not without costs to donors in that it adds to the complexity of programs, can delay implementation, and requires additional donor resources to coordinate;
- Communicating the results to domestic stakeholders in light of post Paris approaches, such as SWAps or budget support, is challenging in the context of continuing demand for attribution to donors.

While to a certain extent these potential conflicts are a "fact of life" for a bureaucratic agency, good planning and relationship building at the country level could mitigate against these potential conflicts.

There are also some potential conflicts on the partner government side:

- As highlighted above, corruption is a major risk in many partner countries and a major barrier to working in Paris-compliant ways, such as using partner government systems;
- While Paris aims to reduce the burden on partner governments, some countries (e.g. small Pacific countries) have such small bureaucracies that they are unable to commit the resources to ensure proper ownership and alignment;
- Relevance of Paris in situations of state fragility is sometimes questioned in that partners may exhibit little interest in necessary reforms and possess a negligible capacity to exercise ownership in the process of development;
- In some circumstances, there is evidence that a partner government has concerns about donor harmonisation out of a fear that donors will "gang up" on them. Unfortunately, a "divide and rule" mentality is observed by AusAID staff in some partner countries.

3.4 Civil Society

The Australian NGO community is generally very supportive of the Paris Declaration. The umbrella group for Australian NGOs, the Australian Council for International Development (ACFID) maintains a keen interest in seeing it implemented both through their own members' work (supported by ACFID's NGO Effectiveness Framework) and also through the government's aid program, as shown in their budget submission for the 2007-08 year:

“The components of the Paris Declaration are ownership, alignment, harmonisation, management for results and mutual accountability. There is a particular focus on taking full account of both partner government views and those of the target communities which are intended as beneficiaries. Decades of Australian Government and NGO experience in Melanesia provide living proof for one of the principles of the Paris Declaration. This is that, where we decide to commit to activity in a partner country, we must do so with a long-term view (i.e. 10-20 years) in mind. This is most obvious when it comes to achieving systemic change in health and education systems.”¹²

NGOs are positive about Australia's efforts to work in ways consistent with the Paris Declaration, such as in the approach to country ownership and donor harmonisation in Vietnam, although there are some concerns that in situations like these Australia can sometimes follow the lead of the multilateral banks more than the partner country. In the Pacific, NGOs are supportive of the delegation of responsibility for the Cook Islands aid program to New Zealand, but are worried that the work of the Regional Assistance Mission to the Solomon Islands (RAMSI) is not always consistent with country ownership.

However, there is a concern in the Australian NGO community that AusAID has not engaged with NGOs around the Paris Declaration in any meaningful way – although there is a view in the NGO community that opportunities might have been missed due to the NGO focus on aid 'quantity' rather than 'quality'. While the ODE has engaged with NGOs during the Annual Program Performance Updates and has involved them, to various degrees, in peer reviews of its evaluation work, there is a view that AusAID missed an opportunity to engage with NGOs to develop Australia's conceptual framework for Paris Declaration implementation. The current conceptual framework is seen as too limited – both in that it is seen through a government-to-government lens and that AusAID's consideration of 'ownership', 'alignment' and 'accountability' does not emphasise the importance of relationships with civil society stakeholders and beneficiaries.

¹² 2007-08 Budget Submission, ACFID.

3.5 Country Strategies

Evaluation Questions: *How has the Paris Declaration's emphasis on demand-driven development cooperation been reflected in development partner development policies, programs and procedures? Has the implementation of the Paris Declaration affected development partner development co-operation priority-setting?*

The Country Strategy for Australian assistance is the primary tool used to provide direction to a particular country program - it provides the overall policy and implementation framework for Australia's aid program in any given country, and translates the policy framework's overall guiding themes and strategies into the particular country context. All country strategies developed after the signing of the Paris Declaration have been considered as part of this evaluation, and for the most part they make country-specific commitments to the Paris Declaration Principles. A typical example is the Australia-Philippines Development Assistance Strategy 2007-11 which makes the following commitments:

Ownership – “the strategy aligns Australia's objectives with the Philippines' objectives”

Alignment – “we will identify options to increasingly use and strengthen Philippine government systems”

Harmonisation – “Australian aid programs will complement and leverage other donors' efforts”

Managing for Results & Mutual Accountability – “the effectiveness and quality of Australia's aid will be accountable to the Australian and Philippines governments through a framework for performance management and review”¹³

Ten Country or Regional Strategies were considered as part of this evaluation (see Annex 3) and all, in some form or another, make similar commitments to those made in the Philippines strategy. However, the extent to which they do this varies significantly, with no consistency across strategies and – in some cases – with not all the Paris Declaration principles addressed. It would be beneficial if guidance for Country or Regional Strategies made it explicitly clear that all components of the Paris Declaration must be addressed in each strategy.

In some cases, the strategies themselves, and especially the processes used to develop them, have embodied the Paris Declaration principles in a very tangible way - for example, the Country Strategy for Samoa was produced as a joint effort between the Governments of Samoa, Australia and New Zealand. Even before the Paris Declaration existed, the Country Strategy for Vanuatu was developed as a genuinely 'joint' strategy. All other strategies considered were developed primarily by Australia, but in close consultation with the partner government.

Given that the Country Strategy sets the scene for the implementation of the country program, AusAID's recent experience with strategy development is positive in terms of making country-specific commitments to the Paris Declaration – but (as noted later) the experience with implementation is more mixed.

¹³ Australia-Philippines Development Assistance Strategy 2007-11, p. 9 – 18.

3.6 Management Arrangements

Evaluation Questions: *Has the role of development partner HQ/field offices been adapted to the aid effectiveness agenda? If not, why not?*

AusAID has made major changes to its management arrangements recently, so that the Agency can more effectively implement the Paris Declaration. These management changes are spelt out in “AusAID 2010: Director General’s Blueprint” which was released in February 2007. The changes see more staff, responsibility and decision-making authority being given to country offices – this includes both Australian posted staff, locally-engaged professional and administrative staff who will take on more program management roles to free up the Australian staff for strategic and policy work, as well as international technical experts who will be engaged in country offices as required. All these changes are being made largely for reasons related to advancing the effectiveness agenda and the Paris Declaration.

