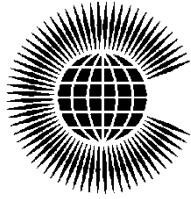


Commonwealth Secretariat



**Commonwealth
Finance Ministers Meeting**
Limassol, Cyprus, 30 September -2 October 2009

Provisional Agenda Item 4

FMM(09)(O)3

**MEETING OF COMMONWEALTH SENIOR FINANCE OFFICIALS
30 September 2009**

Next Steps in the Commonwealth's Work on Aid and Aid Architecture

Paper by Commonwealth Secretariat

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September 2009

Discussion Note¹ -

Commonwealth Progress with Implementation of the Paris Declaration Since 2005

The following broad points can be drawn from the analysis presented in table 1 and table 2:

- Many **Commonwealth donors** have made progress since 2005 towards meeting the 2010 Paris Declaration (PD) targets and in many areas they have made more progress than their Non-Commonwealth counterparts. However, progress has not been uniform amongst Commonwealth donors and in some cases and areas it has slipped as shown in Table 1.
- Progress in **Commonwealth recipient countries** has also been slow, with progress only recorded against one target area - the development of results orientated frameworks.
- This mixed picture of progress reflects a range of political commitment, institutional capacity and incentives to change.

Table 1 - Donor Progress Since 2005

Commonwealth Donor Progress Since 2005			
Indicator	Area	Commonwealth Donors	Commonwealth Donors Compared to Non-Commonwealth Donors
3	Alignment	Alignment of aid to national priorities	3 out of 4 made progress
7	Alignment	Aid predictability	3 out of 4 made progress
4	Alignment	Coordinated technical cooperation	
5a	Alignment	Use of country PFM systems	1 out 4 slipped
5b	Alignment	Use of country procurement systems	1 out 4 slipped
6	Alignment	Avoiding parallel implementation structures	
8	Alignment	Aid is untied	1 out of 4 slipped
9	Harmonisation	Use of common arrangements or procedures Programme Based Approaches	1 out of 4 slipped
10a	Harmonisation	Donor coordination - Joint donor missions	1 out of 4 slipped
10b	Harmonisation	Donor coordination - Joint analytical work	2 out of 4 slipped

Table 2 - Recipient Country Progress Since 2005

Commonwealth Recipient Country Progress Since 2005			
Indicator	Area	Commonwealth Countries	Commonwealth Countries Compared to Non-Commonwealth Countries
1	Ownership	Strength of Country's development strategies	
2a	Alignment	PFM systems	
2b	Alignment	Procurement systems	
11	Managing for results	Results orientated frameworks	
12	Mutual accountability	Mutual accountability mechanisms	

¹ This discussion note draws on the analysis in the detailed report on Commonwealth country progress on the aid effectiveness agenda, see FMM (09)(O)2. The analysis in that report is based on the data generated by the OECD 2006 and 2008 Paris Declaration monitoring surveys based on the position in 2005 and 2007 respectively, as well as supporting evaluations, peer reviews and self-assessments. The countries included in the analysis are Commonwealth countries who participated in both surveys. There are four Commonwealth donors (Australia, Canada, UK and New Zealand) and twelve Commonwealth recipient countries (Bangladesh, Cameroon, Ghana, Kenya, Malawi, Mozambique, Nigeria, Papua New Guinea, Sierra Leone, Tanzania, Uganda and Zambia).

Key to Table 1 and Table 2

Key:	Commonwealth Donors / Commonwealth Compared to Non-Commonwealth Recipient Countries	
	Progress made since 2005	Commonwealth progress ahead of Non-Commonwealth progress
	Slippage from 2005 position	Commonwealth progress lags behind Non-Commonwealth progress
		Commonwealth progress in line with Non-Commonwealth progress
	Data not available so cannot assess	

2007 Commonwealth Position with Implementation of Paris Declaration Targets

2. The following broad points can be drawn from the analysis presented in table 4 and table 5.

- Although **Commonwealth donors** are broadly speaking more on track than non-Commonwealth donors to meeting the 2010 targets and despite progress made since 2005, there is still work required to meet all the 2010 targets as indicated in table 4.
- In all target areas **Commonwealth recipient countries** are more on track than non-Commonwealth recipient countries to meeting the 2010 targets, however, table 5 indicates that there work is required in all areas to meet these targets.

Table 4 - 2007 Donor Position

2007 Commonwealth Position - Donors				
Indicator	Area		Commonwealth Donors (As A Whole)	Commonwealth Donors Compared to Non-Commonwealth Donors
3	Alignment	Alignment of aid to national priorities		
7	Alignment	Aid predictability		
4	Alignment	Coordinated technical cooperation		
5a	Alignment	Use of country PFM systems	65% of Commonwealth aid flows use country PFM systems	
5b	Alignment	Use of country procurement systems	49% of Commonwealth aid flows use country procurement systems	
6	Alignment	Avoidance of parallel implementation structures		
8	Alignment	Aid is untied	3 out of 4 donors meet target	
9	Harmonisation	Use of common arrangements or procedures Programme Based Approaches	53% of Commonwealth aid disbursed through Programme Based Approaches	
10a	Harmonisation	Donor coordination - Joint donor missions	3 out of 4 donors meet target	
10b	Harmonisation	Donor coordination - Joint analytical work	1 out of 4 donors meet target	

Table 5 - 2007 Recipient Country Position

2007 Commonwealth Recipient Country Position				
Indicator	Area		Commonwealth Countries	Commonwealth Countries Compared to Non-Commonwealth Countries
1	Ownership	Strength of Country's development strategies		
2a	Alignment	PFM systems		
2b	Alignment	Procurement systems		
11	Managing for results	Results orientated frameworks		
12	Mutual accountability	Mutual accountability mechanisms		

