

“Ahead of the Crowd?”

The process of implementing the Paris
Declaration
Case study: the Netherlands

*Agency-level evaluation
conducted during the first phase of the evaluation of
the implementation of the Paris Declaration*

Report produced for the synthesis of the results of the first phase of
the evaluation of the Paris Declaration
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ABBREVIATIONS AND ACRONYMS

ACD	Audit Department
DAC	Development Assistance Committee (OECD)
DfID	Department for International Development (UK)
DEK	Effectiveness and Quality Department
DEK/BA	DEK/Policy Analysis and Advice Division
DEK/HI	DEK/Aid Modalities and Instrument Development Division
DGIS	Directorate-General for International Cooperation
DMV/VG	Peacebuilding and Good Governance Division
DIE	European Integration Department
DJZ	Legal Affairs Department
DSI	Social and Institutional Development Department
DVF	United Nations and Financial
EU	European Union
EUR	Euro
EC	European Commission
FEZ	Financial and Economic Department
GG/GHR	Good Governance and Human Rights
HIVOS	Humanist Institute for Cooperation with Developing Countries (Dutch NGO)
HLF	High Level Forum
ICCO	Inter-church Organisation for Development Cooperation (Dutch NGO)
IFI	International Financial Institution
IOB	Policy and Operations Evaluation Department
JAS	Joint Assistance Strategy
JFA	Joint Financing Arrangements
LCG	Local Consultative Group
MASP	Multi-Annual Strategic Plan
MDG	Millennium Development Goal
MfDR	Managing for Development Results
MOPAN	Multilateral Organisations Performance Assessment Network
MP	Member of Parliament
MTBF	Medium-Term Budget Framework
MTFF	Medium-Term Fiscal Framework
NGO	Non-Governmental Organisation
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
Oxfam-Novib	Oxfam–Netherlands Organisation for International Assistance (Dutch NGO)
PAF	Performance Assessment Framework
PD	Paris Declaration
PEFA	Public Expenditure and Financial Accountability
PFM	Public Finance Management
PFM-POP	Public Finance Management Support Programme
PIU	Programme Implementation Unit
PRSP	Poverty Reduction Strategy Paper
PSD	Private Sector Development
SAP	Structural Adjustment Programme
SGACA	Strategic Governance And Anti-corruption Assessment
SPICAD	Embassy Support programme for Institutional and Capacity Development
SRHR	Sexual and Reproductive Health and Rights
SWAp	Sector-Wide Approach
TA	Technical Assistance

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Executive Summary

Introduction: focus and methodology

This evaluation explains how the Netherlands has translated the Paris Declaration on Aid Effectiveness (2005) into policies and procedures for implementation. It is one of a series of studies conducted by donors and partner countries under the auspices of an international Reference Group comprising members of the OECD/DAC Working Party on Aid Effectiveness and the OECD/DAC Network on Development Evaluation. The findings of this study form the Dutch contribution to the Synthesis Report to be submitted to the High Level Forum in 2008. In addition, the evaluation is intended to be instructive for the Netherlands Ministry of Foreign Affairs.

As less than three years have passed since the Paris Declaration was adopted, the evaluation is primarily concerned with the efforts made (i.e. inputs) to comply with the commitment to the Declaration. It aims to document and assess how the Netherlands has made this commitment operational at the headquarters level (i.e. the Ministry of Foreign Affairs) and in embassies. The central question is how the principles of the Paris agenda – Ownership, Alignment, Harmonisation, Managing for results and Mutual accountability – have found their way into the policies, guidelines, instructions, etc. of Dutch development cooperation. Compliance in terms of output (results) will be captured by the various evaluations conducted at partner country level, which will document and assess the behaviour of the embassies and field offices of the various development partners, including the Netherlands. By way of illustration, this report includes some examples of outputs: for instance, of the way in which Dutch aid is changing in response to the Paris agenda. The evaluation does not set out to provide a judgement on the theory underlying the Paris Declaration: that aid will be more effective if the five principles are adhered to, but less effective if they are not. This issue will be covered during the second phase of the overall evaluation of the Paris Declaration.

The evaluation was conducted in a brief period of time by reviewing documents and holding interviews to ascertain the interpretation of the Paris Declaration at headquarters level. In addition, nine Dutch embassies were requested to respond to questions about their efforts to implement the Paris Declaration. These were the embassies in Bangladesh, Bolivia, Mali, Senegal, South Africa, Sri Lanka, Uganda, Vietnam, and Zambia, all of which are partner countries scheduled to conduct their own evaluation. It was hoped that in this way, synergy could be created between the Netherlands case study and the evaluations at partner country level.

A Monitoring Survey conducted in 2006 identified three dimensions in which donor practice fell short of compliance with the Paris Declaration: commitment, capacity building and incentive systems. In line with the other donor and partner country evaluations, the Netherlands headquarters study was required to apply these three dimensions to assess the Netherlands compliance with the principles of the Paris agenda.

Main findings

Commitment

There is a high level of Dutch commitment to the implementation of the Paris Declaration. The Minister of Development Cooperation, staff at the Ministry of Foreign Affairs and staff at the embassies acknowledge its relevance, support its principles and are making efforts to achieve the agenda in practice. The principles of ownership, donor harmonisation and

alignment have been part of Dutch development cooperation since the 1990s, when sector support and budget support started to replace project aid. Recent expressions of the commitment are found in policy documents of 2003 and 2007. The policy letter of the Minister for Development Cooperation *Our Common Concern, Investing in development in a changing world* (October 2007) demonstrates a political interpretation of the Paris agenda, by stating that causes of poverty are to be dealt with and that political choices in developing countries should be transparent and open to debate, making the government accountable to its parliament and people. The commitment to the Paris Declaration is also made clear in the explanatory notes to the annual development cooperation budget; furthermore, special reports to Parliament document the progress made in the implementation of the Paris agenda.

Commitment is also demonstrated by the prominent role played by the Netherlands in international forums, such as the Nordic Plus donor group, the OECD/DAC during the run-up to the Paris Declaration and thereafter, and the European Union with regard to the EU Consensus on Development of 2006 and the EU Code of Conduct on Complementarity and Division of Labour of 2007.

The Dutch Parliament has not shown an explicit interest in the Paris Declaration. Queries in the House of Representatives regarding the Declaration have been restricted to written questions. Parliament gave approval for the shift from project support to sector support that has occurred since 1988 and to the increasing application of sector budget support and general budget support.

The Dutch NGOs for development cooperation are gradually entering the debate on the Paris Declaration, as a watchdog monitoring the effects of the new aid agenda and as implementing agencies that are themselves confronted with the challenges of harmonisation, alignment and mutual accountability.

Capacity

Capacity to realise the implementation of the Paris agenda is adequately available at headquarters in The Hague and at the embassies. This is partly attributable to the fact that an infrastructure conducive for the implementation of the principles of the Paris Declaration had been in place since the late 1990s. Especially significant in this regard has been the far-reaching delegation of responsibilities to the field. The presence of sufficient capacity is also partly due to measures taken more recently, such as the establishment in 2005 of a special unit at the Ministry of Foreign Affairs. This Effectiveness and Quality Department has developed into the hub fostering the promotion of the Paris Declaration. It provides support and advice on policy implementation and stimulates discussion on issues to do with aid effectiveness. Two special support programmes have been initiated: the Public Finance Management Support Programme and the Embassy Support Programme for Institutional and Capacity Development. Also, Country Teams consisting of a mix of headquarters staff periodically visit embassies to discuss with them the opportunities for and progress with implementing the Paris Declaration.

Several guidelines and operational directives have been developed to facilitate the implementation of the Paris Declaration by the embassies. The Track Record instrument, operational since 1994, has been adapted to provide an analysis of a partner country and is used to inform decision-making on aid modalities. The Sectoral Track Record was introduced in 2007 to analyse the sectors and sub-sectors supported by the Netherlands. It includes the 12 indicators of the Paris Declaration. The Multi-Annual Strategic Plan (MASP), the main tool for the Ministry's planning cycle, is geared towards making strategic choices regarding the Paris Declaration; the Track Records analyses are used for that purpose. The Strategic Governance and Anti-Corruption Assessment was introduced recently as a tool to analyse aspects of formal and informal governance at the level of individual partner countries. The

Procedural Guidelines for Development Cooperation have been adapted to enable alignment and harmonisation, budget support, sector support and Silent Partnerships. The Planning, Monitoring and Evaluation procedures for Dutch development aid were streamlined in 2006-2007 to focus more on results and take account of harmonisation and alignment. In general, the embassies consider the guidelines and directives appropriate for their work, but some embassies have indicated that they lack sufficient public finance and legal expertise.

Notwithstanding the positive attitude and the widely shared commitment to implement the Paris Declaration, the new agenda has also raised concerns about design and practice. In terms of design, the technical nature of the agenda has been questioned, as has the loss of focus on thematic issues. Another set of concerns has to do with the internal contradictions in the Paris agenda, where donor harmonisation may stand in the way of further alignment and partner country ownership. Major concerns on the implementation side include the variable and often slow pace of other donors, the difference in views on the measurable indicators for monitoring among donors and partner countries, and the partner government's lack of capacity for implementation.

Incentives

The most important incentive for staff both at headquarters and at the embassies has been the commitment of political and managerial leaders at the Ministry to the Paris Declaration and their support of and active engagement in the implementation of the agenda. Given the prevalence in Dutch development cooperation of the sector-wide approach, harmonisation, and the use of new aid modalities such as sector budget support and general budget support, no specific incentives were needed to get staff engaged in implementing the new aid agenda.

Staff in development cooperation do not see the new aid agenda as a threat to the visibility of the Netherlands in the partner countries. On the contrary, a new kind of profile was pointed out: that of front-runner in the implementation of the new aid agenda.

The study revealed several potential disincentives with respect to realising the objectives of the Paris agenda in the short and long run. The most important challenge consists of the thematic targets currently set in Dutch development cooperation policy, which may negatively impact on the sectoral division of labour among the donors. They may also run counter to the objectives and priorities of the partner country, thereby frustrating alignment and ownership. Another challenge is related to the demands made of embassy staff. Embassies observed that consultations on the division of labour among donors in sector programmes and on establishing joint financing agreements are very labour-intensive and time-consuming. Although harmonisation and the transition to providing support at the macro level may in the long run result in efficiency gains for donors (and developing countries), in the short term there are high transaction costs. A further challenge is the current priority given to consultations with the different stakeholders at the national level which, together with the increasing attention required for administrative processes, leaves little time for monitoring developments at the field level. Finally, there is a gradual shift from expertise in thematic development issues towards expertise in public sector management. This development may erode the knowledge base at the embassies and, subsequently, at headquarters. If left unattended, these challenges may well turn into disincentives in the longer run.

Some results at the output level

The results of the implementation of the Paris agenda in Dutch development cooperation are noticeable, but they are not yet spectacular. Relative to other donors, the Netherlands is doing well: according to the Monitoring Survey 2006, the progress made by the Netherlands on the 12 indicators of the Paris Declaration are above average. Progress has also been made in the sector concentration in the 36 partner countries of the Netherlands, where Dutch support is now limited to two or three sectors.

However, the increase in the relative proportion of general budget support to these partner countries is mainly the result of an increase in the volume of aid rather than of a major shift in aid modalities. Compared to sector budget support, general budget support remains a relatively small proportion of total Dutch bilateral aid. It is only applied in partner countries where circumstances allow this modality. Project aid is still very important and complements the two other aid modalities.

1 INTRODUCTION

This chapter briefly describes the concepts in the Paris Declaration and a number of issues related to its implementation identified by the survey conducted in 2006 by the Joint Venture on Monitoring the Paris Declaration. It also outlines the purpose, scope, approach and organisation of the evaluation.

1.1 The Paris Declaration

The Paris Declaration on Aid Effectiveness poses an important challenge to those involved with development cooperation. Compared with previous joint statements on aid harmonisation and alignment, it provides a practical, action-oriented roadmap with specific targets to be met by 2010 and definite review points in the intervening years. An unprecedented large number of countries and international organisations have formally committed to the Declaration and participate in the High Level Forum which guides their implementation.

The Paris Declaration is built around five key concepts:

- *Ownership: Partner countries exercise leadership over their development policies and plans.*
- *Alignment: Development partners base their support on partner countries' policies, strategies, budgets and systems.¹*
- *Harmonisation: Development partners coordinate their activities and minimise the cost of delivering aid.*
- *Managing for results: Partner countries and development partners orient and measure their activities to achieve the desired results.*
- *Mutual accountability: Development partners and partner countries are accountable to each other for progress in managing aid better and in achieving development results. This entails reinforcing national and joint accountability mechanisms.*

At the very least, the Paris Declaration expresses a shared view on the basics of how some central institutional variables fit together, and why they are important. It draws together international thinking on some of the core topics of concern to both sides of the official international aid relationship.

It conveys a simple but important message: if the actions and behavioural changes listed as commitments under the five headings are achieved, aid will be more effective; if they are not, the aid will be less effective. Moreover, development results are considered to depend on the same variables to a significant extent.²

¹ In this report, the terms development partners / donors, and partner countries / developing countries are used interchangeably.

² Underlying the consensus on these central propositions, however, are important differences of interpretation and emphasis. First, there are some unexpressed but generally recognised disagreements about how the variables Ownership, Alignment, etc. relate to each other. There is no single, universally accepted view on these matters. Some of the assumptions underlying the Paris Declaration are increasingly being questioned as the implementation process proceeds. Second, in the main, these views are practical axioms that form part of the current world-view of particular agencies; they are largely based on experience, but not strongly rooted in a body of systematic evidence. Third the "programme theory" or set of hypotheses that give the Declaration its logic has not been fully articulated. Finally, the principles of the Paris Declaration are oriented on process and procedures rather than on the content of the aid relationship. Although these three issues are not dealt with in the current evaluation, they will receive detailed attention in the subsequent phase of the overall evaluation of the Paris Declaration.

1.2 Issues related to the implementation of the Paris Declaration

A survey was conducted by the Joint Venture on Monitoring the Paris Declaration in 2006³ on the implementation of the Paris Declaration. In its summary of the baseline findings, it highlights that the corporate commitments of the Paris Declaration are not always matched by donor practices. Similar findings are reported by various studies of country-specific implementation experiences. The Monitoring Survey identified three dimensions in which adequate donor practice fell short of compliance with the Paris Declaration: commitment; capacity building; and incentive systems.

Commitment

The Paris Declaration calls for a radical new way of delivering aid. Country strategies are no longer to be formulated by individual donors. Instead, with the emphasis on country ownership, donors' cooperation strategies are to be guided by partner government needs-based demands in an aligned and harmonised manner. This may be why in the Survey Report, the factor considered crucial for ensuring commitment to (and compliance with) the Paris Declaration objectives is political will and leadership at the central managerial level. However, the report is less clear about how effective leadership is to be enacted. The notion of demand-driven development cooperation is challenged by the current reality of headquarters policies, programmes, and procedures being driven by the donor's administrative and political concerns.

Similarly, with regard to ownership, the use of conditionalities as an instrument for reform is challenged. Instead of practising conditionality, donors now focus more on policy dialogue to support identified drivers of changes in the partner countries. Nonetheless, the use of process indicators for the release of e.g. general budget support, is still widely applied through Performance Assessment Frameworks (PAF). This might also account for the weak correlation between the quality of a partner country's Public Financial Management system and the degree of alignment noted in the Survey Report.

Further, the Survey Report notes a disconnection between headquarters policies and in-country practices. In the case of some donors, the Paris Declaration may be owned by policy staff at headquarters level, with country-level staff seeing harmonisation tasks as hampering efforts to achieve tangible development results. For other (typically project-oriented) donors, the reverse is the case, with country-level staff having difficulty in engaging in collaborative efforts, due to legal liability and the financial control concerns of their headquarters. In some instances, the legal liability concerns of donor headquarters have led to commitments to the Paris Declaration at field level being low – at least initially.

Capacities

Within donor offices too – whether at headquarters or at field level – uneven commitment to the Paris Declaration roll-out may be found, demonstrating that leadership on Paris Declaration commitments primarily reflects the commitment/ownership of individual members of staff as well as the disparities in the capacities of the various staff employed by the same donor. Individual donor representations might represent very different approaches to the Paris Declaration, questioning effective communication on the issues of the Paris Declaration between policy advisers at headquarters and operations staff.

In some cases, the devolution of authority to embassy level may be inadequate to allow for an adequate response to the Paris Declaration commitments. For instance, among many donors, decisions on the granting of general budget support are centralised at headquarters. This often limits the insight of field offices into the predictability and timing of aid disbursements.

³ Aid Effectiveness: 2006 Survey on Monitoring the Paris Declaration – Overview of the Results (OECD, 2007).

Linked to devolution is the issue of transaction costs and resourcing. The Survey Report stresses that more effective aid is not necessarily aid delivered cheaply. These costs constitute an up-front investment in doing business in accordance with the Paris Declaration (assuming that coordinated aid is more effective) and should be factored into operational budgets and allocation of staff time.