“The dependence on managing contractor-delivered, technical assistance-oriented, stand-alone projects will have decreased markedly. There will be a significant expansion of sectoral and thematic programs, working through host government development strategies and financial systems and in concert with groups of donors. The delivery mechanisms under the program will be more complex, dependent on specific country circumstances though, in all instances, built around key partnerships. AusAID will have a much greater impact on host government policies through strategic policy dialogue that reflects both broad international priorities and areas of particular Australian interest and competency.¹⁴

This shift has led to an enhancement in the roles and accountabilities of AusAID’s country offices, including in relation to country strategies as follows: “Country offices will be accountable for ensuring strategies are appropriate for local circumstances, harmonised with other donors and appropriately ‘owned’ by partner governments/institutions/communities.¹⁵

Overall, AusAID’s recent management changes are a very good sign that Australia is determined to back up its commitment to the Paris Declaration principles with practical steps to ensure the Agency can deliver on its commitments. The process of devolution is currently in progress and, while it is impossible to give a ‘snapshot in time’ indication of staff numbers in headquarters and overseas, it is expected that around 70 percent of all AusAID staff will be working in developing countries by 2010.

¹⁴ AusAID 2010: Director General’s Blueprint, 2007, p. 4.

¹⁵ Ibid, p. 5 – 6.

3.7 Fragile States

Evaluation Questions: *Are development partners content that they are fulfilling their Paris Declaration commitments including implementation of the DAC Principles for Good Engagement in Fragile States? If they have concerns, what are the reasons for these? Are the concerns linked to the relevance and coherence of the Paris Declaration commitments and indicators? Are there ways in which these might be overcome?*

Fragile states comprise a greater percentage of Australian aid than any other DAC member, and so Australia's commitment to, and implementation of the Paris Declaration, is very often in the context of working with a fragile partner. It is estimated that 50 percent of the Australian aid program is allocated to fragile states¹⁶. Australia has taken an active role in the development and trialling of the DAC Principles for Good International Engagement in Fragile States and Situations, and continues to find them a useful benchmark for its work in fragile states.

For instance, AusAID has undertaken a number of political and governance analyses of partner countries as a prelude to the preparation of country strategies. Further studies are planned, demonstrating a commitment to understanding context. AusAID is committed to increasingly undertaking these studies jointly with other donors.

Australian aid to fragile states places a particularly strong emphasis on working in a coherent, whole-of-government way. This is demonstrated, for instance, by Australia's early action to establish a dedicated whole of government unit working on Fragile States within AusAID. The unit is staffed by development practitioners from AusAID as well as by secondees from the Department of Defence, Treasury and the Australian Federal Police. Country strategies and operations are strongly influenced by whole of government approaches, from the preparation of Australia's Anti-Corruption policy, to the implementation of whole of government programs involving a variety of Australian government departments in the actual delivery of aid programs, most notably the Regional Assistance Mission to the Solomon Islands (RAMSI) and the Enhanced Cooperation Program (ECP) in Papua New Guinea.

These Australian programs within the Solomon Islands and Papua New Guinea centre on enhancing the machinery of government as a central objective. Australia's establishment of the 1,200 strong International Deployment Group (IDG) within the Australian Federal Police reflects a commitment not only to prevent conflict through capacity development activities, but also to provide the capacity to act fast and to restore stability as was recently experienced within East Timor, Tonga and the Solomon Islands.

¹⁶ Source 2007 Annual Review of Development Effectiveness.

In terms of the applicability of Paris in the context of state fragility, it is stating the obvious to report that the weaknesses of governance and financial systems in these states make the principles of the Paris Declaration - especially ownership and alignment - somewhat challenging to implement. In countries experiencing crisis, Australia's approach has sought to bring stability in the first instance as a necessary step to long-term development effectiveness. In these situations Australia has embedded Australian public servants and other experts within these systems in order to get some 'quick wins' such as establishing functioning budget systems or re-establishing law and order. While filling in-line positions this has the potential to work against the 'ownership' principle in the short-term (especially where Australian public servants fill in-line positions), in the longer-run this gives the systems a chance to get into shape for more 'pure' Paris implementation, including putting funds through partner systems, in the future.

Australia's commitment to adopting a differentiated approach to fragile states is exemplified in recent organisational changes, whereby the Fragile States Unit has evolved into the Fragile States and Peace-building Thematic Group, whose mandate is the development knowledge and sharing of lessons learned from fragile states throughout the Australian aid program. AusAID is also playing a leading role in the commissioning and dissemination of research on fragile states (e.g. work to explore the way in which introduced governance institutions 'fit' with culture to produce hybrid systems, or support for joint work with the World Bank to facilitate exploration by Francis Fukuyama of similar questions about institutional fit and the transferability of capacity in fragile states).

The idea of state-building as the central objective of Australia's work in fragile states has gained traction, and is promoted as one of the four overarching themes for the aid program - 'building an effective and functioning state'. The integration of the peace-building team within the Fragile States Thematic Group demonstrates an appreciation for the do-no-harm principle but, beyond that, that peace-building must be treated as an integrated aspect of state-building where states are fragile and therefore conflict prone or conflict affected.

Australia views the Principles for Good International Engagement in Fragile States and Situations Principles as having captured the early consensus on best practice in fragile states. It hopes that future iterations may be able to draw out some of the ways in which practice needs to be further differentiated in particular sorts of fragile situation—for instance, where a country has reached a protracted political impasse, or in a country experiencing active conflict, or a country where progress is gradual but marked by episodes of slip back. Australia is also keen to see further work on whether there are lessons to be learned on appropriate sequencing and prioritization, or where the objective of growth or pursuit of Millennium Development Goals sits within a country where the state is barely functioning.

4. Assessing capacities

While Chapter 3 outlines a relatively positive story in relation to the leadership and ownership around Paris, this chapter looks at the extent to which the awareness of Paris and its principles is being translated into the "reality on the ground".

4.1 Staff Knowledge and Understanding

Evaluation Questions: *What is the level of staff knowledge and understanding about aid effectiveness and its operational implications, particularly in the field?*

Staff knowledge and understanding around the Paris Declaration is mixed. While all staff are aware of the Paris Declaration in general terms, making sense of what it means in their particular context is not as easy. Common concerns raised by AusAID staff were that they were lacking guidance about how to go about delivering aid in the era of the Paris Declaration.

