

Evaluation of the Implementation of the Paris Declaration

Update of Phase 1 Donor Studies

ASIAN DEVELOPMENT BANK

Executive Summary

This is a summary of an update of the Asian Development Bank (ADB) headquarters-level study that evaluates the implementation of the Paris Declaration (PD)¹. The Phase 1 study was carried out in 2007 and published in 2008.² ADB's management has positively responded to the findings and recommendations of the Phase 1 study. ADB has (i) made PD implementation more visible through internal action plans and briefing notes and monitoring surveys in partner countries on the Paris/Accra commitments, and; (ii) set up focal points for managing for development results and aid effectiveness in its headquarters; (iii) increased the use of program-based approaches; (iv) stepped up staff guidance and training on PD principles; and (iv) increased staff and budgetary resources for operations (including resident missions).

Context (PDE Q1)

The five PD principles – ownership, alignment, harmonisation, managing for results and mutual accountability – underscored

1 ADB. 2011. *Joint Evaluation of Paris Declaration Phase 2 Headquarters - Level Study Update*, Draft, Manila

Special Evaluation Study Paris Declaration Evaluation ADB HQ-level. The full report is being finalized.

2 ADB. 2008. *Evaluation of the Implementation of the Paris Declaration at the Asian Development Bank: A Development Partner's Study for an OECD-DAC Joint Evaluation*. Manila (February).

<http://www.adb.org/Documents/SES/REG/SST-REG-2008-03/SST-REG-2008-03.asp>

It was reported to the Accra High Level Forum, September 2008. The update study was desk-based and it carefully reviewed relevant ADB documents and monitoring survey results, as well as other related literature on aid effectiveness. It was complemented by a questionnaire survey of ADB resident missions, interviews with a cross-section of staff, management, and board members at ADB.

many of the already ongoing initiatives and approaches at ADB. In 2001 ADB brought out a Long-Term Strategic Framework for 2001-2015 for assisting in reducing poverty and promoting economic growth and in 2004 an enhanced poverty reduction strategy, which emphasized the importance of country ownership and aligning ADB assistance with the development priorities of partner countries and aid harmonisation. Country ownership, aid alignment and harmonisation and results orientation were further emphasized in ADB after it endorsed the Paris Declaration in 2005.

ADB started implementing results-focused country partnership strategies in 2005 which have been mainstreamed. ADB did some fine-tuning to its internal organisation in 2006 with a view to better meet the evolving opportunities and challenges in delivering its assistance in the region. It also introduced a three-year action plan (2006-2008) for managing for development results (MfDR). A new long-term strategic framework (2008-2020), also called Strategy 2020, was brought out in 2008, together with a corporate-level results framework to monitor the implementation of the strategy and its outcomes.

The key push factors for aid and development effectiveness may be summarized as country needs, the potential for reducing transaction costs and improving institutional effectiveness, and increased awareness about transparency in policy and procedures and accountability of actors for development results. Working with other development partners is important for regional development banks like ADB because resources must be pooled to meet the huge financing need of its partner countries to reduce poverty and improve

people's welfare in a sustainable manner. Another important enabling factor is the continued support of ADB's Board of Directors and Management for implementing the PD in ADB and also in its partner countries. On the other hand, institutional capacity and varying political will in partner countries, and often exogenous factors like natural disasters, economic crises, and political conflicts limited the progress in PD implementation.

Process and Intermediate Outcomes (PDE Q2)

ADB has already substantially implemented PD and AAA commitments. The PD has been useful in improving ADB's effectiveness in delivering assistance. Increased awareness and efforts are much more pronounced in the area of managing for development results. Efforts are under way to meet the observed shortfalls so far in the three key areas, i.e., country procurement system, aid predictability, and program-based approaches.

ADB has supported partner countries with advisory technical assistance in formulating or preparing their national development strategies and sector development master plans with a view to contribute to enhancing **ownership** in aid funded projects. ADB's country partnership strategy and business plans have increasingly been aligned with partner countries' development priorities since 2005. **Alignment** has been further strengthened under the newly streamlined business procedure that became effective in January 2010. Alignment of the country partnership strategy with the national development strategy is a requirement in ADB's business process and is adhered to by its operations departments. In 2009, 89% of ADB's aid disbursements were reflected in partner countries' national budgets.

About 53% of the technical assistance program in 2009 (against the target of 50%, Indicator 4) was coordinated with partner countries' capacity development program. The score was less than 50% only in seven partner countries surveyed.