Incentives

The donors' incentive systems have been reported as a critical parameter for efficient donor behaviour. The baseline survey suggests that a number of obstacles are hampering donors' ability to meet the commitments made in Paris. At the operational level, these include inappropriate pressures for disbursements, lack of flexibility on staff time, and high staff turnover linked to staff capabilities, which taken together create incentives that reward short-term benefits over longer-term, collective gains.

At the organisational level, the donors' need for visibility and influence sometimes takes precedence over the commitment to harmonised approaches. Similarly, experience demonstrates that the need for visibility limits effective delegation – even when donors are willing to harmonise and align – as illustrated by the proliferation of donor groups and donor group members. It seems that career prospects for donor staff are improved by the maintenance of individual donor profiles through active participation in donor coordination. Such incentives may result in permanently high transaction costs.⁴

1.3 Purpose of the evaluation

This evaluation of the implementation of the Paris Declaration by the Netherlands Ministry of Foreign Affairs is one of a series of evaluations examining how the Declaration is being implemented by donors and by partner countries. Its purpose is to document and assess how the Paris Declaration commitments have been interpreted and translated into policies and procedures for implementation. It aims at documenting the conditions the Netherlands has created to meet its commitments to the Paris Declaration, and how these are operationalised at the headquarters level (i.e. the Ministry of Foreign Affairs) and by a number of embassies.

The evaluation will prove useful for the Synthesis Report⁵ by providing an insight into the ways in which the Netherlands deals with the principles of the Paris Declaration and their underlying assumptions. It will also provide information and, where appropriate, suggestions in order to facilitate the implementation of the Paris Declaration. Finally, it will be instructive for the Ministry of Foreign Affairs.

Focus, Approach and Limitations

The evaluation documents and assesses the policies, procedures, guidelines, instruments and instructions provided by headquarters to the embassies with respect to the compliance with the Paris Declaration. Such policies, guidelines, instructions, etc. constitute the ***input*** to the development process in partner countries.

Compliance in terms of ***output*** (results) will be captured by the various evaluations of compliance at partner country level, which will document and assess in detail the behaviour of the embassies and field offices of the different development partners and the Netherlands.

⁴ Ole Winkler Andersen and Ole Therkildsen. *Harmonisation and Alignment: the double-edged swords of budget support and decentralised aid administration*. Danish Institute for International Studies. 2007.

⁵ The report on the Netherlands case will not be published as a separate IOB evaluation report. Instead, it will be made available as an annex to the Synthesis Report which will integrate the findings of the individual development partner and partner country evaluations at the end of phase one of the overall evaluation of the Paris Declaration and be submitted to the High Level Forum for its meeting in 2008. This Synthesis Report will be disseminated widely in the Netherlands, including to the Netherlands Parliament.

However, Annex 1 contains some information on outputs. This information is based on i) the findings of the Survey on Monitoring of the Paris Declaration, ii) reports of the Ministry of Foreign Affairs, iii) findings of recently completed and ongoing evaluations of the Policy and Operations Evaluation Department (IOB). Though the information provided in Annex 1 cannot be considered to be comprehensive, it illustrates the way in which Dutch aid is changing.

The evaluation does not set out to provide an answer regarding the relevance of the underlying assumption(s) of the Paris Declaration. This issue will be covered during the second phase of the overall evaluation of the Paris Declaration.

The evaluation was conducted in a brief period of time; by reviewing documents and conducting interviews it sought to ascertain the interpretation of the Paris Declaration at headquarters level. In addition, nine Netherlands embassies were investigated, to ascertain how policy and guidelines have been communicated to them and taken up by them. In order to create synergy between the headquarters study and the evaluations at partner country level, the study involved Netherlands embassies in the partner countries scheduled to conduct such evaluations: Bangladesh, Bolivia, Mali, Senegal, South Africa, Sri Lanka, Uganda, Vietnam, and Zambia.⁶

1.3.1 Evaluation Questions

In order to provide an insight into actual or potential obstacles to implementing the Paris Declaration and how these were overcome, the following evaluation questions were formulated:

Assessing commitment

- How has the Paris Declaration's emphasis on demand-driven development cooperation been reflected in Dutch policies, programmes and procedures? Has the implementation of the Paris Declaration affected the setting of priorities for Dutch development cooperation? Has the role of the Ministry of Foreign Affairs and embassies been adapted to the aid effectiveness agenda? If not, why not?
- How is the Paris Declaration internalised ("owned") at the Ministry of Foreign Affairs?
- How is it acknowledged at governmental and parliamentary level and by Dutch civil society? What are the actual and potential conflicts and what is being done to resolve these?
- What changes in the use of aid modalities are envisaged by different actors in the Ministry of Foreign Affairs as a result of the implementation of the Paris Declaration? Do these modalities comply with the vision expressed in the Declaration?
- To what extent does the Dutch domestic political agenda influence the possibilities of implementing the Paris Declaration (for instance, pressures on accountability and visibility)?
- Are Dutch actors satisfied that they are fulfilling their Paris Declaration commitments, including the implementation of the DAC Principles for Good Engagement in Fragile States? Do they have concerns? If so why? Are these concerns linked to the relevance and coherence of the Declaration's commitments and indicators? Are there ways in which these concerns might be overcome?

Assessing capacity

- To what extent do staff know and understand the principles of the Paris Declaration and their operational implications (at headquarters and at embassy level)? Have

⁶ The Netherlands embassy in the Philippines was not included in the study because there is no long-term bilateral aid programme between this country and the Netherlands.

special efforts been made to communicate these principles and to enhance staff's understanding, e.g. through seminars, training, workshops, etc.?

- Have specific instructions, guidelines, operational directives and evaluation criteria been disseminated to staff to facilitate implementation of the Paris Declaration? Is there a dedicated implementation plan?
- Do Ministry and embassy staff consider these instructions, guidelines and directives to be clear and unambiguous?
- Have there been any changes in the structure of delegated authority as a result of the Paris Declaration? Have there been any changes to procedures in order to meet Paris Declaration commitments? Is the organisation of Dutch development cooperation sufficiently adapted (staff, resources, delegation of authority) to support national ownership and address and implement alignment and harmonisation?

Assessing incentive systems

- Are specific incentives provided by the Ministry of Foreign Affairs – e.g. for recruitment, performance assessment and training – for management and staff to comply with the Paris Declaration objectives of ownership, harmonisation, alignment, mutual accountability and results orientation?
- Have efforts been made to address limitations at the organisational level: for instance reducing the need for visibility?
- Are there perceived disincentives (e.g. transaction costs), in respect of other agency priorities?

For details refer to the Terms of Reference and its evaluation matrix (Annex 4).

1.3.2 Methodology and organisation

The evaluation work involved the following: a document review (policy documents, instructions, guidelines, annual and multi-annual plans and reports of embassies and relevant departments in the Ministry, records of Parliamentary debates, evaluation reports and the 2006 DAC Peer Review of the Netherlands); a questionnaire survey covering the Netherlands embassies in nine countries where a country-led evaluation is taking place; interviews with key respondents at the headquarters of the Ministry of Foreign Affairs; and interviews with respondents from a selection of Dutch non-governmental developing agencies, in order to solicit their views on the ways in which the Ministry of Foreign Affairs have operationalised the Paris Declaration.

The evaluation was conducted by a team of the Policy and Operations Evaluation Department (IOB) of the Ministry of Foreign Affairs consisting of IOB staff member Mr. Ted Kliest, external consultant Ms. Ria Brouwers (Institute of Social Studies, The Hague) and IOB researcher Mr. Bastiaan Limonard. It was guided by a reference group consisting of Mr. Paul Engel (European Centre for Development Policy Management, Maastricht), Mr. Hans Brüning (ICCO – Interchurch Organisation for Development Cooperation, Utrecht), Ms. Karin Roelofs (Environment and Water Department, Ministry of Foreign Affairs) and Mr. Herman Specker (Effectiveness and Quality Department, Ministry of Foreign Affairs). The reference group was chaired by the Director of IOB, Mr. Bram van Ojik. IOB staff members Mr. Nico van Niekerk and Mr. Piet de Lange were involved as internal peer reviewers.

1.4 Structure of the report

Chapter 2 provides a brief description of the Netherlands policy regarding the implementation of the Paris Declaration. It provides an overview of the views and intentions regarding the Paris Declaration, its principles as expressed in policy papers, explanatory notes to the

annual budget for development cooperation, and in the different reports of the Ministry of Foreign Affairs to Parliament and the general public.

Chapter 3 offers insight into the ways in which the Paris Declaration has been operationalised at the headquarters of the Netherlands Ministry of Foreign Affairs. It includes an overview of the most important instruments used by the Netherlands when handling its bilateral aid in light of the Paris Declaration.

Chapter 4 describes the ways in which the Netherlands embassies in nine partner countries have put the five principles of the Paris Declaration into practice. In addition it provides information on whether the Netherlands, other donors and the partner country in question are in concordance regarding their approach to implementing the Paris agenda. Finally, the chapter describes the interaction between the Ministry's headquarters and the embassies regarding the Paris Declaration and the ways in which the embassies have received advice and support in relation to its implementation.

The final chapter provides the main conclusions of the evaluation. These are centred around the three explanatory dimensions that the Monitoring Survey identified as indicating the compliance of donor practice with the Paris Declaration: commitment; capacity building; and incentive systems.

Annex 1 contains some information on outputs. Though the information provided in cannot be considered to be comprehensive, it illustrates the way in which Dutch aid is changing.

2 DUTCH POLICY ON IMPLEMENTING THE PARIS DECLARATION

2.1 Introduction

Various principles of the current aid effectiveness agenda were part of Dutch policy long before the Paris Declaration was adopted in March 2005. The concept of ownership was introduced in the policy on research in development cooperation in 1992 and reiterated for development cooperation at large in the policy paper *Aid in Progress* (the Dutch title is *Hulp in uitvoering, Ontwikkelingssamenwerking en de herijking van het buitenlands beleid*) of 1995. Since the launch of the sectoral approach in 1998 by the then Minister for Development Cooperation⁷, the concept of ownership has been a key principle in the Netherlands development cooperation policy.

Also introduced into Dutch aid along with the sectoral approach were principles of alignment and donor harmonisation. From an analysis of formulated Dutch policy on aid it is clear that there is firm commitment on the part of the Netherlands to work in close partnership with the developing countries and the donor community to make aid effective. The following sections provide a summary of Dutch views and intentions as expressed in policy papers, explanatory notes to the annual budget for development cooperation, annual reports, and reports to Parliament.

2.2 Policy documents 2003 and 2007

Dutch policy on international cooperation in the 2000s is contained in two documents: the 2003 policy paper *Mutual interests, mutual responsibilities – Dutch development cooperation en route to 2015* and the recent policy letter *Our Common Concern, Investing in development in a changing world (Een zaak van iedereen, Investeren in ontwikkeling in een veranderende wereld)*, October 2007.

In *Mutual interests, mutual responsibilities*, the Netherlands government reaffirmed sustainable poverty reduction as the main objective for development cooperation, and the Millennium Development Goals as the basic reference point. New was the principle to concentrate Dutch aid on 36 partner countries and to focus on two to three sectors out of a range of five sector priorities (education; environment; water; HIV/AIDS, sexual and reproductive health; and rule of law). Two areas of focus in addition to these sector priorities were the cross-cutting themes of governance and private sector development.

The 2003 policy paper explicitly stated Dutch visions and intentions on issues later contained in the Paris agenda. One of the section headings in the document (par. 7.9) is “Quality and effectiveness of policy”, because: “To boost the effectiveness of development cooperation, the quality of policy needs to be improved.” In the document it is argued that quality is about concentration, complementarity, coordination, harmonisation and measuring performance. Effectiveness is about delivering results. It is stated that the Netherlands wishes to take donor coordination a step further towards harmonisation: “Donors and partner countries must therefore do more to convert the arrangements they have made into long-term agreements and harmonised funding of budget items (sector programmes) or, where possible, the general budget.” The Nordic Plus initiative on Harmonisation in Practice in Zambia is presented as a concrete example of joint work, but in addition, it is pointed out that the Netherlands aims to seek alliances with other donors in countries where the Nordic Plus

⁷ See also the internal policy note “*Notitie relatie macro-georiënteerde en sectorale programmahulp*” (Note on the relationship between macro-level and sector-level programme support) of 2001.

donors⁸ have a more limited presence. The policy paper says that in forging partnerships with other donors, the Netherlands “will look beyond the traditional circle of like-minded countries. For example, it expects to work more closely with France on trade issues and development in Africa, and with the United States in the fight against HIV/AIDS. [...] More attention will also be given to cooperation within the European framework.” It is noted that the Netherlands believes in partnerships: “Cooperation between donors boosts efficiency both for them and for recipient countries.” (par. 4.3).

The policy letter of 16 October 2007 *Our Common Concern: Investing in development in a changing world* presents a new direction for Dutch development cooperation.⁹ It refers to the Paris agenda of aid effectiveness under the heading: “the necessity for political leadership and less bureaucracy” (p. 9). Though it embraces the ideas of the Declaration, it does not shy away from acknowledging its weaknesses. These include the differences of opinion among the signatories of the Declaration and the danger of coordination of aid becoming an aim in itself. “Much attention is being given to the way in which aid is delivered, too little to what aid has attained.” The letter points out the need for more accountability of partner countries: their ambitious plans often lack clear choices and show no concern for the limited capacity for implementation. The policy letter is also self-critical, confessing that with the sectoral approach all attention focused on the policy dialogue with the government, at the cost of support to civil society organisations, local government and private sector (p. 10). It is stated that in future, the Netherlands wishes to use the policy dialogue more for discussions with the partner government on what society really wants.

Our Common Concern also stresses the political dimension of the Paris agenda, arguing that aid needs to become more effective, but pointing out that the starting point for this is that poor countries decide about their own development process. Donor coordination, harmonisation and programme aid are first and foremost a means to attain development. Aid has remained too supply-driven; planning and implementation tend to hide the political character underlying the decision making. “Real accountability implies that the political choices are made transparent and are opened up for debate. The political, cultural and economic causes of poverty, such as property rights for women, belong to the accountability agenda, as does corruption.” Moreover, the letter states that “Accountability for our expenditure as a donor must not undermine political accountability in the partner country. This means that our efforts must be geared more to the active participation of local stakeholders: local authorities, civil society organisations, companies and trade unions. They are the ones who should set priorities, not donors. And they must call their government to account if it fails to provide good, affordable services and administrative openness” (p. 14). It is also stated that the Netherlands wishes to introduce “development contracts”, to be concluded between a group of donors and the partner country, with obligations on both sides: multi-annual financial commitments on the donor side, and good governance and people’s participation on the part of the partner government. The letter states that “This is not a new precondition, but a broadening of the concept of ownership as laid down in the Paris Declaration (p. 14).¹⁰

⁸ Initially, the Nordic Plus group members were the Netherlands, Denmark, Iceland, Norway, Sweden, Ireland and UK. Canada joined later.

⁹ *Our Common Concern* reaffirms that the major objective of Dutch development cooperation is sustainable poverty reduction, with the Millennium Development Goals (MDGs) as the basic point of reference. It strikes a balance between continuing with existing policies and putting new accents on issues. The former involves continued support to education, health, HIV/AIDS, water management, environment, private sector development and good governance, which will remain central in Dutch development cooperation. The latter involves more attention for and greater emphasis on: fragile states; equal rights and opportunities for women; economic growth and distribution of the results of economic growth, and environment and energy, including the impact of climate change on the realisation of the MDGs.

¹⁰ The policy letter states that examples of such contracts may include the memorandums of understanding setting out joint donor efforts. “In the spirit of the Paris Declaration, it is not so much a matter of bilateral agreements as of laying down the mutual obligations of several parties, of monitoring whether they are met and of

The policy letter introduces a new classification of the partner countries, taking into account their diversity. The diversity is captured in three main profiles, on the basis of which future Dutch input in a partner country in terms of aid volume, aid modalities and the intensity of the cooperation will be determined. The classification is the result of a combination of characteristics of the country, its relative welfare level, its actual or potential fragility and the governance situation. The profiles are defined as follows:

- Profile 1: Accelerated MDG achievement

This profile captures the low-income and least developed partner countries whose stability is reasonable and whose governance system is improving. These countries are highly dependent on aid. While they are currently not on target to achieve their MDGs on time, it is expected that the MDGs would become attainable if there were additional inputs and close cooperation between government and donors. The Netherlands considers that it is in countries with this profile that the Paris agenda is most important: harmonisation, alignment and a better division of labour among donors are central, predictability of aid is crucial and donors should operate under the leadership of the partner government – which in turn should demonstrate accountability to all levels of its society. The preferred aid modality is general budget support, which does not necessarily imply an exclusive focus on the central government. Financing of local governments and other service providers is also feasible.

- Profile 2: Peace and development

Countries with this profile (also called fragile states) are characterised by a major security problem or sharp social contrasts with a potential for conflict. Due to the latter, the attainment of MDGs will not be easy and aid will be focused on creating the conditions to make it feasible to achieve MDGs. Priority will be given to enhancing the security situation for the citizens and to increasing the legitimacy and capacity of the government. Though engagement in such fragile states confronts the donors with uncertainty regarding results and accountability, the Netherlands feels that it behoves the international community to engage with these countries. What is required is a flexible approach, with close monitoring of risks.