4.2 Operational Guidance

Evaluation Questions: *Have specific instructions, guidelines, operational directives, evaluation criteria been disseminated to staff to stimulate implementation of the Paris Declaration implementation plan?*

While AusAID previously had a comprehensive toolkit to guide the old-style activity cycle – called AusGuide – the shift in thinking towards different ways of delivering assistance (e.g. SWApS or working through partner government systems) requires updated operational policies and procedures. This situation is currently being rectified through work being coordinated by the Operations Policy Management Unit, a new unit established as part of the AusAID 2010 Blueprint. The OPMU is currently developing new business processes that will provide guidance to staff and contractors on delivering aid with a partnership mindset. These will be released soon and will be welcome across the Agency – it is understood that they will have a number of elements:

- 1) Written guidance
- 2) Training to explain and reinforce the written guidance
- 3) Link to AusAID's Thematic Networks – these are new arrangements that bring together advisers and public servants working in related sectoral areas, and have the potential to provide strong peer-to-peer support in relation to the Paris Declaration and aid effectiveness.

AusAID could also make greater use of its 'Peer Review' processes for new initiatives and activities. These Peer Reviews are held at both the 'Concept' and the 'Design' stages, and their purpose is to use well qualified people from inside and outside AusAID to test the quality and appropriateness of 'Concepts' and 'Designs' before moving ahead. They are a great opportunity to test proposals against the Paris Declaration principles, although this doesn't appear to be happening yet. For example, the new template for Concept Peer Reviews has the following criteria against which the concept must be judged:

- 1) Clear objectives
- 2) Monitoring and Evaluation
- 3) Sustainability
- 4) Implementation & Risk Management

5) Analysis and lessons¹⁷

While these criteria all have potential relevance to Paris, it would nevertheless be possible for an activity to get through a concept peer review without any explicit attention to Paris. An easy solution would be to add an additional indicator - e.g. “Compliance with Paris Declaration Principles” – to the above criteria for the Concept Peer Review.

4.3 Implementation

This is the most challenging part of the Paris Declaration. A donor can have principles, policies, guidelines, and training – but without real, practical changes to the way aid is delivered, then it cannot be considered to be ‘implementing’ the Paris Declaration.

It should be noted that the situation differs from country to country. Some partner governments are highly amenable to working in Paris-compliant ways – for example, Vietnam has localised the Paris Declaration through the 2005 Hanoi Core Statement; and PNG is developing its own localised version of Paris in the Kavieng Declaration. Cambodia has set up a series of Technical Working Groups under its own Chairmanship. Indonesia has taken charge of the donor coordination process from the World Bank. These are all positive signs that make it easier for Australia to move ahead with the Paris Declaration in these countries. Even in countries where the context is not as conducive, there are still opportunities, especially in relation to ‘harmonisation’ and ‘managing for results’.

Within the Australian aid program the implementation of Paris Commitments is predominately being guided by the policy framework outlined in ‘Australian Aid: Promoting Growth and Stability’. The implementation of this policy framework has generated a significant shift in the nature of the Australian aid program with an increased emphasis on partnerships and aid effectiveness more generally. Throughout this evaluation, there were a number of ways in which the Paris Declaration principles were observed as being implemented within AusAID. As ‘managing for results’ is addressed earlier in discussions about the work of the ODE, and comment has already been made about the lack of awareness around ‘mutual accountability’, this chapter will briefly touch on the three principles that were observed as most prevalent in Australia’s ‘on the ground’ work in developing countries – i.e. ‘ownership’, ‘alignment’ and ‘harmonisation’. To do this, the next three sections will look at the extent to which Australia the following are part of Australia’s aid program:

- Shared analysis and missions
- Non-project aid delivery modalities
- Delegated authority

¹⁷ Report on Quality at Entry and Next Steps to Complete Design, AusAID Rules and Tools, December 2007.

4.3.1 Joint Analysis and Missions

Joint analysis and missions are a key way to reduce the transaction costs on partner governments, and can take one of three forms:

- 1) joint with the partner government
- 2) joint with one or more donors
- 3) joint with the partner government and donors

While this exercise did not produce statistics, the following examples are indicative of the practices that happen across the aid program – more in some programs than others:

- In Vanuatu, Australia has undertaken joint programs with New Zealand, but not yet with other key donors such as France and China
- In Cambodia, Australia is an active participant in the Technical Working Groups (TWGs), established under the Chairmanship of a senior Cambodian Government representative, whereby donors work together with government to analyse and address issues in a sector
- In PNG, donors send joint delegations to meet with the PNG Government
- In South Asia, AusAID will often accept reports from other donors as sufficient analysis of a particular topic

4.3.2 Non-project aid delivery modalities

AusAID still delivers a significant amount of assistance through what are referred to as ‘traditional aid projects’ – that is stand alone projects, delivered by a ‘managing contractor’ with a project structure that sits parallel to the partner government’s own systems. However, in all country programs, there are moves to shift to aid modalities that are more in line with the Paris Declaration, such as the following examples:

- In Vanuatu, AusAID participates in an Education sector wide approach (SWAP)
- In the Solomon Islands, a new health SWAP has just commenced
- In Vietnam, Australia directly supports the Government’s reform efforts through the Poverty Reduction Support Credit (PRSC)

Given the direction of new country strategies, and with the corporate guidance to come, it is hoped that these types of ‘programs’ will continue to grow. However, there needs to be vigilance about the reality of what is often referred to as SWAPs or ‘working through partner systems’. For example, there are examples of SWAPs that still operate in a project mode, and there are examples where funds are channelled through the World Bank and not through the partner government systems – but, of course, these are still examples that AusAID is heading in the right direction.

4.3.3 Delegated Authority

Evaluation Questions: *How is delegated authority structured, and why? Have there been any changes to procedures to meet Paris Declaration commitments? Is the development cooperation organisation/agency sufficiently decentralised (staff, resources, delegation of authority) to address field-based aid management in line with the Paris Declaration?*

This section will focus on delegated authority, whereby a donor's program is managed and administered by another donor. The issue of delegation of authority to field staff will not be addressed here as AusAID's increased devolution to country offices has already been covered in Chapter 3 above.

Delegated authority is something that AusAID continues to pursue albeit with modest gains. Australia has pursued delegated cooperation within sub-sets of programs within Bangladesh and Nepal (with the United Kingdom, DFID) and in two small Pacific countries where Australia has delegated the management of the whole program to New Zealand - the Cook Islands (annual ODA \$6.4 million) and Niue (annual ODA \$0.8m).

In relation to the Cook Islands, Australia provides an annual contribution of funds to the New Zealand Agency for International Development (NZAID) for their implementation and management.

A Tripartite Arrangement between the three nations states the objectives of the harmonised program. These aim at improving development outcomes and reducing aid management administrative burdens for the Cook Islands.