Key to Table 4 and Table 5

Key:	Commonwealth Donors / Recipient Countries	Commonwealth Performance Compared to Non-Commonwealth Performance
	2010 target met	Commonwealth performance ahead of Non-Commonwealth Performance
	Further work required to meet 2010 target	Commonwealth performance lags behind performance of Non-Commonwealth performance
		Commonwealth performance in line with Non-Commonwealth performance
	Data not available so cannot assess	

Discussion Points

3. The Commonwealth is a voluntary association of sovereign nations that support each other. The ties between members should make it easier for the pursuit of agreed international goals. The implementation of the Paris Declaration and Accra Agenda for Action 2008 (AAA) commitments on aid effectiveness are a good example of where Commonwealth relationships can be used to achieve international commitments. Commonwealth Finance Ministers recognise this and have mandated the Secretariat to support its members in this area and report on progress made with the implementation of PD commitments.

4. Progress on the implementation of the PD commitments within the international community has fallen short of the PD commitments. Further progress to focus on implementation to meet these internationally agreed targets is required. Although some recipient countries and donors have met target for the members, it is noticeable that for the Commonwealth as a whole, only one target out of 11 has been met. As demonstrated by tables 1 and 2 performance has slipped in 9 target areas for specific donors and recipient countries, which highlights the crucial need to focus on implementation and ensure that the business of aid effectiveness remains on the political agenda.

5. In this context Senior Officials may like to discuss the following in considering **what role, if any, can the Secretariat play in building on the progress that has been made to secure the necessary progress to meet targets?** In addressing this question senior officials may like to consider the following broad potential areas:

Commonwealth Advocacy

6. The report on implementation shows that there is a need to ensure that aid effectiveness remains on the political agenda as political will and buy-in is key to move this agenda forward and drive through the required change.

7. **Does the Secretariat have a role to play here? If so, how can the Secretariat assist in ensuring that this issue remains on the political agenda of our members? How can the Secretariat work with its members to leverage the political commitment and use the Commonwealth platform to improve aid effectiveness?**

Commonwealth Discussion

8. In some instances there is a need for an open dialogue between donors and recipient countries to identify and overcome some of the obstacles to implementation of the PD targets. For example, one important finding of the analysis is that there is limited association between

the quality of the recipient country PFM system and its use by donors. This suggests that other factors determine PFM system use, such as donor preferences, level of interest in systems alignment or organisational incentives for changing practices.

9. Does the Secretariat have a role to play here? If so, how can the Secretariat assist in facilitating discussion between donors and recipients?

10. The report points to several areas of emerging good practice in Commonwealth countries and some Commonwealth donors are leading the way in several of the PD target areas. These include the following:

- ***Support and use of country PFM systems:*** The relative strong performance of Canada and UK in this area reflects their commitment to supporting and strengthening the use of PFM systems. Canada's CIDA is developing a "centre of excellence" focusing on all PFM inquires across the agency in an attempt to promote dialogue relating to PFM and aid effectiveness, and is participating in the development of common financial management and procurement tools, as well as similar joint tools in support of aid effectiveness with the Nordic Plus countries. Similarly the UK's strong performance reflects not only its individual commitment to this area but its effort to put this at the forefront of the aid effectiveness agenda, a role recognised by a recent National Audit Office report². Supporting the UK's performance is its commitment to budget support which by its nature supports the use of country system use, and the fact that it also complements its budget support programmes with activities aimed at improving PFM.
- ***Reliable Country Systems:*** Generally recipient countries have improved more on the "up-stream" PFM reform tasks relevant to budget preparation procedures, rather than strengthening implementation. Ghana and Zambia, however, are showing evidence of moving beyond upstream improvements to strengthening more difficult processes surrounding budget execution.
- ***Untying aid:*** In the area of untied aid Australia and UK have demonstrated political leadership and untied 100 per cent of their aid.
- ***Donor coordination:*** Australia and New Zealand are performing well in the donor coordination. This has been helped by joint operations between their two agencies in their main region of activity and delegated cooperation arrangements. The UK has also made good progress by establishing joint donor offices, sharing specialist staff and entering into delegated cooperation arrangements in some countries.
- ***Avoiding parallel implementation structures:*** The UK's relative strong performance reflects its commitment to not establishing any new Project Management Units.
- ***Operational development strategies and results orientated frameworks:*** Uganda and Tanzania have become heralded as 'good practice'. Their strong performance in developing operational development strategies has also resulted in their strong

² The report found that DFID had done a "good job in moving public financial management up the development agenda" (National Audit Office, UK, in Thornton et al 2008).

performance in developing results orientated frameworks demonstrating the mutually reinforcing nature of the activities involved.

11. Does the Secretariat have a role to play in promoting peer to peer learning and dissemination of good practice? If so, how can the Secretariat assist?

Commonwealth Reporting

12. At their meeting in 2007 Commonwealth Finance Ministers requested annual reports on the implementation of the Paris Declaration. However, progress takes time to implement and can only be judged on a medium-term horizon rather than an annual basis.

13. Do senior officials agree that Ministers should receive a periodic report every three years?

Commonwealth Inclusiveness

14. There is a broad recognition by the international community that there is a need to be more inclusive in the aid effectiveness agenda. In 2007 Commonwealth Ministers urged all donors to learn from each other to enhance aid effectiveness. Specifically, the need to understand the extent to which, on the one hand, the principles of the PD and AAA respond to the specificities of non-traditional donor cooperation and, on the other, how non-traditional donor cooperation itself might contribute to the aid effectiveness agenda.

15. How can the Secretariat best assist learning amongst traditional and non-traditional donors on how best to pursue aid effectiveness and promote cross Commonwealth learning?