- Profile 3: Broad relationship

Countries with this profile have already achieved middle-income status, or are expected to do so within a short period of time. In general, they are on target to attain their MDGs. Dutch support will focus on the MDGs that are behind schedule, while simultaneously promoting other forms of cooperation, especially in the economic sphere, such as public–private partnerships, trade and investments. Aid is given from the perspective that the countries' dependence on ODA to finance their development efforts will gradually decline. The Netherlands considers the application of the Paris agenda also paramount in this group of countries, but “there will be more room for bilateral agreements”.¹¹

With the focus on fragile states as one of the four priority areas defined in Our Common Concern, there seems to be ample scope in current Dutch development policy to respond to the call in the Paris Declaration for “delivering effective aid in fragile states”. The main aim of the Netherlands is to help create the preconditions for peace and development, including the respect for human rights. “More ownership, effectiveness and legitimacy on the part of the government in performing its core task is key” (p.19). The element of ownership is nuanced: “When the government is weak, it is not always enough simply to rely on government ownership. Active involvement from all parts of society will be needed” (p. 19). Dutch support

partners being able to call each other to account. Even where there is no joint framework with other partners, bilateral relationships will be shaped along these lines, with modifications to take account of the form and substance of each” (p.14).

¹¹ Annex 2, Table 2.1 provides the list of partner countries according to these profiles.

for conflict prevention, peace and development will be given in close cooperation with other actors in the international community, the preference being for multilateral cooperation.

2.3 Explanatory notes to the annual budget for development cooperation

The Dutch commitment to the Paris agenda is embedded in the annual budget process, as testified by the fact that since 2006, the explanatory notes to the annual budget of the Ministry of Foreign Affairs make explicit reference to the Paris Declaration. Within the policy cluster “More prosperity and less poverty” (cluster 4 in the budget for Foreign Affairs which deals with development cooperation) a separate section addresses “enhanced quality and effectiveness”. Quality is said to be the way in which donor countries implement their aid policy, and effectiveness refers to the way the partner countries address the poverty issues. Both are crucial for the realisation of poverty alleviation.

Specific aims mentioned for 2007 are i) the continued implementation of the agreements concluded in Paris, ii) maintaining the frontrunner position of the Netherlands in the area of aid effectiveness and policy coherence as mentioned in the 2006 OECD/DAC Peer Review and also keeping the Netherlands in a leading position in the Commitment to Development Index (CDI), iii) ensure that the Support Programme on Institutional and Capacity Development (SPICAD) is in place in 12 partner countries. The explanatory note further states that the Netherlands will play a special role in promoting the agenda for effectiveness within the EU. It intends to seek dialogue with donors who are less like-minded, to get them on board. At the level of partner countries, the Netherlands states its intention to follow-up on the results of the third Round Table on Managing for Development Results (Vietnam, February 2007), which will focus on strengthening local capacity for collecting and analysing development-related data.

The explanatory note to the 2008 budget deals with the Paris agenda in two policy clusters: development cooperation and European cooperation. The European Consensus has “incorporated the Paris Agenda on harmonisation and alignment with the policy and control systems of the partner countries”. The Netherlands reiterates its intention to remain a frontrunner in aid effectiveness and policy coherence, and in the CDI. The twelve indicators of the Paris Declaration are presented in full, with an overview of the performance of the Netherlands by comparison with the worldwide figures (See Annex 5, Table 5.3).

In 2008, the quality and effectiveness of aid will be enhanced by: i) dialogue with donors who are less like-minded, ii) identification of actions needed for the realisation of the Paris agenda per partner country, iii) drafting of Multi-Annual Strategic Plans (MASPs) outlining Dutch support to its partner countries, iv) cooperation with other donors and partner countries, where possible through budget support, v) strengthening local capacity, greater knowledge of political context and local systems.

2.4 Annual reporting

The annual reports of the Ministry of Foreign Affairs have a structure similar to the explanatory notes to the budget. Under policy cluster 4 of the 2006 report, the government accounts for its efforts regarding the implementation of the Paris agenda. The latter report also presents the Dutch performance according to the Paris indicators, based on the OECD/DAC Monitoring Survey. It is explained that the process of data collection in the survey has not been perfect and that the figures are only indicative. During 2006, the promotion of the effectiveness of aid was a Dutch policy priority and, according to the report, this will continue to be so. The Netherlands will also work towards a better division of labour in the aid programmes of the EU member states, in line with the European Consensus on Development Policy.

2.5 Reporting about Results in Development 2005 and 2007

In response to a growing public demand in the Netherlands for information about results, the Ministry of Foreign Affairs has released two reports entitled *Results in Development*: one in 2005 and the other in 2007. These reports supplement the Ministry's annual reports and are intended to enhance the Dutch government's accountability on development cooperation to Parliament and the electorate. The reports focus on Dutch bilateral aid and present the results for each of the major areas and cross cutting themes of Dutch aid: education; sexual and reproductive health and rights, HIV/AIDS, environment, water and sanitation, good governance and human rights, private sector development.

The first report, published in November 2005, covered the results for 2004 per partner country vis-à-vis the MDGs. To deal with the difficulty of attributing results to the specific Dutch inputs, the report shows the relevance of these inputs in cases where there were achievements, thereby explaining only the contribution of the Netherlands to these results.¹² Running through the report, which claims that there is progress in the processes of alignment and harmonisation for all sectors is the common thread of effectiveness of development cooperation. "It appears that the international agreements made in this regard during conferences in Rome (2003) and Paris (2005) are being put into practice" (*Results in Development*, 2005, p. 9).

The second report, published in May 2007, deals with the results of 2005-2006. It delves deeper than its predecessor, as it analyses the "results chain" between the Dutch contribution as part of the total donor contribution on the one hand and the results in the partner countries on the other. Some of the results, e.g. the shifts in aid modalities in selected partner countries, are given in Annex 1.

2.6 Progress reports on the MDGs

In addition to the bi-annual reports about results in bilateral aid, the Netherlands has also published reports about the progress made with regard to the MDGs. The 2006 MDG-8 report¹³ calls the Paris Declaration "an international milestone", the implementation of which has been made a priority in the Dutch multi-annual plans. "Alignment" is said to be the most efficient form of aid, although its application is not always possible, due to weaknesses in the recipients' systems or to barriers in the donors' legal systems preventing a relaxation of conditionality for aid (p. 50). The 2006 MDG-8 report notes that the first form of alignment for the Netherlands is to link up with the Poverty Reduction Strategy of partner countries and reports that this became possible in 16 of the 36 partner countries. Three countries were most advanced in this regard, Mozambique, Tanzania and Zambia. It is noted (p. 49) that the Netherlands is aware of the consequences which the implementation of the Paris Declaration "can have for its own visibility, but it is convinced that improved effectiveness will help realise the MDGs."

A second progress report about the MDGs was issued prior to the consultations with Dutch society¹⁴ at the start of the 4th Balkenende cabinet. Entitled *Dutch development cooperation and the Millennium development goals* (June 2007), the report recalls that since 1998, the Netherlands policy on aid has increasingly focused on effectiveness and quality. Quoting the IOB evaluation of the development and implementation of the sectoral approach (2006), it

¹² But note that it cannot be claimed that the Dutch contributions were the cause of the results.

¹³ *Millenniumontwikkelingsdoel 8: Het ontwikkelen van een mondiaal partnerschap voor ontwikkeling, Voortgangrapport Nederland 2006* (Millennium development goal 8: The development of a global partnership for development, Netherlands progress report 2006).

¹⁴ Before developing its policies, including that on development cooperation, the new cabinet first embarked upon a series of consultations with the electorate.

notes that the Netherlands has shown a greater commitment than other donors to harmonise its aid efforts and to integrate its support into the policy and control frameworks of the recipient government (p. 26). However, the report recognises that a sector-wide approach does not guarantee that the aid is effective. The weaknesses of such an approach are said to be fourfold: i) too exclusively focused on the central government, at the cost of local government and non-governmental actors, ii) insufficient knowledge about the results at the local level and about the contribution to improvements for the people, iii) insufficient focus on accountability by policy makers and service providers, and on strengthening the claim-making capacity of the users, iv) too little concern for the role of party politics and clientism. (p. 16/17) The report reiterates the Netherlands' commitment to the Paris Agenda and to the EU consensus, but at the same time it expresses concern about blueprint-thinking with too much focus on the rationalisation of the aid and too little concern for aid and development effectiveness in a broader sense. To realise such effectiveness, it is stated, matters such as social exclusion and gender equality need to be discussed more intensely in the policy dialogue, along with the government's accountability for providing adequate services to its citizens. Given the fact that the policy dialogue has not been adequate in discussing the political themes, the Netherlands wishes more efforts be made to promote active participation of civil society in the partner country (p. 141).

2.7 The Paris Declaration and the Netherlands Parliament

Reporting by the Minister of Development Cooperation

The Paris Declaration has been mentioned explicitly and more implicitly in various government reports to Parliament. In April 2005 it was explicitly reported in relation to the High Level Forum II on harmonisation and alignment, which resulted in the ratification of the Paris Declaration: "a sharpening of the Rome Declaration of 2003", as the report with the text of the Paris Declaration annexed, stated. More implicit references to the Paris Declaration were made in reports about visits by the Minister, e.g. to Zambia (May 2005, initiative Harmonisation in Practice involving 15 donors and the Zambian government) and Sudan (June 2006, opening of the Joint Donor Office in Juba, South Sudan), in letters accompanying evaluations (June 2006, Evaluation of general budget support) and reviews (June 2006, OESO/DAC Development Cooperation Report 2005). In addition to its reporting on the Paris Declaration, the Netherlands government has also regularly informed Parliament about progress made on aid effectiveness within the EU.¹⁵

Debates and questions from members of Parliament

Discussions in the House of Representatives have touched upon the new aid architecture primarily on the fringe of other issues, as in the debates about the aid programme with Rwanda and with Tanzania and about the Joint Donor Office in Sudan, or in relation to special reports such as the report of the Anti-Corruption Task Force.¹⁶ An input from the side of Parliament came from the Labour Party, which in a debate in November 2005 referred to the party's publication "*A good development*", which includes recommendations to make aid more effective. The Labour Party "aims for a radical harmonisation of aid" because the developing countries are being overwhelmed by the multitude of donors each with their own conditions, reporting frameworks and missions. The spokes person of the Labour Party expressed appreciation for the list of countries in which concrete steps had been taken towards harmonisation, which the Minister had made available.

¹⁵ This concerned reports on the meetings of the General Affairs and External Relations Council in October 2006 and April 2007, and the meeting of the Development Council of the European ministers for Development Cooperation in March 2007).

¹⁶ In 2005, the Ministry of Foreign Affairs instituted a task force to develop policies and procedures regarding combating corruption.

The first time the Paris Agenda was explicitly brought up by MPs of the House of Representatives was through a written question in October 2006: "What exactly are the harmonisation, coordination and complementarity agreements? Can exact figures be given about the decrease in contracts in the recipient countries?" In her response, the Minister mentioned the Paris Declaration, its indicators and the Monitoring Survey of 2006 which serves as a baseline for measuring progress on the indicators. She further mentioned Silent Partnerships, explaining donor cooperation in sector support. She cited the example of the health sector in Zambia, where the Netherlands had relinquished its leading role to Sweden and was continuing in a supportive manner. The figures provided show that the number of contracts concluded between the Netherlands with partner countries had decreased: from 3,038 activities supported in 2003, to 2,648 in 2005. The proportion of multi-donor contracts in partner countries rose from 19% in 2003 to 23.2% in 2005.

A second set of explicit questions about the aid effectiveness agenda was raised in October 2007, when members of the House of Representatives asked about the experience with the implementation of the Paris Declaration, about steps taken, and results to date. The response pointed out that the Dutch aid instruments were increasingly accommodating the Paris agreements and that the Netherlands had also been active in promoting the Paris principles in international forums. The Minister listed the donor countries with which cooperation was being undertaken effectively: the United Kingdom, Sweden, Norway, Denmark, Ireland, Finland and Canada. He noted that the most advanced form of cooperation with partner countries was through the Joint Assistance Strategies (JAS). These were being carried out in Zambia, Uganda and Tanzania, while preparations for a JAS had started in Ghana and Kenya, and a similar form of cooperation had been established in Mozambique. Regarding the results to date, the Minister pointed to the OECD/DAC initiative for a joint evaluation of the implementation of the Paris Declaration in two subsequent phases, the first of which had started with the active involvement of the Ministry's evaluation department, IOB. The Minister added that joint efforts were taking place in the health and education sectors, although "the quality of services is tending to lag behind". All the more reason, he said, to address the level of political decision making: "The promises of Paris deserve that we focus on this more political approach towards development cooperation."

The Senate carried out an extensive consultation with the Minister for Development Cooperation about the development policy of the European Union. In a letter written in March 2006, members of the Senate welcomed the European Consensus, but they wondered how its ambitions would be realised in practice, "...after all, international poverty alleviation is very like a cemetery of unfulfilled promises ...". Their questions focused on the 3Cs: coordination, complementarity and coherence. Regarding coordination, for example, they wondered whether there was a road map and time frame for the Netherlands to reach the desired situation of most qualified lead donor per sector. Regarding complementarity, they insisted that the European Commission stop acting as the 26th donor, additional to the EU Member States. And they wondered about the consequences of the European Consensus for Dutch development cooperation policy. "Can some initial conclusions be drawn?" The Minister concurred with the criticism of the European Commission being the 26th donor, but explained that "it has not been possible yet to restrict the role of the Commission to a few specific sectors: the Member States being too divided amongst themselves."

In the deliberations about the Budget for 2007, the Senate held a thematic debate with the Minister for Development Cooperation on the European Consensus. Members showed scepticism about the willingness of other EU members to work in groups: "Do you hear your colleagues in the UK and France saying the same things?" Members of the Senate made a plea for an authentic development to be decided upon by the partner countries themselves. This, they said, is also a form of alignment. Again, the Senate asked about the repercussions of the European Consensus for Dutch bilateral policy. The Minister was not inclined to write a separate note on the matter, arguing that the results-based budgeting process would be

adequate for monitoring the developments carefully. A year later in April 2007, after a new Minister for Development Cooperation had assumed office, the Senate submitted a formal request to study the implications of the European Consensus for the Dutch development cooperation. Subsequently, the Minister asked the Advisory Committee on International Affairs for advice on the matter.¹⁷

2.8 The Paris Declaration and Dutch Civil Society Organisations working in the partner countries

Debate on the Paris agenda is gradually gaining momentum in the Dutch civil society organisations dealing with the issues in the international coalitions to which they belong, such as Oxfam International, Alliance 2015 and CIDSE, and in NGO forums held specifically about the Paris Declaration. The civil society discussions cover two broad themes: i) the consequences of the implementation of the Paris Declaration for poverty reduction and ii) the consequences of the Paris Declaration for the NGO activities in the South.

With respect to the first theme, the NGOs indicated that they function as a watchdogs, to alert the various stakeholders to negative consequences of the implementation of the Paris agenda. Several Dutch NGOs participated in a meeting organised in September 2007 by Concord (the European forum on NGOs) in Brussels, as part of a series of worldwide meetings held under the auspices of the Civil Society Steering Group that is preparing a joint NGO position for the High Level Meeting in Accra in 2008. This Civil Society Steering Group will hold a shadow conference in Accra and will participate in a Round Table discussion at the formal meeting. It is represented in the Advisory Council to the High Level Forum. The agenda of the Dutch NGOs around the Paris agenda is not yet definite, but as part of the watchdog role the consequences of the Paris agreements will be studied in selected countries, and prior to Accra, a mini-conference with various Southern partners will be organised jointly with the Effectiveness and Quality Department of the Ministry of Foreign Affairs.

Regarding the second theme, the NGOs are challenged by the Paris Declaration to change their own practices and make aid more effective. Harmonisation measures are mainly applied within their own international coalitions, while the bigger Dutch NGOs have a “gentlemen’s agreement” not to support the same Southern partner, unless there are specific strategic reasons for doing so, in which case one Dutch NGO will be lead donor. The issue of complementarity in the work of the Dutch NGOs has been raised by the Ministry of Foreign Affairs. It was one of the assessment criteria in the new regulations (2006) for the Co-financing System.¹⁸ Furthermore, embassies are required to include a paragraph on Dutch NGO activities in their Annual Plan/Report. In an effort to better coordinate Dutch aid, some embassies hold annual meetings with the Dutch NGOs working in the country. In Zambia and Mozambique this has been done for several years already, while pilots have started in Bolivia, Ghana, Bangladesh and Indonesia. So far, the embassies have not put any pressure on the NGOs to change the focus of their work. In this regard, the OECD/DAC Peer Review of the Netherlands noted that the remaining broader questions on complementarity between the Dutch bilateral aid and the NGO activities include the issue of whether complementarity will be better achieved by NGOs working in the same 36 countries supported through bilateral aid provided by the Ministry or by working in other countries such as fragile states (OECD 2006, p 35).