The harmonised program is guided by NZAID's program strategy (June 2001 - June 2006), until the finalisation of the Cook Islands-New Zealand-Australia Joint Country Strategy in late 2007. The goal of the joint country strategy will reflect Cook Islands' own goals set out in Te Kaveinga Nui - Living the Cook Islands Vision, a 2020 Challenge and the National Sustainable Development Plan (2007-2010) which focus on building a sustainable future that meets Cook Islands' economic and social needs.

While Australia has given primary administration responsibility of its aid allocation to NZAID, it still contributes to the strategic direction of the program and activities

In the case of Niue, on 25 October 2006, Australia, Niue and New Zealand became signatories to the Niue International Trust Fund (NITF) Deed (the Deed) at the Pacific Islands Forum in Suva, Fiji. Signature of the Deed set in place the formal legal arrangements required for the long-term operation of the Niue Trust Fund. The aim of the NITF is to provide a long-term, dependable revenue stream for the Government of Niue, to encourage self-reliance and decrease dependency on official development assistance.

Since 2004, Australia has contributed approximately \$5.5 million to the Trust Fund, which was held on trust in the New Zealand-managed Niue Trust Fund Account until

the full implementation of the NITF. Australia participates in the Trust Fund on an ongoing basis through its annual contributions and membership on the Trust Fund Board of Directors.

Within South Asia progress has been made with Australian and the United Kingdom's Department for International Development (DFID) formulating a delegated responsibility agreement in the areas of water, sanitation, and governance within Nepal during 2006. This agreement sees DFID responsible for approximately three-quarters of Australia's aid program to Nepal. Building upon this success Australia and the United Kingdom are currently considering opportunities to pool support within Nepal's health and education sectors from 2008.

While not technically categorised as delegated cooperation the Australian aid program post-Paris has significantly shifted towards an increased focus on partnerships. For example within Bangladesh and Nepal, Australia and has forged partnerships to target the water and sanitation, and governance sectors. Australia and DFID jointly fund the Mid and Far West Water Supply and Environmental Sanitation Program which is implemented by a local NGO Nepal Water for Health (NEWAH) to improve access to potable water, sanitation and improved hygiene practices in the region. Australia also channels support through DFID, along with the Swiss Agency for Development and Cooperation (SDC) and Norway, to the Rights Democracy and Inclusion Fund (RDIF) under DFID's Enabling State Program to foster democratic practices and promote good governance. Closer to home Australia works closely with the NZAID.

Australia's emphasis on partnerships with multilateral development partners such as the World Bank and Asian Development Bank has also increased with significant contributions to the important work of these organisations, particularly within the Pacific.

5. Assessing incentives

5.1 Incentives

Evaluation Questions: *Are there specific incentives provided by the agency – e.g. for recruitment, performance assessment and training – for management and staff to comply with the Paris Declaration objectives of ownership, harmonisation, alignment and results orientation?*

There are no explicit incentives for AusAID management and staff to comply with the Paris Declaration. However, there would appear to be some implicit incentives at a few different levels. It should be noted that, apart from the point below about the ‘aid budget’ (which relates to an explicit condition set by the previous Australian government), the other ‘implicit incentives’ are not evidence-based in any rigorous way – they are anecdotal, based on discussions with AusAID staff:

- Aid Budget: Over the past couple of years, AusAID has operated in an awareness that future allocations of increased aid volume would be subject to the effectiveness of the existing program.
- Policy Framework: With the most significant policy document giving so much emphasis to effectiveness and the Paris principles, many staff feel motivated to do their best.
- Prospects for individual enhancement: While unable to prove anything on this front, it is reasonable to assume that a staff member who is responsible for a high degree of aid effectiveness consistent with the Paris declaration would have their own prospects for advancement enhanced.
- Relationships with Partners: staff working in country offices will have the potential for highly rewarding relationships with counterparts, and more satisfying work as a result of learning more about partner countries.

5.2 Disincentives

Evaluation Questions: *Are there any perceived disincentives, in respect of other agency priorities?*

There are no explicit disincentives, but a few potential implicit disincentives. As with the incentives above, these ‘disincentives’ are anecdotal and based on discussions with AusAID staff:

- Urgency: Complying with the Paris Declaration can be time-consuming, and it can be tempting to find a “quick fix”
- Profile: While this has not been used as a reason for not implementing the Paris principles, some staff commented on perceived pressure to ensure that Australian assistance could be readily distinguished from other donors (note: this concern has been around before Paris).

5.3 *Capturing Progress*

One surprising factor in this Evaluation is the difficulty faced by AusAID programs in quantifying the Agency’s progress against the Paris Declaration. For example, most programs cannot easily report the proportion of the program that is being channelled through partner systems, or as part of a SWAp. Under the premise that “what gets measured gets done”, it is vital that the Agency is able to work out appropriate systems to capture progress against the Paris Declaration as a matter of urgency if staff are going to feel they have a strong incentive to be Paris-compliant. While the Annual Review of Development Effectiveness will address Paris-compliance, it will only be able to do this to the extent that there is data and numbers to work with – ideally, AusAID needs to be able to find a simple way to capture basic statistical and financial information relevant to the Paris Declaration (e.g. percentage of program through partner systems, numbers of joint missions, etc).

6. Conclusion

Overall, the Australian Agency for International Development has made an impressive start to the process of complying with the Paris Declaration. The commitment and awareness of the Paris Declaration is very strong – the key challenge now is to do more to translate that general awareness into practical, effective solutions on the ground. The current work being undertaken on operational policies and procedures will take this agenda forward in relation to ownership, alignment and harmonisation. The “managing for results” agenda is promising with the ODE providing leadership in the agency on this front.

There are a number of areas which require some new attention from AusAID, as set out in the following specific recommendations:

Recommendation 1: *Specific guidance about ‘mutual accountability’ should be provided to staff working on the Australian aid program, given the specific lack of awareness of this part of the Paris Declaration*

Recommendation 2: *Country & Regional Strategies should explicitly address all 5 pillars of the Paris Declaration:*

- 1) *Ownership*
- 2) *Alignment*
- 3) *Harmonisation*
- 4) *Managing for Results*
- 5) *Mutual Accountability*

Recommendation 3: *Peer Reviews at the Concept and Design Stage should explicitly test compliance with the Paris Declaration, and this should be written into the tools for Peer Reviews*

Recommendation 4: *AusAID should seek a user-friendly way of quantifying key data relating to the Paris Declaration, in particular:*

- *Trends in numbers of missions and joint missions*
- *Number of types of SWAps*
- *Volume of funds being channelled through partner government systems*

ANNEXES

7. Annex 1: Agency-specific TOR

HEADQUARTERS EVALUATION OF THE PARIS DECLARATION

AUSTRALIA

Terms of Reference

Office of Development Effectiveness (ODE)
Australian Agency for International Development (AusAID)

1. Introduction

Alongside its strong focus on monitoring, the Paris Declaration also highlights the importance of an independent cross-country evaluation process. The Declaration states that this evaluation process should provide a more comprehensive understanding of how increased aid effectiveness contributes to meeting development objectives and that it should be applied without imposing unnecessary additional burdens on recipient countries.