ADB has encouraged partner countries and also assisted them with advisory technical assistance for improving country systems. ADB has increasingly used country public financial management (PFM) systems by relying on existing institutional arrangements rather than on a cadre of individual financial management specialists. In 2009, 92% of ADB's assistance used country PFM. In 2009, the adoption of a country PFM system was not possible for only five countries because of structural problems. ADB also helps some of these partner countries strengthen their PFM capacity. ADB used the country system for national procurement for only 45% of aid disbursement in 2009, which was lower than the 59% in 2008 (against the target of 78% of aid disbursement use of the country PFM system). This is a significant shortfall. ADB is implementing a technical assistance (USD 1.3 million) to

encourage better collaboration, policy dialogue, knowledge sharing, and capacity building by partner countries in reforming and carrying out procurement.

All ADB assistance is channeled through government budgetary systems. ADB has a system of three-year-rolling country operations business plans (assistance programs), which provides an indication of likely approvals and disbursements. About five years ago, ADB introduced a multitranche financing facility for investment programs, single tranche program loans and sector-wide approaches. Conditionalities have been simplified and country ownership strengthened in ADB's assistance programs. In 2009, 77% of ADB's aid disbursements were effectively disbursed and recorded in the accounting systems of 25 partner countries surveyed, down from 84% a year ago and short of the 89% target for 2010. ADB reached the target in only 10 partner countries. All ADB assistance is untied. However, the ADB charter requires procurement of goods and services from ADB member countries. Where procurement from non-member countries is deemed necessary, the Board of Directors may grant a waiver.

Harmonisation. ADB uses parallel project implementation units (PIUs) only in a few cases. The number of PIUs was reduced from 11 in 2008 to five in 2009. In 2009, ADB conducted 54% of its field missions jointly with other development partners, a significant improvement from the previous year (44%). About 63% of ADB's country analytical work was conducted jointly with other development partners.

Administration of aid projects has been increasingly delegated to resident missions/field offices. The corporate-level target for 2012 is 43%. Field offices formulate the country strategy and operations business plans, except in a few cases where field offices are not yet established.

Managing for Results. Enhancing the orientation to results of ADB's country assistance strategy and programs was first piloted in 2005. An action plan to implement MfDR was also launched and ADB commenced mainstreaming MfDR in its corporate management as well as in its assistance operations. Since 2008, ADB has monitored corporate results and reports results through its annual Development Effectiveness Review (DEFr) report. DEFr is being embraced as a management tool. Recognizing scope for improvement in its coverage and rigor, the corporate level results framework is scheduled for review in 2012. ADB provides technical assistance for strengthening developing partner countries' capacities to plan, manage, and implement results-driven national strategies. A network of MfDR community of practice has been developed. Capacity Development for Development Effectiveness provides further opportunities in this regard.

Mutual Accountability. The corporate-level results framework has improved on ADB's orientation toward development results and accountability. Reporting by the annual report, DEFr, and the annual evaluation review report has enhanced transparency, public awareness, and accountability of the institution.

ADB conducts regular consultation with non-government organisations/civil society organisations (NGOs/CSOs) in formulating country assistance strategies and business plans and preparing assistance projects. ADB's experience shows that cooperation with NGOs/CSOs improves the effectiveness, quality, and sustainability of ADB-assisted activities. ADB's accountability mechanisms include a compliance review panel, an integrity office, auditor general, independent evaluation, and public disclosure.

Development Outcomes (PDE Q3)

The process and intermediate outcomes achieved by ADB discussed above indicate that they have potential to contribute to long term development outcomes of the assistance. More progress is anticipated in country procurement system, aid predictability, and program-based approaches. The PD provided further impetus to improving the efficiency of aid delivery through increased country ownership, simplification and harmonisation of aid modality and procedures, and results-focused management of the development process. Like other multilateral development banks, ADB has actively participated in PD activities, supported its partner countries in various aspects of PD implementation, and implemented itself many of the PD principles in its business processes. Its experience indicates

that MfDR can be very useful in planning and managing the aid delivery.

A successful application of the PD principles was evident in the education sector, e.g., pooling of resources from multiple donors and simplified procedures such as a common focal point in the partner countries for aid agency partners. PD provided further encouragement to reducing poverty in addition to other international initiatives and development goals including the MDGs. Enhanced awareness and related capacity development in some cases have been experienced through the adoption of results-focused national development plans, country partnership strategies, and portfolio management. Partner countries can still play a more active and bigger role in promoting mutual accountability in technical assistance and other aid implementation. Aid agency partners need to harmonise further.

Aid is still important in the economic development process of Asia Pacific region. Cost saving is an important incentive in aid harmonisation and delivery. Sector-wide approaches can be useful in pooling resources and delivery aid at lower transaction costs to the recipient governments. The five PD principles are still relevant in aid delivery, where managing for results plays an important role as it synergizes with other PD principles.