¹⁷ The advice was due to be provided in late 2007.

¹⁸ The new regulations have also become much more focused on result.

Initial concerns on the Paris agenda noted by the civil society organisations include:

- its focus on administrative processes and technical arrangements of aid, lacking a broader vision on development;
- increasing absence of transparency – Southern partners are said to be losing track of aid flows in their country;
- a tendency (attributable to the increase of budget support) for diminished cooperation between bilateral donors and NGOs and less focus on attaining goals regarding human rights, gender equality, democracy, and sustainable development (see also INTRAC Policy briefing paper 14);
- a tendency for international donors to support NGOs in another role, that of grant maker, whereby NGOs run the risk of becoming mere financiers, losing their function of being critics and advocates for change.

2.9 Conclusions

Dutch development cooperation policy has been committed to the principles of ownership, alignment and donor harmonisation since the late 1990s, long before the Paris Declaration was adopted in 2005. Expressions of this commitment are found in the successive policy documents of 2003 and 2007. The Policy Letter of October 2007 demonstrates a political interpretation of the Paris agenda, by stating that causes of poverty are to be dealt with and that actors in the partner country are to hold their government – rather than the donors – accountable. In future, development contracts will be concluded between a group of donors and the partner country, with obligations on both sides.

The Dutch commitment to the Paris Declaration is embedded in the annual budget process. Since 2006, the explanatory notes to the budget for development cooperation allude to the Paris agenda, explaining how the Netherlands is working to enhance the quality and effectiveness of aid. The annual reports and various other reports – including those specifically focused to inform about results – give an account of how the implementation is progressing. Apart from paying attention to the Paris Declaration, these documents also inform about the commitments the Netherlands has made towards the initiatives of the European Union on donor harmonisation and division of labour.

The new aid agenda has received relatively limited attention in the Dutch Parliament. In the House of Representatives the first written questions on the topic were posed in 2006, followed in 2007 by another series. The issue of the Paris Declaration has never been debated in the deliberations between members of the House of Representatives and the Minister for Development Cooperation. The Senate has been more active in this regard. It initiated a consultation with the Minister in 2006 about the development policy of the European Union, followed by a thematic debate in 2007. The Senate made a formal request to study the implications of the European Consensus for the Dutch development cooperation. Subsequently, the Minister asked the Advisory Committee on International Affairs to provide advice on the matter.

The Dutch NGOs involved in development cooperation are gradually entering the debate on the Paris Declaration in a dual function: as watchdogs monitoring the effects of the measures and as implementers of aid who are themselves confronted with the challenges of harmonisation and alignment.

3 PUTTING THE PARIS DECLARATION INTO PRACTICE AT HEADQUARTERS

3.1 Introduction

The previous chapter described the commitment of the Netherlands to implementing the principles of the Paris Declaration on Aid Effectiveness. This chapter provides an overview of the institutional structure and organisational arrangements to effect this. Instruments and support programmes are described, and the role of the Netherlands in promoting the Paris agenda at the international level will be highlighted. The chapter concludes with a number of bottlenecks identified by staff closely involved in the implementation the Paris agenda.

3.2 Institutional structure and organisational arrangements

3.2.1 Decentralisation

Reforms introduced in Dutch development cooperation in the mid 1990s have led to more delegation of management responsibility to the field. Many centrally implemented policy and management tasks have been handed over to the embassies, and ambassadors, and missions have assumed full responsibility for policy and management. Embassies are now responsible for policy dialogue with the government of the partner country and other donors, for formulation of Dutch country and sector policy through the Multi-Annual Strategic Plans, for the assessment, approval and monitoring of the implementation of activities, and for financial management, all within the limits of the approved “delegated budget”.¹⁹ As part of this process of decentralisation, funds for general budget support, which until 2007 were authorised at the central level, have been delegated to the embassies in the countries where this modality is applied.

3.2.2 Organisational arrangements at the Ministry

In 2002, a “harmonisation desk” supported by a Ministry-wide harmonisation network began to promote the ideas on harmonisation within the Ministry. The desk was set up in the Financial and Economic Affairs Department (FEZ), which is primarily responsible for financial management and budgeting, but which also plays a role in the planning and control cycle. Staff of the harmonisation desk have been active in the preparations for the Rome Declaration in 2003 and the Paris Declaration in 2005, as well as in the work on the EU harmonisation agenda leading to the *European Consensus on Development* and the *Code of Conduct on Complementarity and Division of Labour* (see Box 3.2 on page 27). In interviews for this evaluation they identified the following crucial factors for promoting harmonisation in the Ministry and in the international donor community: i) active support from the Ministry’s political and managerial leadership, ii) focus on concrete implementation, rules and regulations and on ways to solve the problems encountered, iii) a step-by-step approach leading to concrete results, iv) cooperation with like-minded donors. Moreover, it was said that in light of the issues involved in the harmonisation agenda, it was good that the controllers and the legal affairs experts of the Ministry had been involved from the outset. The decision to set up the desk in FEZ had turned out to be appropriate.

When the harmonisation agenda broadened to include more policy-related items, the need was felt for a different organisational arrangement. It led to the establishment, in 2005, of the Effectiveness and Quality Department (DEK), tasked to guide the implementation of the Paris

¹⁹ The delegated budget is approved at headquarters level on the basis on multi-annual and annual plans drawn up by the embassies; see also section 3.3.1.

agenda (see below). In the second half of 2007, some of the staff of the harmonisation desk at FEZ were integrated into DEK to form a “harmonisation cluster” to which additional staff capacity was added in preparation for the Accra High Level Meeting and the implementation of the EU Code of Conduct²⁰.

Various other departments at the Ministry of Foreign Affairs also play a part in the implementation of the Paris agreements. The Audit and Legal Affairs Departments provide advice concerning all forms of delegated cooperation, the country divisions cooperate with DEK, FEZ and staff of the thematic departments in Country Teams for assistance to the embassies, the External Affairs Division of the European Integration Department is involved in the harmonisation agenda in the EU context, the multilateral desks promote the ideas of the Paris Declaration in the United Nations and the International Financial Institutes, and the Personnel and Organisation Department facilitates detachments of the Ministry’s staff to strategic positions in European Commission and World Bank. Departments at the Ministry responsible for thematic issues also attend to the Paris agenda. An example is the Women and Development Division (DSI/ER), which is keen to ensure that the attention to gender issues does not get lost in the new aid architecture. The desk participates in the OECD/DAC GENDERNET, where efforts are made to turn the technocratic and efficiency focus of the Paris Declaration into a wider approach to development effectiveness, in which gender equality is essential.

3.2.3 Effectiveness and Quality Department (DEK)

DEK, which is part of the Directorate-General for International Cooperation (DGIS), has become the hub for the implementation of the Paris agenda in Dutch development cooperation. Its mandate is to oversee the effectiveness and quality of development cooperation in a broad sense, as part of integrated Netherlands foreign policy. The decision to establish the department was formalised in December 2004 and DEK became operational as of January 2005. DEK’s remit includes the following objectives: i) to strengthen the learning capacity of DGIS by linking data management and information to policy analysis and implementation, ii) to conduct policy analyses on cross-cutting themes, iii) to support and advise the embassies on cross-cutting themes. The special tasks for DEK are to promote the increase of programme-based aid and to improve the predictability of Dutch aid, e.g. through multi-annual contracts.

The department’s manifold activities range from its involvement in the assessment Track Records and Multi-Annual Strategic Plans, to writing discussion papers about various facets of international aid and supporting embassies in the implementation of the Paris agenda. Together with other units of the Ministry it has produced the guiding note *Aid modalities and modality choices*, the source book *A rich menu for the poor. food for thought on effective aid policies* and the reports on *Results in Development* in 2005 and 2007. DEK has a portal on the Ministry’s intranet and a quarterly electronic newsletter – *DEK Highlights* – which also includes information on issues concerning the Paris Declaration. It operates a help desk to support embassy and DGIS staff. DEK has developed several instruments for the promotion of the Paris agenda, some in close cooperation with FEZ. Together they have set up and implemented training courses for embassy staff, and for new staff at headquarters.

DEK’s responsibility for the budget for macro-support was delegated to the embassies in January 2007. This implies that DEK has become a fully-fledged advisory department focusing on solving structural problems at headquarters level as well at the level of the embassies. Outside the Ministry, DEK has also been active in various international forums, e.g. giving presentations in venues ranging from Ireland to the Visegrád countries about how the Netherlands is dealing with the Paris agenda. DEK aspires to facilitate the creation of

²⁰ For the EU Code of Conduct see section 3.4.2 and box 3.2 on page 25.

alliances (profit and non-profit organisations) that can be active in sector programmes and to encourage understanding of the Paris agenda among other organisations: for example, the Dutch development NGOs. Despite all this activity, the Department's intended action plan for the implementation of the Paris Declaration, scheduled for 2006, has not yet been developed. However, in June 2007 it was decided to develop country-specific implementation plans for the 36 partner countries with which the Netherlands has established long-standing bilateral aid relationships.

Box 3.1 A Rich Menu for the Poor: Food for Thought on Effective Aid Policies

A rich menu for the poor: food for thought on effective aid policies is a source book developed in 2006 as a practical tool to deepen insight into the complicated themes of development and development cooperation. The book invites users to work with the thematic information and the given references. It is intended to be a "living document" to which new chapters, suggestions and toolkits will be added. The next set of articles is due to be published in spring 2008. The intended readership is staff at embassies, the headquarters of the Ministry of Foreign Affairs and in Dutch NGOs, different groups of partners in developing countries, other donors' head offices, and academics and students.

3.2.4 Country Teams

Country teams have been formed at headquarters to support the embassies located in the 36 partner countries receiving bilateral aid on a structural basis. Each team is led by a staff member of the country division and is composed of representatives from different departments of the Ministry, including the thematic divisions, FEZ and DEK. The teams pay regular visits to the embassies in the partner countries, and although they were instituted prior to the adoption of the Paris Declaration they have become a platform for interaction between the Ministry and the embassies regarding harmonisation and alignment processes. For example, during recent visits to Bolivia and to Senegal the country teams identified problems in the implementation of donor harmonisation, which the embassies were unable to solve. It was agreed that the country teams would be responsible for addressing these at headquarters level.

3.2.5 Thematic Divisions

Thematic divisions at the Ministry are involved in the implementation of the Paris Declaration in their own specific ways, ensuring that the realisation of the Paris agenda goes hand in hand with the realisation of thematic objectives in development. The thematic divisions are concerned that the priority currently given to procedures, financial flows and macro-economic issues is diverting attention from the more substantive issues of development, e.g. gender equality, environment, good governance and human rights. Their efforts aim to create a balance between those cross-cutting issues and the Paris instruments, e.g. by promoting a common stance among development partners on the thematic issues involved (harmonisation), by dialoguing with the partner governments to address the issues in their national policy (alignment), and by making sure that the embassies specify the results they want to attain with regard to these thematic issues. The thematic divisions operate in international forums such as the OECD/DAC where they urge for a Round Table on cross-cutting issues at the HLM in Accra, parallel to the mainstreaming of these issues in the other Round Tables, and coordinate their joint input.

The thematic divisions interact with the embassies on a regular basis. It is their responsibility to review the Track Records and the Sector Track Records, as well as the annual and multi-annual plans before they are adopted at headquarters.

3.3 Instruments and support programmes

The Ministry of Foreign Affairs has designed various instruments and set up several support programmes to facilitate the implementation of the Paris agenda at headquarters and embassies. The instruments selected for review in this chapter are:

- *Planning and assessment instruments*: the Track Record and Sector Track Record, the Multi-Annual Strategic Plans (MASPs), the Strategic Governance and Anti-Corruption Assessment (SGACA), and the Planning, Monitoring and Evaluation Framework.
- *Financial frameworks and instruments*: the Policy Document on Management and Supervision (*Nota Beheer en Toezicht*), Procedural Guidelines for Development Cooperation and Guidelines for Delegated Cooperation (the so-called Silent Partnerships).
- *Support programmes*: the Public Finance Management Support Programme (PFM-POP) and the Embassy Support Programme for Institutional and Capacity Development (SPICAD).

3.3.1 Planning and assessment instruments

Track Record and Sector Track Record

The Track Record has been applied since 1994 to obtain information for making decisions about opting for modalities of macro-support. Over the years, the instrument has been modified. During the first five years, it was used to decide whether a country could be given macro-support. Between 1999-2004 it was also applied to decide whether a country met the criteria for becoming a partner country eligible for a long-term relationship with the Netherlands. The current Track Record provides information used for making decisions about matters such as the most appropriate degree of alignment – or mix of aid modalities – that is possible in a given country. Drawn up at embassy level, the Track Record provides an analysis of the partner country's policies, institutions and reform dynamics. By assessing policy and governance performance in macro terms, it brings together analytical underpinnings considered relevant for decision-making on the aid modality mix and aid programme's profile.

Neither the Track Record nor its underlying frameworks (e.g. Poverty Reduction Strategy Paper – PRSP, assessment frameworks, PEFA, SGACA, etc.) provide a systematic perspective at the sector level. Consequently a Sector Track Record has been introduced to complement the general Track Record by providing a detailed assessment of performance for those sectors in which the Netherlands is substantially involved.

The Sector Track Record, also drawn up by the embassy, is a tool for systematically analysing (the “snapshot”) and monitoring (the “film”) key aspects of a sector or sub-sector supported by the Netherlands. It is country- and sector-specific and is primarily intended for internal use by the embassy and by various departments at headquarters. It may also be shared with local development partners. The instrument is considered more useful if the issues covered are also relevant for these partners. In order to enhance its relevance for joint work, the key questions in the Sector Track Record have integrated the twelve Indicators of Progress (to be measured nationally and monitored internationally) of the Paris Declaration.²¹

²¹ The Sector Track Record is to be sourced to the extent possible from information and analyses available at the country level. In sectors with adequate joint sector appraisal and review processes, embassies summarise the findings of these joint reviews, if necessary supplemented by information from other sources. In partner countries and sectors where joint sector reviews are not yet firmly established, the Sector Track Record may help reinforce such joint processes. The instrument is not intended to impose any blueprints on the development partners. Rather, it is considered 'work in progress' leading to the development of a multi-stakeholder analytical and monitoring instrument.

The first full Sector Track Records analysis, along with that of the General Track Records, will be conducted in November 2007 to provide inputs for the Multi-Annual Strategic Plans covering the period 2008-2011. DEK coordinates the assessment and approval of the general Track Records submitted by the embassies. In the process, it will verify with the thematic departments of the Ministry that the Track Record analysis and the aid modality mix proposed in the Multi-Annual Strategic Plans is supported by the findings from the Sectoral Track Records. Prior to a subsequent round of full Sector Track Record analysis in 2011, this instrument's suitability for joint work will be reviewed.

Special user guides have been made available to assist the embassies in completing both types of Track Records and to indicate how the Sector Track Records should feed into the General Track Record analysis.

Multi-Annual Strategic Plan (MASP)

The Multi-Annual Strategic Plan (MASP), made once every four years by the embassies, constitutes the main tool of the Ministry's planning cycle. For embassies involved in bilateral development cooperation, the general Track Record and the Sector Track Record provide the analytical input for the context analysis underlying the MASP. In particular, the Track Records and Sector Track Records provide information for the analysis of trends and developments in a partner country and the choice of strategic objectives at sector level.

For the period covered by the Multi-Annual Strategic Plan, "light" updates of the Track Record and Sector Track Record(s) are to be drawn up annually to monitor progress and assess the continued relevance of the chosen strategy. Major changes in a sector (e.g. an important policy change) may necessitate amendments to the intervention strategy outlined in the MASP.

The Strategic Governance and Anti-corruption Assessment (SGACA)

SGACA is a tool for analysing the context for governance and anticorruption for each partner country. It is a "quick scan" to help structure and analyse existing information on formal and informal aspects of governance in a particular context. Different tools and processes, such as the Track Record and the current Multi Annual Strategic Plan, generate important information for this purpose. The SGACA is complementary to these instruments and seeks to deepen the country-specific understanding of governance and corruption.

In addition to the formal factors, the SGACA aims to capture the informal, societal and sometimes intangible underlying reasons for the governance situation, which often differ from the formal configuration of the state. Such an analysis can improve the design of donor interventions, by improving understanding of what is going on behind the "façade" of the state on the one hand and what is really driving political behaviour on the other. The SGACA is designed to make use of available material, including that from other sources and donors. The SGACA enables embassies to discuss this information, and to define implications for donor strategies and engagement, preferably in cooperation with partners. These insights will then feed into the embassy's Multi Annual Strategic Plan.