In response to this commitment, the DAC Development Evaluation Network explored possible approaches to an evaluation. A two-phase evaluation was proposed: The first phase of the evaluation will address input and output levels, through a series of recipient country, donor headquarters, and thematic evaluations. The second phase of the evaluation will address outcome and impact levels. The evaluation will be designed to complement the monitoring of the implementation of the Paris Declaration, including the Medium Term Monitoring Plan, which has advanced through the Joint Venture on Monitoring.

The proposed Evaluation received strong support from the Working Party on Aid Effectiveness (WP-EFF) and the DAC Evaluation Network. An international Reference Group has been established, comprising partner country members of the WP-EFF, members of the DAC Evaluation Network and representatives of civil society, to commission and oversee the evaluation.

Australia, as a signatory to the Paris Declaration has been actively involved in the Paris process. Australia has participated in the Baseline Survey on Monitoring the Paris Declaration and is represented on the Working Party on Aid Effectiveness. Participation in this series of 'headquarter level' evaluations is an ongoing reflection of Australia's commitment to contribute to the wider aid effectiveness debate, particularly from its unique perspective of engagement within Asia and the Pacific.

2. Rationale and purpose of the overall evaluation

Rationale

The evaluation effort is designed to complement the monitoring of the implementation of the Paris Declaration, including the Medium Term Monitoring Plan, which has advanced through the Joint Venture on Monitoring, by deepening the understanding of the lessons emerging from the Paris Declaration surveys. These surveys are narrowly focused on whether partners are actually fulfilling their commitments as measured across the 12 indicators and how the implementation is progressing – and only to a limited extent raise more fundamental questions related to why some of the changes are occurring, or why not. Also, the surveys are not designed with the attempt to measure whether the

process actually leads to increased effectiveness and whether there are unintended effects of the processes of change set in motion.

Australia's recent experience with the Baseline Monitoring Survey suggests that individual donors appear to be interpreting and implementing Paris Declaration commitments in different ways. The reasons for this differing interpretation are not readily apparent from the results of the baseline survey. Differences may relate to varying stages of progress in operationalising Paris commitments, differing levels of commitment, or a view that achieving more effective aid requires broader a effort than captured by existing Paris indicators. Australia's participation in this evaluation effort allows us to explore:

- Aid effectiveness issues beyond the Monitoring Surveys;
- On the ground realities associated with PD implementation;
- Relative importance of PD principles in fragile environments where the bulk of Australia's aid program is focused, and
- PD experiences in a broader pool of partner countries.

Purpose

The purpose of the overall evaluation effort is to provide information about the effects of the steps taken in order to increase aid effectiveness which in the longer term is expected to result in improved development effectiveness in the partner countries.

Some of the more specific questions which the overall evaluation should help answer are:

- Why are some actions and commitments included in the Paris Declaration implemented, while others are not?
- What is the theory of change underpinning the Paris Declaration?
- What are the successes of the Paris Declaration (examples of obstacles overcome)?
- Does the Paris Declaration process lead to any unintended (negative or positive) effects?
- Does the Paris Declaration process lead to more effective aid?

3. Design of the evaluation effort

The overall evaluation will be conducted in two successive phases: The first phase (2007-2008) of which Australia has agreed to participate, will mainly address input and (to the extent possible) output levels, through a series of partner country, donor headquarters, and thematic evaluations. The second phase of the evaluation (2008-2010) will address outcome and impact levels.

The architecture of the first phase of the evaluation will comprise:

- a. Country level evaluations: The sampling frame for the country level evaluations is a self-selection of partner countries willing to conduct such studies.
- b. Donors headquarter evaluations: Similarly to the sampling of country cases, there is a self-selection process of donors willing to undertake a donor headquarters level evaluation.
- c. Thematic studies: The Reference and Management Groups may initiate specials thematic studies to supplement the country level and donor evaluations. Thematic studies should primarily be based on existing documentation and could focus on topics such as the links between aid effectiveness and development effectiveness; technical cooperation; untying of aid; fragile states; civil society or cross-cutting issues.

- d. A synthesis report based on the results of a, b, and c, and other completed and ongoing donor/joint evaluations that focus on aspects of the Paris Declaration agenda.

The first phase will run from March 2007 to July 2008. It will provide information on the “how’s and why’s” of the implementation process of the Paris Declaration, to deliver practical lessons and help take stock of implementation performance at the 3rd High-Level Forum (HLF) on Aid Effectiveness to be held in Ghana (September 2008). Efforts will be made to identify “emerging results” and effects of the implementation of the Paris Declaration. The second phase of the evaluation will run from the HLF in Ghana in 2008 and up to the 4th HLF in 2010. This phase will particularly focus on whether the intended, long-term effects of the Paris Declaration are being achieved.

4. Purpose and objectives of the Australian Headquarters Evaluation

The headquarter evaluations will assess the practice at the headquarters level of AusAID in implementing Paris Declaration commitments. The emphasis will be on learning, by asking the twin questions: are we doing the right things and are we doing things right?

The objectives of the headquarters evaluation are:

- To provide an insight in the ways in which the Paris Declaration is being interpreted at HQ level, how it is being implemented and to assess how the underlying assumptions of the Declaration are dealt with in the implementation process.
- To provide insights into how the PD can lead to more effective aid within Australia’s area of engagement (Asia/Pacific), and
- To inform the synthesis study which is to be compiled at the end of phase one of the overall evaluation of the Paris Declaration.

5. Scope and focus of the evaluation

The Australian Government has made a significant investment in advancing the principles of the Paris Declaration. Paris principles have been articulated in the Australian White Paper on Aid, have been acknowledged within the corporate reform agenda of the Australian Agency for International Development (AusAID), and feature within the performance assessment framework for the Australian aid program.

Nevertheless the Baseline Monitoring Survey found that the transaction costs of delivering and managing aid remained high and that corporate commitments are not always matched by practices. In explaining this three explanatory dimensions have been identified as contributors to development partner behaviour: (a) commitment, (b) capacity building, and (c) incentive. These three dimensions will constitute the main scope of the evaluation.