Planning, Monitoring and Evaluation

The quality of results monitoring, reporting and evaluation in the sector-wide approach has been a matter of concern.²² In 2006-2007 the Planning, Monitoring and Evaluation procedures for Dutch Development Aid were streamlined, with the overall objective of ensuring stronger focus on results, more coherence and consistency, more harmonisation

²² See for instance, *From Project Aid towards Sector Support*; an evaluation of the sector-wide approach in Dutch bilateral aid 1998-2005 (Policy and Operations Evaluation Department, 2006).

and alignment of instruments, and more relevance and user-friendliness of instruments.²³ With this in mind, the Sectoral Track Record is explicitly linked to other planning and monitoring instruments, and as mentioned above, it feeds into the General Track Record and the Multi-Annual Strategic Plan. It is also used as a source of information for appraisal memoranda and forms a basis for monitoring.

Harmonisation and results orientation in independent evaluations of the Policy and Operations Evaluation Department (IOB)

The objective of the Policy and Operations Evaluation Department (IOB) is to increase insight into the implementation and effects of Dutch foreign policy, including development cooperation policy. As a member of the OECD/DAC Evaluation Network and the Nordic Plus Evaluation Group, IOB has actively participated in processes to encourage applying harmonised approaches and methodologies in evaluation. In the past decade, IOB has increasingly become engaged in joint donor and joint donor–partner country evaluations covering sector support as well as general budget support. These evaluations are undertaken in close cooperation with evaluation departments of other donors and involve partner countries to a varying extent. Recent examples are the joint evaluation of external support to basic education in partner countries led by IOB²⁴, the joint evaluation of the health sector in Tanzania led by Tanzania and Denmark²⁵ and the joint evaluation of general budget support led by the evaluation unit of the United Kingdom Department for International Development.²⁶

In order to satisfy the increasing demand for information on results in development cooperation, in its evaluations IOB is fostering an orientation on results. At the international level, IOB is actively engaged in promoting impact evaluations; it is also currently conducting a series of impact evaluations of (Dutch) aid in the education sector and in the water sector covering a range of partner countries. With respect to the changing nature of Dutch development cooperation, IOB has evaluated the sector-wide approach applied by the Netherlands since 1998.

3.3.2 Financial frameworks and instruments

Policy Document on Management and Supervision (Nota Beheer en Toezicht)

Policy changes, notably the shift from project to programme aid, and the delegation of responsibilities to the embassies (see above) made it necessary to define the extent of ministerial accountability for the regularity of the different expenditure flows (types of aid) in combination with the various forms of implementation (contractual relationships) and to critically re-examine the broader framework of management and supervision. To this end, the Policy Document on Management and Supervision (*Nota Beheer en Toezicht*) was presented to Parliament. It deals with the Ministerial responsibility and expenditure accountability of the entire Netherlands government.²⁷

The framework for the selection, appraisal, commitment, implementation and completion of development activities, is set out in the Procedural Guidelines for Development Cooperation

²³ Time will show whether the strengthening of the planning, monitoring and evaluation procedures will have an effect.

²⁴ Local Solutions to Global Challenges: Towards Effective Partnership in Basic Education, Joint Evaluation of External Support to Basic Education in Developing Countries, September 2003.

²⁵ Cowi/Goss Gilroy Inc/EPOS, The Health Sector in Tanzania, 1999-2006. Joint External Evaluation, Copenhagen 2007 (www.evaluation.dk).

²⁶ A Joint Evaluation of General Budget Support 1994-2004, 2006.

²⁷ Like all ministries, the Ministry of Foreign Affairs has to apply four 'golden rules' regarding the Ministerial responsibility. These rules cover all financing modalities and imply: i) An ex-ante analysis is to be made about the governing capacity of the partner agency; ii) A written contract including conditions and obligations is to be signed by all parties; iii) Monitoring of implementation is to take place on the basis of agreed reporting responsibilities; iv) Sanctions are to be applied if the counterpart fails to perform.

(Procedures voor Ontwikkelingssamenwerking). These Procedures, which are an elaboration of the Policy Document on Management and Supervision, are a “living document”. They are periodically revised to bring them into line with the new working methods based on the delegation of responsibilities new instruments are included.

The overall Policy Document on Management and Supervision and the current Procedural Guidelines for Development Cooperation are considered adequate and sufficiently flexible for the purpose of alignment and harmonisation in development cooperation. Although fine-tuning is necessary, they can accommodate budget support, sectoral support and Silent Partnerships. In other words, the respective guidelines form no a priori barriers for the implementation of the Paris Declaration, provided that the accountability on the part of the partner country and the intermediary donor or agency is assured.

Delegated cooperation arrangements or Silent Partnerships

Under these arrangements, a donor delegates authority to another donor to act on its behalf in terms of the administration of funds and dialogue with the partner government on policy and sector policy. The Nordic Plus donors (see also 3.4.1) established an arrangement for delegated cooperation some years ago. In the EU Code of Conduct it was agreed that EU donors may enter into a delegated cooperation with another donor, and that “partner governments should be consulted on the donors’ delegating agreements.”²⁸ A delegated cooperation/partnership role in a sector will be considered additional to the maximum of three sectors in which a given donor is engaged” (see page 27, Box 3.2. *EU Code of Conduct on Complementarity and Division of Labour*).

3.3.3 Support programmes

The Public Finance Management Support Programme (PFM-POP)

Assessing the quality of the Public Finance Management system(s) in the partner country is a prerequisite for providing certain types of aid. Such an assessment has become part of the Track Record.²⁹

To better prepare staff to handle PFM issues, a Public Finance Management Support Programme started in 2003, through which selected embassies in partner countries receive training and coaching from an external expert. Where possible, local development partners are invited to take part in the training. In addition there is a PFM introduction course for capacity building at headquarters. The training programmes make use of various tailor-made written materials (flyers, flash reports, thematic studies, PMF policy documents, PFM background documents from the World Bank and the IMF, modular training material, etc.) and a knowledge-sharing network.³⁰ By mid-2007, some 25 embassies had received support from a PFM consultant through regular on-the-job and modular training.

Embassy Support Programme for Institutional and Capacity Development (SPICAD)

SPICAD became operational in 2007. The purpose of this demand-driven programme is to enable Netherlands embassy staff to work better with their partners to adequately address institutional and capacity challenges and contribute to effective Netherlands development

²⁸ Donors involved in such arrangements need to be able to review the policies and procedures of the lead donor.

²⁹ Since 2005, Netherlands embassies in partner countries have prepared PFM analyses for their annual and multi-annual plans.

³⁰ In 2006 the programme was revised in light of an internal review. The current training programme includes the following modules: the Budget Process, PFM in the Netherlands, Financing gap analysis, Medium-Term Effectiveness Frameworks, Public Expenditure Reviews, Country Financial Accountability Assessment, National Audit, Fiscal Decentralisation, Track Record Analyses, Social and Gender Budgeting, Government Revenue, Public Debt Management, and Country Procurement Assessment Review.

cooperation directed at achieving sustainable development results. It does not directly support local institutional and capacity-building activities.³¹

The programme provides support in areas such as analysis of poverty policy and political and institutional issues, capacity development at the sector level, and cross-cutting themes such as public sector reform, decentralisation, democratisation, and accountability and transparency. The Policy Analysis and Advise Division of the Effectiveness and Quality Department (DEK/BA) coordinates the programme in collaboration with the Ministry's Peacebuilding and Good Governance Division (DMV/VG). Support activities are implemented by contracted experts.

The programme is scheduled to cover 22 embassies between 2007 and 2011. Its primary target group consists of expatriate and local embassy staff responsible for policy development and implementation, and financial staff involved in policy dialogue. The secondary target group consists of the embassy's counterparts, including other donors. Individual embassies may decide whether to involve the latter in the training provided. Because the needs differ, the training programme is tailored to the specific situation of the embassy. Embassies may receive coaching and expertise support over a period of two years on the basis of an individual support plan. Participants will be provided with modular and on-the-job training. Virtual learning environments will enable experiences to be shared.

3.4 Promoting harmonisation and other principles of the Paris Declaration at the international level

The Netherlands is an active partner in international forums for the promotion of aid effectiveness, including the Nordic Plus like-minded group, the European Union, the OECD/DAC, and the United Nations and International Financial Institutions (IFIs). This section describes the various activities undertaken.

3.4.1 Nordic Plus Initiative

In 2000, the Netherlands hosted a workshop for like-minded donors on *Donor Harmonisation and Adjustment of Financial Management and Control Procedures under Sector Programmes*. This meeting inspired the participants to start a process of collaboration that has become known as the Nordic Plus Initiative.³² Studies were commissioned of the possibilities and limitations of harmonising donor systems. Following the adoption of the Rome Declaration in 2003, the Directors-General for International Cooperation of the like-minded donors decided to take harmonisation a step further. They established the *Joint Plan on Harmonisation 2003-2005*, which included a range of activities to promote the harmonisation processes at the global, headquarters and country levels. One such activity was to develop a pilot to bring harmonisation into practice in Zambia, with support from all like-minded donors.³³

The Joint Plan on Harmonisation also involved lowering the administrative barriers to cooperation consisting of disparate administrative and financial reporting systems and differences in conditionalities, policy priorities and accountability mechanisms. A study³⁴ identified these differences, but also revealed a high degree of similarity in the procedures

³¹ Other initiatives are taken to provide support to partner country's institutions, see section 4.2.6.

³² As mentioned earlier, the initial Nordic Plus group members were the Netherlands, Denmark, Iceland, Norway, Sweden, Ireland and UK. Canada joined later.

³³ This pilot was taken very seriously, as can be demonstrated by the intensive involvement of the Directors-General of the respective donors, who met bi-annually to discuss and monitor progress.

³⁴ COWI, *Barriers to delegated cooperation: Joint assessments of policies and administrative practices of the Nordic Plus donors* June 2006.

among the donors. As a next step, the Netherlands developed a Joint Financing Arrangement (JFA) to provide the legal basis for providing aid jointly, while Norway developed a template for Silent Partnerships.

The Nordic Plus Initiative was also instrumental in the preparatory discussions for the Paris Declaration. A senior member of staff at the Ministry for Foreign Affairs who was involved in these discussions claimed that the initiative had functioned as “a crowbar for the Paris Declaration”.

The Nordic Plus donors have mutually approved each other as potential partners in delegated cooperation arrangements. To guide the establishment and implementation of these arrangements, two documents were prepared: the *Practical Guide* and the *Template for Arrangements*. In 2006, the Joint Financing Arrangements were reviewed.³⁵ It was found that nearly all Nordic Plus donors were applying the JFA on a regular basis and were positive about the template. Despite this, the template was not always used where the degree of harmonisation would warrant its application. The review identified some necessary changes to encourage the wider application of the template, such as the inclusion of a Nordic Plus Joint Procurement Policy³⁶ and a modification to the aid disbursement process.³⁷ The revised JFA was adopted by the Directors-General, who urged their representatives in the partner countries to apply the revised JFA in discussions on joint funding arrangements among themselves as well as with partner government authorities and other donors.³⁸

There continues to be cooperation between the Nordic Plus groups under the leadership of the Directors-General. At its meeting in Reykjavik in June 2007, the Dutch Director-General for International Cooperation suggested putting more effort into reaching out to other OECD donors and emerging donors such as China. It was also decided that the Nordic Plus donors should coordinate their stance with respect to the High Level Meeting in Accra, update the Joint Action Plan, and to identify gender equality (where results are lagging behind expectations) as a focus for future collaboration.

3.4.2 European Union

The Netherlands has participated actively in discussions about the development policy framework of the European Union, notably the *EU Consensus on Development* of 2006 and the *Code of Conduct on Complementarity and Division of Labour* adopted in May 2007.

In 2004, the Netherlands was instrumental in revitalising the discussions within the EU on harmonisation measures, which had been agreed upon at the Monterrey conference in 2002. Together with Ireland, the Netherlands chaired an *ad hoc* Working Party on Harmonisation, a technical commission established by the General Affairs and External Relations Council with the aim of focusing the Member States on the harmonisation agenda. The work led to input from the EU for the High Level Forum in Paris in 2005.

³⁵ The review was led by the Netherlands, with involvement of the other donors.

³⁶ Currently, procurement procedures among the Nordic Plus donors are being harmonised.

³⁷ Evaluation of the Joint Financing Arrangement, Ministry of Foreign Affairs Intranet, 28 November 2006.

³⁸ The Netherlands embassies in the 36 partner countries were instructed to share the revised JFA with the government and other donors.

Box 3.2 The EU Code of Conduct on Complementarity and Division of Labour in Development Policy

The EU accounts for more than half of the worldwide ODA and 15 of its member States are among the 22 bilateral donors in the Development Assistance Committee (DAC) (plus EC and New Member States).

The EU Code of Conduct³⁹ is based upon a Commission communication on this subject of 7 March 2007. It was adopted by the Council in March 2007. A combination of factors provide the rationale for the Code of Conduct: EU Member States have committed to increase their aid budgets, resulting in a doubling of bilateral aid; too many donors concentrate their aid on the same developing countries, resulting in “darling” and “orphan” countries; the international community’s commitment to the Paris Declaration to increase harmonisation, alignment and better managing of aid; and the tendency of the EU Member States to reduce the number of partner countries.⁴⁰

The Code of Conduct presents operational principles for the EU (and other) donors regarding complementarity in development cooperation. It aims to enhance aid effectiveness by improving development results and reducing transaction costs through a division of labour between donors. The Code of Conduct is voluntary and flexible and other donors are invited to join in its implementation.

Two “main principles”:

1. The primary leadership and ownership in “in-country” division of labour should first and foremost lie with the partner country government. If such leadership and ownership does not exist, the EU should promote such a process, e.g. by capacity building.
2. It is crucial that the division of labour is not implemented at the expense of global aid volumes or predictability of aid flows and is carried out in collaboration with the partner countries.

Some of the 11 “guiding principles”:

- A maximum of three sectors per EU donor in a partner country;
- In each priority sector a lead donor should be established;
- EU Donors may enter into delegated cooperation and partnership arrangements with other donors;
- It must be ensured that at least one donor is active in each relevant sector;
- EU donors should establish a limited number of priority countries;
- The problem of “orphaned” or neglected countries, which are often fragile states, must be addressed;
- EU donors should analyse their comparative advantages regarding sectors and aid modalities;
- EU donors should advance other dimensions of complementarity, primarily in the context of relevant international forums and in the rationalisation of the international aid architecture (e.g. the Paris Declaration).

During its EU presidency in the second half of 2004, the Netherlands pushed for a new development policy statement.⁴¹ The work was followed up by the presidencies of Luxemburg and the UK, leading to the adoption of the *European Consensus* in 2006, the first joint policy framework for European development cooperation of the Commission and the Member States. As the Consensus did not include a division of labour between these two, efforts to establish concrete measures were continued. The Netherlands is one of the EU

³⁹ For the full text see: <http://register.consilium.europa.eu/pdf/en/07/st09/st09558.en07.pdf>

⁴⁰ See: E. Stetter, *The Code of Conduct for a better division of labour in the development policy – is it a real milestone?* Friedrich Ebert Stiftung, Brussels, September 2007.

⁴¹ The Netherlands embassies in the partner countries representing Luxemburg as the EU Chair in the first half of 2005 were instructed by the Ministry in The Hague to take the lead in developing the so-called EU Road Map for harmonisation. This involved holding an intensive dialogue at the level of Heads of Mission of the EU Member States in the respective partner countries.

Member States driving the harmonisation agenda.⁴² The Dutch position is that the rationale for cooperation among the EU donors has increased because their number has been swelled by new EU members and because – partly as a result of the Monterrey commitments – the volume of European ODA is growing.

The Netherlands fully supported the development of the *Code of Conduct on Complementarity and Division of Labour*, adopted in 2007 under the German presidency. The Netherlands is among the donors strongly advocating effective limits to the number of sectors to be actively supported by individual donors, as suggested in the Code.⁴³

To promote the implementation of the Code of Conduct, the Netherlands has taken the following steps:

- Suggesting that the Directors-General for International Cooperation of the EU Member States send a joint letter to their representatives in the various partner countries to emphasise that the Code is the leading statement for collaboration in development cooperation. Despite reservations among some Member States, this letter was eventually sent by all EU donors in July 2007.
- In 2007, seconding four experts to the European Commission to provide support on the implementation of key aspects of the Consensus and Code of Conduct.
- Appointing a special liaison officer at the Efficiency and Quality Department (DEK) to foster the implementation of the Code in the Dutch aid programme.⁴⁴
- Providing support through seminars and exchanges to new Member States to help them design their development cooperation policies in light of the Consensus. A senior Dutch civil servant will be seconded to Slovenia in support of the Slovenian EU presidency in the run-up to the High Level Meeting in Accra .
- Launching the initiative for a pilot to jointly implement the Code in a fragile country (Burundi).

3.4.3 OECD/DAC

Within the OECD/DAC the Netherlands has actively participated in the process leading to the Paris Declaration, as well as in promoting its subsequent implementation. It played a prominent role in the Task Force on Donor Practices, which was established to elaborate the agreements of the Rome Declaration. This Task Force was also to draft papers on good practice regarding the approaches applied by donors to enhance their operational procedures with a view to strengthening partner country ownership. The Task Force invited sixteen developing countries to its meetings, which led to the good practice papers published in the booklet *Harmonising Donor Practices for Effective Aid Delivery* (DAC Guidelines and Reference Series 2003). The findings⁴⁵ in turn stimulated the development of the Paris Declaration. Dutch involvement in the concrete drafting process resulted in the inclusion in the Paris Declaration of the 12 indicators for progress, which were being used to establish the baseline during the Monitoring Survey of 2006.