Scope

Analysis of Australian efforts related to the three dimensions – commitment, capacity development and incentive systems – will constitute the main scope of the evaluation.

a. Commitment: The Paris Declaration calls for a radical new way of delivering aid and includes principles such as country strategies no longer being formulated by individual donors. Instead, with the emphasis on partner ownership, donor co-operation strategies are to be guided by partner government needs-based demands in an aligned and harmonized manner. This may explain why the Survey Report, in line with good practices for institutional reform, has donor leadership as the most important factor for ensuring commitment to PD objectives. However, the manner in which effective leadership is to be enacted is less clear, as the emphasis on demand-driven development cooperation challenges the current reality of HQ policies, programs, and procedures being driven by donor administrative and political concerns.

Similarly, with ownership, the use of conditionalities as an instrument for reform is challenged. Instead donors are now increasingly designing programs (more) focused on policy dialogue in support of identified drivers for changes in the partner countries. Nonetheless, the usage of process indicators for release of e.g. general budget support is still widely applied through donor Performance Assessment Frameworks (PAF). This might also explain the weak correlation between the quality of a partner country's Public Financial Management system and the level of alignment noted in the Survey Report: "other factors than quality of systems are affecting donors willingness to use them".

Further, other than the donor/recipient country schism, a disconnect between headquarter policies and in-country practices has been noted. For some donors it may be the case that the PD is owned by policy staff at headquarter level with country level staff seeing harmonisation tasks as getting in the way of efforts to achieve tangible development results. For other (typically project-oriented) donors, the picture is the reverse, with country level staff experiencing difficulties in engaging in collaborative efforts due to legal liability and the financial control concerns of their head-quarters. Indeed, in some instances the legal liability concerns of donor HQs have led to initial below-PD commitments at field level. This is why the Survey Report recommends that donor agencies make an effort to review procedural and legal frameworks so that the rules, procedures, or practices that work against the PD commitments can be identified.

b. Capacities: Also within donor offices, whether at HQ or at field level, uneven commitment to PD roll-out may be found, demonstrating that leadership on PD commitments reflects first and foremost the commitment/ownership of individual members of staff as well, as uneven capacities between different staff employed by the same development partner. Indeed, a single development partner representation might represent very different approaches to aid effectiveness. As a consequence, development partners and National Coordinators alike have called for more effective communication on PD issues between headquarter policy advisers and operation staff; this especially in countries where the aid effectiveness agenda has been launched only recently.

Furthermore, the devolution of authority to Embassy/field office level may be inadequate to allow for an adequate response to PD commitments. In particular decisions concerning the granting of general budget support tend to be heavily centralized at HQs. A head of a donor field office illustrated the country situations with these words: "It's a 'black box'. We do not know how many funds are budgeted, on what conditions they are granted, and when they are scheduled for transfer. We only know that HQ is going to grant general budget support to the country sometime this year." It goes without saying that such donor behaviour also goes against the PD commitment of rendering aid more predictable.

Linked to the issue of devolution is the issue of transaction costs and resourcing. The Survey Report stresses that more effective aid is not necessarily aid delivered cheaply. Indeed, according to the World Bank, preparation of coordinated multi-development partner programs typically require 15-20 per cent more staff and budget resources than traditional stand-alone projects. These costs constitute an up-front investment in doing business in accordance with the PD (assuming that coordinated aid is more effective) and should be factored into operational budgets and allocation of staff time. Several development partners have started to decentralise staff resources as a consequence of the new aid effectiveness agenda, but so far no increases in operational budgets have been noted. Many countries are also concerned about the costs of delivering aid, and whether it is effectively reaching the poorest people for whom it is intended rather than being spent on donor administrative costs – this is a legitimate concern, and one which must be examined even at the level of perception in Phase One.

c. Incentive Systems of donors have been reported as a critical parameter for efficient donor behaviour. The baseline survey suggests that a number of obstacles work against donor's ability to meet the commitments made in Paris. These include amongst other things, inappropriate pressures for disbursements, lack of flexibility on staff time, and high staff turnover, which taken together create incentives that reward short-term benefits over longer term and collective, gains.

Further, donors need for visibility and influence takes at times precedence over the commitment to harmonised approaches – a tendency which has been especially noted in intervention areas such as decentralisation where development models are seen as 'export-vehicles' of different development partner systems. Similarly, experiences demonstrate that the same need for visibility limits effective delegation – this even when donors are willing to harmonise and align – as illustrated by the proliferation of donor groups and members. It seems that career prospects for donor staff are improved by the maintenance of individual development partner profiles through active participation in donor coordination. Such incentives may result in permanently high transaction costs.

Focus

The Australian Headquarters evaluation will assess the three dimensions (commitment, capacity building and incentive systems) by examining policies, guidelines, instructions, evaluations, performance assessments, training, etc from within AusAID and other Whole of Government partners involved in aid delivery.

The evaluation will involve a comprehensive documentary review, structured interviews with key stakeholders, and a survey/interview focused on Australian program staff within Bangladesh, the Philippines, South Africa, Sri Lanka, and Vietnam which are undertaking parallel recipient level evaluations. The evaluation will however, also seek to incorporate the views of program staff and WoG partners within Indonesia, Papua New Guinea, and the Solomon Islands in order to provide a more comprehensive picture of Australian aid practices and allow input from regions/nations not represented in the baseline survey. In terms of the Pacific the evaluation will also seek to assess Australia's response to the Pacific Islands Forums 'Pacific Aid Effectiveness Principles' which were adopted in July 2006. These principles represent a Pacific interpretation of Paris Principles and highlight areas of particular focus/importance for countries in this region.

It should be noted that outputs will be captured through the country level evaluations in the form of field office behaviour. Hence, the evaluation will not at this stage seek to assess the underlying assumption of the PD; namely that increased aid effectiveness lead to greater development impact. This will be assessed, to the extent possible, during the second phase of the evaluation.

6. Evaluation Questions

The evaluation will focus on learning by asking the twin questions: ‘are we doing the right things?’ (Relevance) and ‘are we doing things right?’ (Effectiveness). The evaluation will be particularly interested in examples of where potential obstacles to implementation of the Paris Declaration have been identified, and how these have been overcome, and with what results?

The evaluation questions for the evaluation of the implementation at headquarter level of the Paris Declaration outlined below should be seen as explorative starting points for the assessment and should be further developed during the inception phase of the evaluation. In particular it should be considered whether more attention can be paid to areas where Australia was perceived to lag behind other donors in the 2006 Monitoring Survey on implementation of the Paris Declaration.

Annex 1 (evaluation matrix) contains questions covering the respective principles of the Paris Declaration, indicators and data sources. This matrix will be refined during the evaluation and would benefit from coordination with New Zealand in their parallel headquarters evaluation given overlapping country coverage.

Assessing leadership

- How has the Paris Declaration’s emphasis on demand-driven development cooperation been reflected in Australian development policies, programs and procedures? Has the implementation of the PD affected Australian development co-operation priority-setting? Has the role of AusAID headquarters/country staff been adapted to the aid effectiveness agenda? If not, why not?
- How is the PD owned at the AusAID headquarters level? How is the PD acknowledged at the Whole of Government/parliamentary level and by civil society? What are the potential conflicts with other political / administrative systems, and what is being done to resolve these?
- *Is Australia fulfilling its PD commitments including implementation of the DAC Principles for Good Engagement in Fragile States? If it has concerns, what are the reasons for these? Are the concerns linked to the relevance and coherence of the PD commitments and indicators? Are there ways in which these might be overcome?*

Assessing capacity development

- *What is the level of staff knowledge and understanding about aid effectiveness and its operational implications, particularly in the field?*
- Have specific instructions, guidelines, operational directives evaluation criteria been disseminated to staff to stimulate implementation of the PD implementation plan?
- How is delegated authority structured, and why? Have there been any changes to procedures to meet PD commitments? Is AusAID sufficiently decentralised (staff, resources, delegation of authority) to address field-based aid management in line with the PD?
- Are guidelines for implementation of the Paris declaration considered clear and unambiguous by staff? Are they backed by a) adequate staffing at decentralised levels and b) adequate and sufficient competence development for both posted and local staff on key aspects such as how to support ownership, implement alignment and harmonisation in practice etc.

Assessing incentive systems

- Are there specific incentives provided by the agency – e.g. for recruitment, performance assessment and training – for management and staff to comply with the PD objectives of ownership, harmonisation, alignment and results orientation?
- Are there any perceived disincentives, in respect of other agency priorities?
- *To what extent does the Performance Assessment Framework support implementation of the Paris Declaration?*

7. Methodology/Structure of Work

The evaluation work will involve:

- An analysis of documents (policy documents, instructions, guidelines, country strategies, evaluations/reviews, performance reports, etc.);
- The preparation and completion of a questionnaire pertaining to Paris by Australian country staff in the five recipient countries which will conduct a partner country level evaluation.
- Structured and semi-structured interviews with key respondents within AusAID headquarters and AusAID staff outside the five participating recipient country evaluations;
- Structured and semi-structured interviews with non AusAID stakeholders such as Whole of Government partners, NGO's, etc.

8. Organisation of the Evaluation

The evaluation will be managed by the ODE and will be conducted by an external consultant contracted by AusAID.

9. Conduct of work and scheduling

The evaluation will be conducted over the period July to November 2007 as follows:

Timeframe	Activity
September 2007	Finalisation of Terms of Reference (TOR's), TOR's , review of TOR's by Evaluation Management Group.
September 2007	Identification of suitable evaluator, contract negotiating and award.
September/October	Preparation of inception report and review by Evaluation Management Group.
October 2007	Undertake evaluation
October 2007	Draft evaluation report
October/November	Workshop to discuss draft reports
November/December	Finalisation of report

10. Deliverables

Deliverables will include a brief inception report, draft evaluation report, and final report. Attendance at participating nation workshop may also be required.

Paris Principle	Questions	Indicator	Source
Ownership: To what extent does Australia grant recipient country ownership of the development process?	How is the concept of ownership articulated within Australian policy?	The extent to which and how 'ownership' is used in policy documents, country development strategies, performance frameworks, country level evaluations, etc.	* Review of documents (Australian White Paper on Aid, AusAID 2010, Australian Country Development Strategies, Performance Framework, 2006 Survey on Monitoring the Paris Declaration, Office of Development Effectiveness Guidance, evaluation reports, Annual Performance Planning Updates, etc.) * Interviews with relevant staff and stakeholders. * Questionnaire survey for country staff.
	How is the relationship between increased ownership and effective development perceived within Australia?	Perceptions of staff and other stakeholders about the benefits of granting increased ownership for effective development.	
	What are the constraints for granting ownership/leadership?	Perception of Australian policy makers on the feasibility of increasing partner countries ownership of the development process and their capacity to lead. Reasons given by headquarters and country staff for not granting partner countries ownership.	
	How does Australia support the strengthening of recipient country capacity for improving national development strategies?	The extent to which Australian programs target the development of partner countries capacity to exercise effective ownership of the process (policy, strategy, etc).	
Alignment: To what extent does Australia base its support on recipient country strategies and systems?	How is the concept of alignment articulated in Australian policy?	The extent to which and how 'alignment' is used in policy documents, country development strategies, performance frameworks, country level evaluations, etc.	* Review of documents. * Interviews with relevant staff and stakeholders. * Questionnaire survey for country staff.
	How is the relationship between alignment and effective development perceived within Australia?	Perceptions of staff and other stakeholders about the benefits/practical challenges of aligning Australia's aid program.	
	To what extent, why and how does Australia align its policies and strategies with those of partner countries?	The extent to which partner systems are used to deliver aid. The extent to which Australia pools resources with other donors.	
	What are the strategic constraints for aligning aid/granting	Reasons given by headquarters and country staff for not aligning.	