⁴² Harmonisation is important ,since together the Member States and the European Commission provide over 50% of ODA globally, with a presence in a very large number of developing countries. In 2006, the combined EU ODA amounted to € 48 billion.

⁴³ The Code suggests a maximum of three sectors per donor.

⁴⁴ This person's tasks involve providing internal and external communication about the Code to the general public in the Netherlands, and liaising between EU Member States, Brussels and Netherlands embassies in partner countries.

⁴⁵ The process included a needs assessment survey seeking to identify the priorities and perspectives of developing countries on the harmonisation of donor practices. The assessment showed the urgency for harmonisation in practice and provided several examples of good practice harmonisation.

Following the adoption of the Paris Declaration, the Netherlands continued its participation in the Working Party on Aid Effectiveness that succeeded the Task Force mentioned above⁴⁶. As part of its role in this forum, the Netherlands contributed to the work of the Monitoring Survey in 2006. With the exception of co-chairing the Joint Venture on Managing for Development Results, the Netherlands has had no leading positions in the different Joint Ventures which are part of the Working Party on Aid Effectiveness.

Box 3.3 Joint Venture on Managing for Development Results (MfDR)

The Netherlands co-chairs the Joint Venture on Management for Development Results, which involves donors and partner countries in efforts to increase management for results in aid and development. In February 2007, the Joint Venture on MfDR organised a Round Table in Hanoi which focused on strengthening MfDR capacity in statistics, monitoring and evaluation, and public sector management in partner countries, as well as donor support to these fields. Some 500 representatives from 40 partner countries, donor countries, and civil society attended the meeting. The Dutch delegation was led by the Deputy Director-General for International Cooperation, who expressed the willingness of the Netherlands to provide technical and financial support to increase MfDR capacity. Support would preferably be organised as a joint donor effort, providing that the partner countries would take the initiative. (DEK Highlights, 1st quarter 2007)

3.4.4 Multilateral aid and multilateral organisations

In 2006, the Netherlands contributed a little over € 600 million of its ODA through the multilateral channel. In relative terms this contribution is equivalent to the average for all OECD/DAC donors, but is somewhat lower than the average for the EU DAC members. Previous attempts to increase the amount had failed, one reason being the limited political support for more multilateral cooperation because of concerns in Parliament about the quality of the international organisations' aid programmes.

The 2006 OECD/DAC Peer Review of the Netherlands noted that the Netherlands approach to multilateral cooperation ran counter to efforts to improve aid effectiveness. As of 2003, the Netherlands support shifted from un-earmarked contributions towards theme-based earmarked contributions, intended to meet the input targets formulated for priority areas in Dutch development cooperation policy. As a result, a relatively large proportion of bilateral funds (about 5% - 6%) is disbursed multilaterally. The DAC Peer Review pointed out the challenges this poses both to the Netherlands and to the multilateral agencies. First, the fragmentation of Dutch funding to multilateral agencies may make it difficult for the Ministry of Foreign Affairs to apply a coherent approach to multilateral assistance. Second, this "à la carte" practice may hinder UN management improvement efforts, since individual agencies have to deal with competing demands from various members. It also runs counter to Dutch efforts to improve multilateral effectiveness and focus on quality and relevance. (OECD/DAC Netherlands Peer Review 2006, p 30).

In view of these findings, the United Nations and International Financial Institutions Department (DVF) is reviewing the current system of allocations and will elaborate a new multilateral strategy document. To obtain information about the performance of individual multilateral agencies at headquarters and country levels, it has developed several instruments: a Multilateral Monitoring System and scorecards. The monitoring system builds on the system developed by Multilateral Organisations Performance Assessment Network (MOPAN), by means of which embassies in partner countries report on the quality of

⁴⁶ The Netherlands is represented at the director's level in the Working Party on Aid Effectiveness, which enables swift and strategic interventions to get the Dutch points across.

cooperation by multilateral organisations at the country level.⁴⁷ Currently, MOPAN is encouraging multilateral organisations to work in the spirit of the Paris Declaration.

The Netherlands has developed several initiatives to enhance harmonisation and alignment at the World Bank. Activities have included: a seminar in 2004 on macro-support for Heads of Development cooperation of the Netherlands embassies, held at the World Bank premises with inputs from World Bank staff; between 2003 and 2006, a high level delegation visiting the World Bank to discuss the results of the Track Records with regard to possible choices of aid modalities; and Dutch staff being seconded to the World Bank to promote harmonisation.

The joint efforts by the group of like-minded donors resulted in the United Nations and the World Bank adopting the Paris Declaration; however, in its 2006 annual report the United Nations and International Financial Institutions Department (DVF) concluded that the UN organisations and the World Bank were falling short of putting the Paris agenda into practice. Similarly, the results of the Dutch efforts to promote a discussion in international forums (World Bank, OESO/DAC, Utstein and ECOSOC) have been limited, because of resistance from the World Bank and other donors to changing the existing mandates.

3.5 Challenges in the arrangements for the design and implementation of aid effectiveness

Interviews conducted among a number of staff at headquarters specifically dealing with the aid effectiveness agenda revealed a number of challenges with regard to the design and the implementation of this agenda.

3.5.1 Design

The Paris Declaration versus the EU Code of Conduct

The difference in focus between the Paris Declaration and the European Code of Conduct is a matter of concern for several respondents at the Ministry. Although, it is stated that the leadership and ownership in “in-country” division of labour should lie with the partner country government, the Code of Conduct primarily focuses on donor harmonisation and on the division of labour in sectors, with the aim of reducing transaction costs. In contrast, the Paris Declaration is ultimately geared towards alignment and ownership, with general budget support as the preferred aid modality.

The word “sector” appears rarely in the Paris Declaration. Only three paragraphs (pars. 33, 34, and 35), refer to “sector” in the sense of “country or sector level”. None of the 12 indicators involve issues at sector level. In turn, the EU Code of Conduct scarcely refers to general budget support.

The dialogue with the partner government in the context of a sector approach does not commonly deal with the broader national policy issues, but concerns specific sector policies. Consequently, critics of the Code of Conduct are worried that strict adherence to the Code might jeopardise the overall policy dialogue as well as undermine the application of general budget support – in other words, the implementation of the Paris Declaration would be inhibited. Moreover, they are not convinced by the argument that the division of labour strategy advocated by the Code of Conduct will be conducive to the shift from projects to general budget support. Another issue of concern is that the partner countries were not actively involved in the preparations of the Code. This makes the document fundamentally different from the Paris Declaration, which is an agreement between partner countries and

⁴⁷ The Netherlands is among the like-minded countries participating in MOPAN.

donors. For the partner countries, this could imply that the two documents do not carry equal weight.

Thematic issues get lost

A challenge observed in relation to the design of the Paris Declaration is that the focus on thematic issues in development cooperation is obscured.⁴⁸ The changing aid architecture results in a prevalence of macro-economic issues in the interactions with the partner government. Discussions focus on money and capital flows, at the cost of policy content and attention to thematic issues. The major actors involved are primarily the Ministries of Finance, or the financial departments of the sectoral ministries. It was mentioned that attention to issues such as gender equality and environment is losing ground in this process.

3.5.2 Implementation

The challenges identified in the implementation of the Paris Declaration also concern the various instruments developed to facilitate decision-making on aid modality, e.g. the Track Record. Concerns have also been voiced about the practice of donor harmonisation through delegated cooperation and multi-donor trust funds.

The Track Record method and budget support

Financial staff at the Ministry welcome the Track Record, since it enhances the transparency in decision-making about the volume of aid as well as the aid modalities to be applied. At the same time, they recognise its limitations, in cases when decisions for providing financial support to a particular country have to be taken on political grounds. However, if political decisions to provide general budget support are not congruent with the scores in the Track Record⁴⁹, the reasons underlying such decisions are explicitly pointed out. Thus far, Parliament has never questioned these decisions.

It was noted that in cases when sanctions have to be applied to partner countries receiving general budget support, the sanctions can only be effected if all the donors involved in the agreement to provide general budget support are willing to impose them. In some instances, this has resulted in the “most lenient donor” setting the standard⁵⁰ for the other donors. A case in point has been Uganda, where the Netherlands withdrew its general budget support, but proved to be alone in the group of harmonising donors and so subsequently decided to reinstate it, even though the accountability situation in the country concerned remained unacceptable. In this case the Track Record proved to be an instrument without teeth.

Delegated cooperation / Silent Partnerships

Since 2003, the Netherlands has engaged in Silent Partnerships in priority countries involving Nordic Plus donors and there is interest in extending this way of working to include other donors as well. The advantages of Silent Partnerships are acknowledged.⁵¹ Nevertheless this mechanism is also considered to be sub-optimal compared to a more effective division of sectors among the donors. Moreover, Silent Partnerships are said to be “too much focused on harmonisation and whilst paying too little attention to alignment”. Recent initiatives taken to develop Silent Partnerships with donors not involved in the Nordic

⁴⁸ This is also related to the fact that donors faced with the Paris Declaration and particular the ownership principle may be faced with a “loss of power” to set the development agenda in the partner countries.

⁴⁹ The current IOB evaluation of the Dutch Africa Policy notes a divergence between the outcomes of the Track Record scores and the actual decisions to provide general budget support, and raises questions about the objective nature and quality of the scoring method. See chapter 5 “General Budget Support”, Policy and Operations Evaluation Department, forthcoming.

⁵⁰ Especially where this concerns a donor of financial importance.

⁵¹ In terms of low transaction costs for the delegating donor during the implementation of the activities under the Silent Partnership, as well as their usefulness for achieving input targets without remaining active in a country or in a sector.

Plus Initiative led to a discussion at the Ministry about whether the procedural arrangements of these donors were suitable.⁵² A more general issue concerning Silent Partnerships is the observation that only a few partners are really willing to be “silent” when it comes to implementation. Where “silent partner donors” wish to continuously discuss implementation matters, no benefits arise that reduce transaction costs.

Multi-donor trust funds

Multi-donor trust funds are also an instrument enabling donor harmonisation. These funds are commonly regarded as a second best solution in situations where conditions for sectoral or general budget support are not (yet) in place. An issue concerning these trust funds is that the donor or aid agency operating the fund commonly only takes responsibility for being an intermediary in the transmission of the pooled money to the partner country or the intermediary implementing agency. In practice, none of the parties – not the intermediary donor nor the implementing agency – can be held accountable in a legal sense by the donor(s) providing the funds. In other words, this “pass-the-buck mechanism” may lead to an accountability gap. The Ministry of Foreign Affairs has decided only to take part in such arrangements in very special cases, conditioned by contractual arrangements which allow for a contribution to be provided for a maximum period of one year.

3.6 Conclusions

The Netherlands is committed to implementing the principles of the Paris Declaration on Aid Effectiveness. The institutional structure and organisational arrangements for development cooperation have been tailored for that purpose. Some initiatives were taken many years ago, such as the delegation of responsibility to the embassies; others are of a more recent date, such as special organisational arrangements at the Ministry and the development of various tools for harmonisation and aid effectiveness.

Commitment

In general, the commitment at the Netherlands Ministry of Foreign Affairs to the Paris Declaration principles is high, as shown by the following four points. First, the fact that the Netherlands has actively promoted the aid effectiveness agenda in international forums such as the Nordic Plus donor group, the OECD/DAC, the EU and the UN. Second, the Netherlands has been instrumental in developing the Paris Declaration and has strongly supported the preparation of the EU Code of Conduct on Complementarity and Division of Labour. Third, specific structures and procedures have been established at the Ministry of Foreign Affairs to promote the aid effectiveness agenda. In 2002 a “harmonisation desk” was set up in the Financial and Economic Affairs Department; in 2005 the Effectiveness and Quality Department (DEK) became operational, to stimulate thinking about and to provide advice on aid effectiveness. Fourth, strategic secondments of Dutch civil servants to the European Commission and the World Bank were realised, to promote the aid effectiveness agenda in those organisations.

No specific action plan for the implementation of the Paris Declaration was established. Instead it was decided in June 2007 to develop country-specific plans for the 36 partner countries with which the Netherlands has established long-standing bilateral aid relationships.

Capacities

The delegation of decision-making and management responsibility from headquarters to the field level, which was initiated in the mid 1990s, continued. This, together with the sector-wide approach, which was launched in 1998, gave the Paris agenda a head start and

⁵² In addition, there have been cases where a donor invited to lead the partnership has demanded handling fees.

facilitated its implementation. Capacities have been developed by establishing new organisational structures and procedures. At headquarters, the Effectiveness and Quality Department has become the hub for the implementation of the Paris Declaration in Dutch development policy. Country Teams provide a platform for the communication between the embassies and the Ministry regarding issues of harmonisation and alignment. The Financial and Economic, Legal Affairs, and Audit departments play an important role: for instance regarding financial and legal frameworks for delegated cooperation. In addition, thematic divisions balance the Paris instruments with the more substantive issues such as gender equality, environment, good governance and human rights.

Planning and assessment instruments have been refined to facilitate the aligning of policy implementation with the Paris agenda and to increase results orientation in Dutch development cooperation. The central evaluation department has long been engaged in joint evaluation work; recently it has embarked on conducting impact evaluations applying mixed methods. Various support programmes have been developed to train embassy staff in the fields of public finance management and institutional and capacity development. In principle, local partners may participate in these programmes.

Incentives

The most important incentive at headquarters level is the commitment to the Paris Declaration by the political and managerial leadership at the Ministry. No specific incentives were deemed necessary to get staff engaged in implementing the Paris agenda, since the operational staff have become accustomed to the effectiveness agenda by working with the sector-wide approach, budget support and harmonisation processes for a considerable period of time.

The government's overall policy on management and supervision and the procedural guidelines for development cooperation are adequate and sufficiently flexible for the purpose of alignment and harmonisation in development cooperation. These financial frameworks form no a priori barriers to the implementation of the Paris Declaration, provided that the accountability on the part of the partner country and the intermediary implementing partners is assured.

In spite of the considerable level of commitment to and capacity for the implementation of the Paris agenda at the Ministry of Foreign Affairs, several challenges remain to be addressed. These include:

- the overly technical and administrative nature of the Paris agenda that threatens to obscure the more substantive and political issues of development;
- the tension between the principle of ownership and the input targets;
- the limited debate about the validity of the policy theory behind the Paris Declaration, questioning the approach itself;
- the difficulties in the practice of donor harmonisation and the resulting slow progress in effectively working together (delegated cooperation, multi-donor trust funds);
- the lack of insight into the real changes that have taken place so far as a result of donor harmonisation and alignment.

4 IMPLEMENTATION OF THE PARIS DECLARATION AT EMBASSY LEVEL

4.1 Introduction

This chapter describes the ways in which the Netherlands embassies in nine partner countries (Bangladesh, Bolivia, Mali, Senegal, Sri Lanka, South Africa, Uganda, Zambia, and Vietnam⁵³) have tried to put the five principles of the Paris Declaration into practice. The information is based on an analysis of the embassies' annual and multi-annual plans (2004 – 2007)⁵⁴ and annual reports (2003 – 2006). In addition, information was gathered from the embassies by means of a questionnaire. It should be noted that the Netherlands embassy in Sri Lanka reported only general aspects of the implementation of the Paris Declaration because the Netherlands is currently winding down its bilateral aid to that country and is mainly providing humanitarian assistance and support for human rights.

The survey included questions on ownership, alignment, harmonisation, managing for results, and mutual accountability. It also canvassed the embassies' views on the extent to which the various actors (the Netherlands, other donors and the partner country) are in concordance in their approach to the implementation of the Paris agenda. Finally, information was requested on the interaction between the headquarters of the Ministry of Foreign Affairs and the embassy, including the ways in which the embassies have received advice and support in relation to the implementation of the Paris Declaration.

4.2 Putting the Paris Declaration principles into practice

This section describes the intentions (*input*) of the Netherlands in the partner countries with regard to implement the five principles of the Paris Declaration. As mentioned in chapter 1, compliance in terms of *output* (results) will be captured by the various evaluations at partner-country level, which will document and assess the behaviour of the embassies and field offices of the different development partners and the Netherlands. However, where relevant, reference will be made to results realised in Dutch development cooperation practice, which are documented in Annex 1 of this report.

4.2.1 Ownership

Political dialogue

The nine embassies report a general trend from bilateral policy dialogue and interaction, towards dialogue between a group or groups of development partners and the partner country government. However, the relative importance of multilateral and bilateral dialogue depends on the context of the particular partner country. The Netherlands promotes and is active in multi-donor/ multi-agency development dialogue.

- In Uganda and Zambia, the Netherlands has joined other development partners in a Joint Assistance Strategy, resulting in prominent multilateral policy dialogue with these countries in general and at the sector level.
- In Mali, the Netherlands is fully engaged in multilateral dialogue.
- In the other countries, multilateral policy dialogue is on the increase, although the Netherlands still engages in bilateral dialogue.