	ownership/leadership?		
	How does Australia support recipient nation capacity for improving national development strategies?	The extent to which Australian programs target partner countries capacity development in the areas of planning, financial management, and performance management.	
Harmonisation: To what extent does Australia coordinate its activities and to what extent does it minimize the cost of delivering aid?	How is the concept of harmonisation articulated within Australian policy?	The extent to which and how 'harmonisation' is used in policy documents, country development strategies, performance frameworks, country level evaluations, etc.	* Review of documents. * Interviews with relevant staff and stakeholders.
	How is the impact of harmonisation on effective development perceived within Australia?	Perceptions of staff and other stakeholders about the benefits/practical challenges of increased harmonisation of Australia's aid program.	
	To what extent, why and how does Australia harmonise its aid program?	The extent to which organisational incentives are established to facilitate greater harmonization of the Australian aid program. The extent to which Australian aid modalities are coordinated with other donors.	* Questionnaire survey for country staff.
	What are the strategic constraints for harmonisation of policy?	Reasons given by headquarters and country staff for not harmonising (transaction costs, political, etc). Perceptions of impact of harmonization on aid effectiveness.	
Managing for Results: To what extent is Australia's aid program orientated towards achieving desired results?	How is the concept of managing for results articulated within Australian policy?	The extent to which and how 'managing for results' is used in policy documents, country development strategies, performance frameworks, country level evaluations, etc.	* Review of documents. * Interviews with relevant staff and stakeholders.
	To what extent does Australia orient its activities to achieve desired results?	The extent to which Australia relies upon partner countries performance frameworks/systems.	
	Does Australia support partner countries in the development of results driven approaches? If so, why. If not, why not?	The extent to which Australian programs enhance partner countries information systems in support of decision making and management.	* Questionnaire survey for country staff.
	Does Australia harmonise monitoring and evaluation systems with other donors in the absence of country systems?	The extent to which Australia coordinates with other donors in the area of monitoring and evaluation.	

Mutual Accountability: To what extent is Australia accountable to recipient countries in making progress in managing aid better and in achieving development results?	How is the concept of mutual accountability articulated within Australian policy?	The extent to which and how 'mutual accountability' is used in policy documents, country development strategies, performance frameworks, country level evaluations, etc.	* Review of documents. * Interviews with relevant staff and stakeholders. * Questionnaire survey for country staff.
	What actions has Australia taken to improve its accountability to partner countries?	Key stakeholders views on the concept of mutual accountability. Types of reporting mechanisms. Aid predictability. Organisational incentives.	
	What are the constraints for providing improved accountability to partner countries?	Reasons given by headquarters and country staff.	
Engagement within Fragile States: To what extent is Australia implementing the principles of good engagement within fragile states?	How is Australia's commitment to the principles of good engagement within fragile states articulated within Australian policy?	The extent to which and how 'principles of good engagement within fragile states' are acknowledged in policy documents, country development strategies, performance frameworks, country level evaluations, etc.	* Review of documents. * Interviews with relevant staff and stakeholders. * Questionnaire survey for country staff.
	How is Australia maximizing the positive impact of its engagement within its portfolio of fragile stages and minimizing unintentional harm?	Knowledge of staff and stakeholders on the basic principles of good engagement within fragile states. To what extent has Australia established organizational incentives to promote good engagement within fragile states.	
	Does Australia have concerns regarding fulfilling its commitments to implement DAC principles for good engagement within fragile states?	Reasons offered by staff and other stakeholders about concerns of fulfilling the principles of good engagement within fragile states and ways these may be overcome.	

8. Annex 2: People met

Organisation	Name	Title
AusAID Canberra	Mr Scott Dawson	Deputy Director General, Pacific & PNG Division
AusAID Canberra	Mr Peter Versegi	Assistant Director General, Office of Development Effectiveness (ODE)
AusAID Canberra	Mr James Gilling	Principal Adviser, Office of Development Effectiveness (ODE)
AusAID Canberra	Mr Laurie Dunn	Assistant Director General, Operations Policy and Support
AusAID Canberra	Ms Ali Gillies	Assistant Director General, Governance and Capacity Building
AusAID Canberra	Ms Stephanie Copus-Campbell	Assistant Director General, Pacific
AusAID Canberra	Mr Bill Costello	Counsellor (Development), Australian High Commission, Port Moresby
AusAID Canberra	Ms Megan Anderson	Director, Program Quality Review, PNG Branch
AusAID Port Vila	Mr Robert Tranter	Counsellor (Development), Australian High Commission, Port Vila
AusAID Port Vila	Ms Juliette Brassington	First Secretary (Development), Australian High Commission, Port Vila
AusAID Hanoi	Mr Kerry Groves	Counsellor (Development), Australian Embassy, Hanoi
AusAID Colombo	Mr Percy Stanley	Regional Counsellor (Development) for South Asia, based at Australian High Commission, Colombo
AusAID Phnom Penh	Mr Peter Lindenmeyer	Counsellor (Development), Australian Embassy, Phnom Penh
AusAID Jakarta	Ms Sue Connell	Counsellor (Development), Australian Embassy, Jakarta
AusAID Canberra	Ms Sally Moyle	Gender Adviser
AusAID Canberra	Ms Kate Nethercott	Manager, Gender Thematic Group
AusAID Canberra	Mr Chris Hoban	Principal Adviser, Operations
AusAID Canberra	Mr Stephen Close	Program Officer, East Timor
AusAID Dili	Ms Robin Scott-Charlton	Counsellor, Australian Embassy, Dili
Australian Federal Police	Mr Jason Creswell	AFP secondee, Office of Development Effectiveness (ODE)
Australian Council for International Development	Mr Jack Quinane	Deputy Executive Director
Australian Council for International Development	Ms Neva Wendt	Senior Policy Adviser
Australian Council for International Development	Ms Fiona McAlister	Policy Adviser/Humanitarian Coordinator

Australian Council for International Development	Mr Alex Maroya	Coordinator, Government and Economic
Oxfam Australia	Mr Chris Roche	Director of Development Effectiveness

9. Annex 3: References

Australian Aid: Promoting Growth and Stability, 2006
AusAID 2010, Director General's Blueprint, 2007
Frequently Asked Questions on Paris Declaration and Aid Effectiveness, October 2006
Tackling Corruption for Growth and Development, A Policy for Australian Development Assistance on Anti-Corruption, AusAID 2007
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PNG-Australia Development Cooperation Strategy 2006-10
Australia's Development Cooperation with South Asia, Framework for 2003-07
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Australia-Cambodia Development Cooperation Strategy, 2003-06
China-Australia Country Program Strategy 2006-10
Laos-Australia Development Cooperation Strategy 2004-10
Australia-Philippines Development Cooperation Strategy 2007-11
Vietnam-Australia Development Cooperation Strategy, 2003-07
Pacific Regional Aid Strategy 2004-09
Australia-Vanuatu Joint Development Cooperation Strategy 2005-10

10. Annex 4: Interview guide

The following questions were used as a guide for interviews with individuals or teams consulted as part of this evaluation.

- 1. What is the level of understanding of Paris Declaration “principles” in your country program?**
- 2. What is the degree to which the Paris Declaration is being “implemented” in your country program?**
 - How do you know this?**
- 3. What are the constraints to Paris Declaration implementation in your country?**
- 4. Is there anything the Agency could be doing to help you more in relation to the Paris Declaration?**