⁵³ All are countries which have commissioned an evaluation at partner country level. The Netherlands embassy in the Philippines was not covered by the survey because the Netherlands no longer has a long-term bilateral aid relationship with that country.

⁵⁴ Although the first generation of Multi-Annual Strategic Plans predates the Paris Declaration, the plans have been reviewed in order to identify whether they discuss the various concepts which were included in the Paris Declaration.

- The policy dialogue between the Netherlands and the South African counterparts and the interaction with the other development partners did not change on the adoption of the Paris Declaration, because of the existing strong ownership among South African institutions and the country's sound development policy. Policy dialogue between the Netherlands and South Africa is mainly bilateral. For its part, South Africa uses the Paris Declaration to hold development partners to account with regard to their commitment to national ownership.

In Zambia, where the structures for dialogue are formalised in most sectors, the authorities no longer need to engage in time consuming consultations with individual donors. The flip-side of the coin is that active, sector-leading donors, such as the Netherlands, need to invest considerable inputs to prepare common points of view, engage in joint analytical work, joint missions and the setting up of common financial and administrative arrangements.

Country Leadership

All nine Netherlands embassies note that the government of the partner country has taken initiatives to practise its leadership role; in South Africa and Vietnam there is already a strong degree of ownership at the level of the central government. A number of countries have passed legislation regarding the use and channelling of external aid, have established Harmonisation Action Plans or have established joint Government–Development Partners Committees. In general, the Netherlands embassies in the various partner countries are willing to accept the host government's leadership role, especially where active government involvement and involvement of other national stakeholders has resulted in adequate PRSPs. The embassies point out their willingness to engage in supporting institutional and organisational capacity-building processes to foster and facilitate host country leadership.⁵⁵ They report that the extent to which leadership is taken up by the partner country government is related to the quality of the partnership between the developing partners and the government. According to one of the embassies, ownership will only work if donors refrain from dictating policies⁵⁶ and if at the same time the national government becomes genuinely politically committed to development and to eradicating poverty. Another decisive factor for country leadership is the capacity of the national government. In countries with weak national institutions and capacities, capable government officials are often severely overstretched. The embassies noted that this issue cannot be addressed easily or in the short run. However, it was stressed that development partners could and should provide support through demand-driven capacity development programmes.

Whose Ownership?

The Dutch aid programmes in the partner countries commonly aim to foster a partnership relation with the central government. Dutch embassies therefore mainly focus their attention on promoting "country ownership" among central government institutions. At the same time they recognise the need for a much broader ownership in order to achieve effective development. In cases where the Netherlands operates as sector-lead donor, the range of

⁵⁵ Interestingly, the Netherlands substantially reduced its technical assistance support at the time the sector-wide approach was introduced. In 2002 the European Centre for Development Policy Management published a study on how the pooling of technical assistance could be used to support new aid modalities and promote harmonisation and alignment. The study was commissioned by the Directorate General for International Cooperation of the Netherlands Ministry of Foreign Affairs. See <http://www.capacity.org>.

⁵⁶ In this context, the IOB evaluation of Dutch Africa Policy observes that donors perceive general budget support as resulting in the aid relationship changing to one characterised by fewer conditionalities and increased partnership. However, it is also noted that not all donors share this point of view, whilst the partner countries regard the different performance and process indicators attached to the provision of general budget support as "new conditionalities" (Policy and Operations Evaluation Department, forthcoming). In addition, the joint evaluation of general budget support indicated a tension between "ownership" at the level of the partner country and the desire of the donors to promote their policies, principles and strategies. IOB's evaluation of the Netherlands' Research Policy 1992-2005 covering Bolivia, Ghana, Mali, South Africa, Tanzania and Vietnam noted a similar tension often leading to "back seat driving" by the donor (Policy and Operations Evaluation Department, 2007).

actors focused upon is wider: from the national to the local level and from both civil society and the private sector. Examples are the active involvement of civil society in the fight against HIV/Aids (e.g. Mali, South Africa, Zambia), private sector development (Zambia) and the support to administrative decentralisation (e.g. Mali, Senegal and Uganda).

Some embassies mentioned the lack of a genuine policy of and actions by the host government to achieve “ownership of development” among its citizens: “Development happens to citizens without them being able to influence development and to tailor development activities to their specific needs or situation”. Some embassies (e.g. Mali) reported a trend for civil society organisations to take on the role of programme implementers (as sub-contractors), which jeopardises their more political role of advocacy and lobbying.

It was also noted that countries experiencing frequent political changes, with concomitant discontinuity in the bureaucracy, have experienced a set-back in ownership as well as in the government’s capability to manage the donors. This has, for instance been the case in Bolivia.

4.2.2 Harmonisation

Experiences with donor harmonisation

The Netherlands is involved in donor harmonisation in the different partner countries in various ways.

- Donor harmonisation has progressed substantially in Zambia⁵⁷ and Uganda, where a group of donors and the partner government have established a Joint Assistance Strategy. In close cooperation with the government, the development partners realised a division of labour, restricting their number per sector. One donor is selected to be lead donor of the particular sector, and Joint Financing Arrangements (JFAs) are established. The Netherlands embassies in the two countries report positive experiences, albeit that the implementation of the Strategy requires a labour-intensive and long-term process. It is necessary to keep like-minded donors on track whilst preventing other development partners from bypassing JAS structures and procedures.

Box 4.1 Joint Financing Arrangements (JFAs)

Joint Financing Arrangements (JFAs) provide a legal framework for pooling funds. JFAs are part of the Nordic Plus Initiative on Harmonisation. A review in 2006 identified some problems e.g. with procurement, which have since been addressed. The review also showed that the use of the JFA template was not as frequent as the degree of harmonisation among the Nordic Plus donors would warrant. This led to the Directors-General for International Cooperation of the Nordic Plus donors sending a note to their representatives in the partner countries, urging them to make use of the revised JFA in their mutual discussions on joint funding arrangements and also in the dialogue with partner government authorities and other donors.

- In Vietnam, the Netherlands harmonises its aid mainly through Joint Financing Arrangements and by contributing to the Trust Funds of International Finance Institutions.
- In Senegal and Mali the Netherlands embassies consider that it is early days for donor harmonisation, which takes place on an *ad hoc* basis involving like-minded donors only. The Netherlands and like-minded donors are trying to support the government by exerting “peer pressure” on other donors in Consultative Group meetings. These platforms are also

⁵⁷ In Zambia, the Netherlands embassy has played a very active role in the ‘Harmonisation in Practice Initiative’ which led in 2003 to a Memorandum of Understanding on harmonisation signed by the Nordic Plus donors. Subsequently other donors (e.g. the World Bank, Japan, the UN agencies and GTZ) also signed the Memorandum of Understanding.

used by the donor community to reach a common stance regarding the shortcomings in the national administration that are hampering donor harmonisation.

- In Bolivia, the Netherlands has a leading role in promoting harmonisation, as it chairs the consultations of the European Union donors.⁵⁸
- South Africa is a somewhat special case, since this country does not consider further donor harmonisation a priority because external aid is only a fraction of the national budget. Most of the donors regard South Africa as a “post-Paris developing country”. Like-minded donors, among them the Netherlands, aim to transform their development relationship with this country into a broader bilateral relationship in which official development aid will remain important in the medium term.

Changes in the work at the embassy level as a result of donor harmonisation

Increased donor harmonisation has resulted in changes in the work at the Netherlands embassies, as well as in the composition of the Dutch aid programmes in the respective countries.

- In Senegal, the embassy has modified its design of aid modalities by establishing a simple Performance Assistance Framework (PAF). The Netherlands provides budget support where possible, and has taken steps to broaden the bilateral review process by actively involving other donors in the dialogue with the government about the outcomes of such reviews. As the lead donor in “environment”, the Netherlands has put considerable effort into assisting the Ministry of Environment to establish a Medium-Term Expenditure Framework (MTEF). The embassy expects that this MTEF may inspire donors still working in project mode to engage in other aid modalities.
- In Mali, engagement in the multi-donor dialogue with the authorities is proving to be a time-consuming activity for Netherlands embassy. Progress in the sectors supported by the Netherlands is measured through joint reviews.
- Bangladesh is changing very slowly from projects to programmes. The number of consultations has increased considerably in the health and education sectors, where a programme approach is being pursued. The chairing of the consultative groups rotates, with the Netherlands taking its turn.
- In Zambia, the embassy noted increased work pressure to engage with like-minded and less like minded donors in the sectors where the Netherlands is currently leading (education and private sector development).⁵⁹

The changes in the work of the embassies as a result of donor harmonisation include: increasing general budget support, sector concentration in the development programme whilst simultaneously diminishing the number of stand-alone projects, agreeing with other donors on joint financing e.g. through Silent Partnerships Agreements, and applying joint procedures and common reporting formats. The embassies noted that consultations on joint financing agreements are very labour- intensive and time-consuming and result in high transaction costs in the short term.

In the Dutch bilateral aid programme with the 36 partner countries there has been considerable concentration in sector support, as demonstrated by Table 1.2 in Annex 1. Table 1.3 in the same annex shows information on sector concentration in a number of partner countries in Africa, in which the maximum number of sectors supported is three.

⁵⁸ As mentioned in chapter 3, the Netherlands embassies in the partner countries representing Luxemburg as EU Chair in the first half of 2005 took the lead in developing the so-called EU Road Map for harmonisation. The intensive dialogue at the level of Heads of Mission of the EU Member States in the partner countries required considerable inputs.

⁵⁹ Activities in the health sector have been handed over to Sweden, and the Netherlands is withdrawing from the water sector and from environment.

Box 4.2 Performance Assessment Framework (PAF) and Medium-Term Expenditure Framework (MTEF)

A *Performance Assessment Framework (PAF)* is a monitoring and review framework for measuring progress towards the achievement of outputs defined in the national plan or PRSP. PAFs contain a set of indicators that have been agreed by the development partners and the government, but should be based on the country's own monitoring systems. The indicators are reviewed annually. In partner countries where budget support is provided, the PAFs form a central element in the policy dialogue with the government during the process of committing new funding. This dialogue contributes to reinforcing the government's institutional capacity in planning, implementing, monitoring and evaluating its programmes. Further, when donors apply similar performance indicators, the transaction costs are lower. PAFs are a way of aligning the performance assessments used by development partners with those of the government.

A *Medium-Term Expenditure Framework (MTEF)* is a "multi-year public expenditure planning exercise which is used to set future resource requirements for existing services" within the context of "projections for the total resource envelope available to government from domestic and external resources" (Pearson, 2002). It serves to programme all resources and expenditures together and so helps make explicit the implications of resource allocation decisions on development priorities.

Three types of frameworks may be distinguished: a Medium-Term Fiscal Framework (MTFF) which establishes a broad resource envelope for government, based on macroeconomic and fiscal efficiency estimates; a Medium-Term Budget Framework (MTBF) which helps to allocate resources over time according to sector and national priorities; and the MTEF itself that adds the dimension of activity and output based planning to the process.

The MTEF is a planning and budget formulation process through which the government establishes credible commitments to set appropriate fiscal targets and to allocate public resources to strategic priorities within these targets.

Although the provision of general budget support has gradually increased, especially in Africa (see Figure 1.3 in Annex 1), as yet there has been no major change from sector budget support to general budget support in the selected partner countries (see Figure 1.1 in Annex 1). The shift in aid modalities for the nine partner countries covered in this evaluation is variable: it reflects the policy of the Netherlands and of the partner country⁶⁰ and also the conditions in the partner country that determine the scope for such shifts in the aid modalities.

Changes in the character of consultations on harmonisation

Most embassies note that in recent years there has been a major change in the consultations on harmonisation. The DAC Monitoring survey of 2006 provided an impetus for donor harmonisation, by alerting donors and partner country governments. Not all the developments are considered to be positive. Donors forging partnerships amongst themselves may undermine the position of the government, which is often weak already. The participation of multilateral agencies in the harmonisation process appears to be relatively limited.

The following points emerged from the questionnaire responses:.

- The most prominent changes have occurred in Zambia, where the relatively small group of like-minded Nordic Plus donors initiated "Harmonisation in Practice", which led to the Joint Assistance Strategy. As noted above, a larger group of donors became involved. It is envisaged that the group will be enlarged further by including "new" donors like China.

⁶⁰ For instance, South Africa does not wish donors to provide sector budget support or general budget support. General budget support in Uganda has increased considerably (see Table 1.1 in Annex 1).

The embassy noted that the multilateral agencies are still largely “doing their own thing” by working in a less harmonised manner.

- Uganda provides a similar case: the Joint Assistance Strategy includes a growing number of development partners and the “division of labour exercise” currently involves 23 of the 26 bilateral and multilateral donors.
- In Bangladesh, where harmonisation is in its infancy, the Netherlands embassy notes encouraging changes. Until recently, the Local Consultative Group encompassing all donors was not functioning adequately; only the four largest donors⁶¹ were engaged in a joint dialogue with the government. Furthermore, there was no incentive to pursue or increase harmonisation as the government lacked interest and did not exert any pressure. However, the DAC monitoring survey for the Paris Declaration in 2006 alerted a number of development partners to the Paris agenda. At the same time, the interim government took measures that improved the prospects for donor harmonisation. Recently, the Netherlands, together with other EU donors and Canada and Switzerland has started a dialogue to establish a Joint Assistance Strategy.⁶²
- In Mali, consultations on donor harmonisation have led to the establishment of a Joint Donor Secretariat. The Netherlands embassy has joined this initiative reluctantly, fearing it may undermine the ownership of the Malinese government. The Netherlands would prefer to strengthen the government-led *Secretariat d’Harmonisation*.
- In Senegal, the discussion on harmonisation at the national level started in 2006 with the DAC monitoring survey. National leadership regarding the Paris agenda is not strong and a plan of action has not yet led to more intense donor dialogue beyond the donors who provide general budget support.
- In Bolivia, the Netherlands embassy has been active in so-called “round tables for harmonisation” initiated by the Ministry of Planning. However, the consultations in these thematic and sectoral round tables were not very successful. Currently, donors are engaged in a more systematic sector analysis, the results of which will be shared with the government. A logical next step, according to the embassy, would be to establish a Performance Assessment Framework and agree on further donor harmonisation and alignment with the National Development Plan.

Aligning the Netherlands Multi-Annual Strategic Plans (MASPs)

As mentioned in chapter 3, the Netherlands is currently drawing up its Multi-Annual Strategic Development Plans (MASPs) for the support to partner countries for the period 2008-2011. The embassies in Uganda and Zambia see good prospects for bringing their MASPs into line with the Joint Assistance Strategy. The embassy in Vietnam indicated that it would base its MASP on the national development plan. In other countries, the multi-annual plan will be based as much as possible on other types of harmonisation agreements, such as the Joint Country Strategy Paper established by like-minded EU donors and the European Commission in South Africa. The embassy in Mali indicated that its MASP will have to be flexible in order to take account of the expected Joint Assistance Strategy.

Challenges to donor harmonisation

The response by the Netherlands embassies indicate that they play an active and often leading role in donor consultations on the implementation of the Paris Declaration. Being a important donor is considered an advantage when engaging in consultations with the partner country government with the aim of assisting it to assume leadership of the Paris agenda. Together with like-minded donors that are “ahead of the crowd”, the Netherlands embassies have singled out a number of challenges with regard donor harmonisation.

⁶¹The UK, Japan, the World Bank and the Asian Development Bank.

⁶² Initiated during the Dutch EU Presidency of 2004, an EU policy framework was endorsed comprising the following actions: build stronger partnerships within the international community, leading to a common approach among donors; intensify and broaden the EU political agenda; focus on stronger performance- based benchmarking of aid to mutually agreed governance indicators.

- A considerable number of bilateral and multilateral development partners continue to need “visibility”, have high ambitions to lead in a sector, show limited flexibility for working jointly, and prefer bilateral dialogue with the partner government.
- Other development partners continue to be “project-oriented” and consider the Paris Declaration to be relevant only for the donors providing budget support.
- Often, donors see the delegating of responsibilities to the partner country as problematic, on account of their own political, administrative and legal requirements and because of a lack of trust in the partner country’s policies and administrative procedures.
- Some embassies mentioned that the intensified consultations at the national level reduced the time available to monitor developments at the field level. This problem is also caused by the need to pay more attention to administrative processes.
- A critical note was raised about the Silent Partnerships, which are considered the most advanced example of harmonisation. They work best if all donors participate. If this is not the case, “non-like-minded donors” tend to get a much more prominent voice in the discussions. Moreover, the embassies are not clear about their role in the case of adverse developments in sectors in which the Netherlands is only a minor contributor.

These issues are corroborated in Section 4 of Annex 1 which presents some initial findings on harmonisation and alignment based on the currently ongoing IOB evaluation of the sector-wide approach of the Netherlands in the water sector in seven partner countries.

4.2.3 Alignment

At the operational level, the Netherlands is paying increasing attention to aligning its policy, procedures and processes to those of the partner countries. How and to what degree this has taken place depends on the specific context of the respective partner country. It appears that process alignment is more advanced than policy alignment.⁶³

The following observations can be made.

- Policy alignment has increased gradually in Zambia, especially since 2006, and the Netherlands is aligning with national financial and procurement systems. Currently, national reporting systems are used. The Netherlands is striving to achieve general and sectoral budget support, and non-earmarked core financing of non-government institutions. By engaging in Silent Partnerships and other types of delegated cooperation arrangements, donor systems are being streamlined to align them with the country’s procedures and rules. The Netherlands commits its contributions in local currency.
- In Uganda, the Netherlands embassy applies Ugandan systems and procedures to general and sectoral budget support.
- Besides having aligned bilateral aid to the national policy framework, the embassy in Bolivia is adhering to national systems and procedures as much as possible. It has done so in the education and environment sectors, although it took considerable time and effort to reach agreement on common basket financing in the education sector.
- In Mali, some 70% of Dutch bilateral funding is provided as fully aligned budget support, with other activities adhering to national procedures.
- In Vietnam, Dutch ODA flows through the financial systems of the government and is aligned with Vietnamese policies.
- In South Africa, much of the Dutch bilateral funding is channelled through the government’s Reconstruction and Development Programme, with procurement applying

⁶³ A senior member of staff at headquarters mentioned that the implementation of the Paris Declaration is resulting in increased process alignment. He warned that this may stand in the way of achieving the policy alignment that in his opinion is the central message conveyed in the Paris Declaration.

national procedures; the reports of the South African Court of Audit are used to account for activities implemented through line ministries.⁶⁴

Figures 1.1 and 1.2 in Annex 1 provide information on the ways in which the Netherlands is achieving partial alignment (through sector budget support) and full alignment (through general budget support) with the nine countries at issue. Sector budget support has increased greatly in importance compared to general budget support. This is a consequence of local conditions, see also Section 4 in the same annex.

Conditions for alignment are not always in place

Obviously, “full alignment” of the aid programme becomes possible only in situations of good policy and good governance. Since this is not yet the case in most of the partner countries mentioned above, part of the aid portfolio remains non-aligned. Moreover, “alignment with the government” is not similar to “alignment with the partner country”, which has many more systems (NGOs, national parliament, private sector). The challenge is to align with these segments of society.

Another challenge is posed by the slowness, inflexibility and differing degrees of substantive integrity of national administrative and financial systems and procedures compared to those of the Netherlands and other development partners. Moreover, new governments (e.g. Bolivia) may institute administrative reforms that result in changes to financial and administrative rules and regulations. It is considered important to test national procedures in order to assess whether they may lead to fiduciary risks and reduce the effectiveness and efficiency of aid implementation.⁶⁵ These risks are recognised and monitored by the embassies, in order to ascertain whether they remain acceptable.

Dutch administrative rules and regulations

At headquarters level, the Ministry of Foreign Affairs insists on adherence to rules and regulations that may not be easily “alignable” in specific country settings. This problem confronts many donors and agencies. On their part, embassies would like to see more flexibility in administrative rules and regulations; some see the *Procedural Guidelines for Development Cooperation* as rigid, restricting the compatibility of Dutch administrative procedures with those of other donors and of the partner country without further adaptation.

Where common formats have been designed (delegated cooperation / Silent Partnerships) there has been some difficulty to tailor these to the national situation.⁶⁶ According to the embassies, the solving of administrative issues commonly requires considerable effort and is complicated by the limited legal expertise at most of the embassies and other donors’ representations. Hence, they note that establishing Joint Financing Arrangements requires a long process involving many headquarters.

Support to improve partner countries’ systems and procedures

The majority of the embassies mentioned involvement in a wide range of activities to help improve partner countries’ systems and procedures.⁶⁷ Often, these activities are undertaken jointly with other development partners. This applied, for instance, to the government-wide Public Expenditure Management and Financial Accountability Programme in Zambia.

⁶⁴ Full alignment is possible in South Africa, but the government does not wish to receive general budget support. As a result, the Netherlands provides sector support through government projects and programmes as well as to local government institutions and NGOs.

⁶⁵ This particular issue has been flagged in the ongoing evaluation of the Policy and Operations Evaluation Department of the sector-wide approach in the water and sanitation sector and the environment sector in a number of Dutch partner countries, including Senegal. See also Section 4 in Annex 1.

⁶⁶ Embassies noted important differences in flexibility among donors.

⁶⁷ The Netherlands embassy in South Africa mentioned that South Africa does not wish to involve its development partners in improving its national systems and procedures. In any case, the embassy considers these systems and procedures adequate, albeit that the transfer of funds from the central to local level is generally slow.

Capacity building in line ministries is part of support to sectors where the Netherlands is a lead donor. In other cases, support is provided to Public Finance Management Reforms (Senegal) or it has been insisted that the government develops criteria and indicators for public finance management, decentralisation, and legal reforms (Mali). Such criteria and indicators may serve as benchmarks in the multi-donor dialogue with the national authorities and for holding the national authorities to account. Elsewhere, the Netherlands supports independent audits of national administrative and financial procedures⁶⁸, or conducts organisational scans of implementing organisations (Bolivia). Finally, in Uganda the Netherlands embassy provides support to the national procurement organisation, the national tax system and the Inspector-General for Government.

4.2.4 Managing for results

All the embassies involved in the survey report that the development activities wholly or partly supported by the Netherlands are – or are becoming – results-oriented. Steps taken include ensuring that proposals are formulated on the basis of logical frameworks and results are reviewed on the basis of Performance Assessment Frameworks (PAFs). The embassies frequently help develop performance matrices in sectors of importance to the Netherlands. Similar action is taken where the Netherlands provides budget support on a multi-annual basis; results orientation is used as a precondition when defining the “variable part” of sector budget support and general budget support.⁶⁹ The current design for the Multi-Annual Strategic Plans requires embassies to pay due attention to results orientation.

Where necessary and feasible, the embassies aim to provide support to partner country institutions to help them become more results-oriented. At a general level, results orientation is emphasised in the dialogue with the authorities. The specific actions taken and support provided depend on the country context.

- The embassy in Zambia is involved in consultations on definitions and the practicalities of monitoring in general, and contributes to establishing monitoring systems at the sectoral level.
- In Bangladesh, managing for results is always put on the agenda for deliberations with the government in various forums.
- Other embassies are similarly keeping up or increasing the pressure where needed. The embassy in Uganda is of the opinion that development partnerships cannot be non-committal, but should evolve into development contracts in order to improve development results.⁷⁰
- In Bolivia, programme counterparts are requested to introduce output and impact indicators and to conduct base-line studies. If requested, the Netherlands embassy provides support to the counterparts to develop such indicators.

The afore mentioned IOB evaluation of the sector-wide approach of the Netherlands in the water sector in seven partner countries indicates that management for results is only slowly getting off the ground (see Section 4 in Annex 1).

Challenges and obstacles

The embassies encounter a range of issues regarding managing for results, most of them related to weak capacity at the national level and hesitation from donors due to institutional, political, procedural and motivational circumstances.

⁶⁸ For instance, at the request of the Netherlands, an independent audit was done of procurement practices in the Ministry of Environment of Senegal; it resulted in an action plan being drawn up by the Ministry.

⁶⁹ It is the proportions of sector and general budget support that are variable: they are defined by the donor on the basis of an analysis of the country's performance.

⁷⁰ This is in conformity with the recent policy letter of the Netherlands Minister for Development Cooperation, which also points out the need to establish development contracts.

Points raised were:

- Lack of clarity about the level at which results are to be defined leads to confusion about assessing how externally supported interventions should contribute to the development objectives. Moreover, results cannot always be captured in “hard” data. There is a danger of ‘data fetishism’ at the cost of genuine policy dialogue and policy monitoring.
- There is often no clear and robust Results Framework connected to the country’s PRSP. Where data collection and analysis by national institutions is weak and data cannot be disaggregated, analysis of the aid and development effectiveness at the level of specific segments of society becomes elusive.
- There may be cases where donor support maintains the *status quo*. The important challenge for donors is to ensure that ownership coincides with a policy that is genuinely focused on poverty alleviation. There must be contractual partnership relations between development partners and the partner government.
- If there are institutional, political, procedural and motivational blockages to results orientation, it is difficult to strike the balance between “do we (the development partner/partners) take action and intervene, or do we keep our distance in view of adhering to the ownership principle”?
- Finally, the Paris Declaration cannot be expected to change things overnight. In the case of new aid modalities such as general budget support, it is extremely difficult to measure and attribute results .

4.2.5 Mutual Accountability

Development partner accountability

The embassies mentioned a variety of measures to improve the accountability of the Netherlands towards the partner country. These can be summarised as follows:

- Where the Netherlands participates in Joint Assistance Strategies (Uganda and Zambia), information about the Netherlands commitments is provided to the relevant authorities and established funding patterns for aligned programmes are respected. In Uganda it is also ascertained whether the Netherlands-supported activities are “on budget”.
- Where the Netherlands frequently operates as the local Presidency of the European Union (for instance in Mali), it has been agreed with the authorities to hold regular political consultations between the EU donors and the authorities to discuss the issue of mutual accountability.
- General budget support which initially aimed at merely “plugging holes in the national budget” in an ad hoc fashion has been transformed into results-oriented support which implies that the partner country should report on results. Currently general budget support provided to partner countries in Sub-Saharan Africa is increasingly provided in a multi-year perspective (see Section 1 Shifts in Aid Modalities in Annex 1).
- In Bolivia, the embassy informs the Ministry of Planning on a regular basis about the status of Dutch-supported activities. All contracts with government institutions are also signed by the Ministry of Planning.
- The Netherlands embassy in South Africa aims to provide timely information to the Treasury as well as to sector ministries.

The various embassies consider the predictability of the volume of aid provided by the Netherlands to be an issue, though the importance they attach to this differs from country to country.

- In aid-dependent countries such as Zambia, Uganda, Mali, and Senegal, the Netherlands embassies consider the predictability of Dutch support to be a major issue. They consider it important that the Netherlands is able to commit on a multi-annual basis in order to be a predictable and reliable donor. Fluctuating amounts of general budget support are regarded detrimental for the quality of the partnership relationship as well as for the local development processes the Netherlands supports.

- In South Africa, Bangladesh and Vietnam, which are not aid-dependent and where the Netherlands is not a major donor, predictability is not considered very important.
- In Bolivia, the predictability of Dutch aid is considered to be less important compared to the “absorption and spending capacity” of the government.

Partner country accountability

Although this particular issue is to be studied in the evaluations at partner country level, a number of embassies provided their opinions on the ways in which partner country accountability is perceived. A very mixed picture emerges, with accountability to the development partners slowly improving whereas accountability to the country’s citizens generally remains weak in a number of countries. In some countries, there are improvements, because the government is paying increasing attention to the Parliamentary process. South Africa is an exception, with the government being accountable to its citizens through Parliament. Its Programme of Action and the reports on results are in the public domain.

Support to enhance accountability

All embassies, except the one in South Africa, have taken initiatives to directly or indirectly support the partner country to improve accountability. The activities focus mainly on central government institutions, although in some cases local government is supported too.

Support ranges from:

- Support to Civil Society Organisations in Zambia to allow them to participate in Sector Advisory Groups established by donors and the government. The government is being urged to take these Groups more seriously. Direct support to the Court of Audit and Transparency International, which has resulted in increased transparency as well as media attention to transparency and accountability issues.
- Financial support to authorities to enable them to improve their administration where relevant for harmonisation and accountability, and dialogue with other donors to facilitate their involvement with the authorities on a more equal footing.
- Financial support to a group of members of Parliament in order to improve the dialogue in Parliament regarding the budget of the Ministry of Environment (Senegal).
- General support to overall administrative and financial government systems in order to stimulate administrative reform, improve transparency and accountability and combat corruption (Vietnam, Bolivia).

Most embassies indicated that capacity building among partner country institutions mostly occurs indirectly through regular work processes: “capacity building on the job” and through dialogue. This includes political dialogue with government to improve democracy, and the provision of direct support for elections (Bangladesh), and active involvement in the first annual Implementation Review of the PRSP (Uganda), and consultations with the government to institute joint annual reviews of the PRSP with a broad participation and a proper review procedure (Senegal). Moreover, the embassies in Senegal, Bolivia, and Vietnam provide or aim to provide specific technical assistance to support alignment and harmonisation in general; those in Senegal⁷¹, Bolivia, Uganda and Zambia provide support at the sector level too.

In principle, staff of partner country institutions and other development partners may participate in the various capacity training programmes provided to the staff of the Netherlands embassies (see section 4.4.4). Such participation mainly occurs in the context of the Public Finance Management Support Programme. The recently introduced Strategic

⁷¹ The embassy has established the *Fonds de Renforcement Institutionnel du secteur de l'Environnement au Sénégal* (€ 500,000 per year) which is used to help build the capacity of the Ministry of Environment and other actors.

Governance And Anti-corruption Assessment (SGACA) involves a moderated two-day workshop for embassy staff; the analytical part of the workshop programme is open to selected external stakeholders.

It was mentioned that development partners tend to develop individual support initiatives, which need to be consolidated. An example of a “consolidated approach” is the Joint Programme for Harmonisation, supported by like-minded donors to increase the capacity of the Vietnamese Ministry of Planning.

A recent development which will be supported by the Netherlands is the establishment of a multi-donor fund to provide support to enhance the statistical capacity of partner countries. This initiative is a direct result of the Hanoi Round Table on Development Results held early in 2007.⁷²

4.3 Capacity at Embassy Level

This section describes the embassies’ opinions of whether they are sufficiently equipped to implement the Paris Declaration.

4.3.1 Required Capacities

The assumption that the implementation of the Paris Declaration requires different capacities of the embassies in terms of staff number and skills is confirmed by most of the nine embassies. However, they also indicated that the adoption of the Paris Declaration has not brought about dramatic changes to procedures at embassy level. Rather than forcing a completely new way of working onto the embassies, the Declaration is a codification of approaches that have gradually been developed and adopted in Dutch development cooperation.

The embassies argue that the Paris agenda requires a balancing of the different kinds of expertise present at embassy level. The shift from project to programme aid has reduced demand for sector expertise, but increased demand for expertise on institutional aspects and capacity building⁷³. There is also a clear need to build up the expertise on public finance management. At the same time, more harmonisation and increasing division of labour may mean that it is no longer necessary for each individual donor to maintain a wide range of sector experts at embassy level.

As mentioned in chapter 2, the shift from projects to programmes and from sector support to general budget support has been in progress for a considerable number of years and staff have been rearranged accordingly. However, this process has been accelerated by the adoption of the Rome and Paris Declarations. The mindset required when working in budget support mode is different: much more political and diplomatic awareness and skill are needed⁷⁴ – especially where the Netherlands is lead donor and the embassy has to coordinate and negotiate in an international arena and thus must be involved in organising, coordinating, mobilising, and networking at the central level. Respondents indicated that embassy staff have to be able to conduct multi-partner dialogue, think strategically, recognise opportunities and threats, be able to build coalitions, be very tactful, be sufficiently

⁷² Information provided by the Effectiveness and Quality Department (DEK).

⁷³ This is why the SPICAD programme was developed. Regarding sector expertise, some respondents argue that the ‘traditional thematic expertise’ may no longer be needed in the medium term. Rather, a new type of thematic expert is required, in order to engage in adequate dialogue at the sector level and to deal with ‘micro–macro’ issues.

⁷⁴ A response from one of the embassies suggested that sector specialists may be not very eager to let go of projects or programmes in which they have been involved for a long time: a very understandable reaction.

versatile to be able to handle a mix of implementation modalities and have sufficient stamina to survive the long and frequent meetings at which agendas are usually worked through frustratingly slowly.

Most embassies indicate that they have sufficient personnel and a good mix of skills to meet the requirements for implementing the Paris Declaration. However, the following are seen as challenges:

- It takes time to reorient sector specialists so they become experts on harmonisation in practice.
- The work pressure is high and it remains to be seen if harmonisation and division of labour among donors will indeed permit embassy staffing to be downsized in the medium term.
- As mentioned earlier, the need to stay involved in coordination and harmonisation activities has resulted in ever fewer opportunities to monitor development progress at field level. Embassies consider such monitoring to be an important adjunct to other sources of information, and want sufficient time to be scheduled for field visits.
- Some development partners still have very centralised decision-making. This situation hampers dialogue with donors at the country level on adherence to the Paris Declaration. For certain issues, e.g. untying of aid and harmonisation of procurement, engagement in a dialogue at headquarters level would be more effective and efficient.

4.3.2 Devolution of authority

As described in chapter 3, the aid administration of the Netherlands is characterised by decentralisation and the devolution of decision-making. As a result, Dutch embassies have much autonomy and authority to develop policy, and handle financial issues and administrative matters.⁷⁵ In their annual plans, embassies frequently mention that the delegation of responsibility to them has enhanced their ability to be effective in the policy dialogue with partner country institutions and with development partners.

Nevertheless, a number of bottlenecks are experienced:

- Departments at headquarters continue to finance projectised activities from central budgets, which sometimes do not fit into the defined sector focus. This frustrates the agreed division of labour across sectors, and can be detrimental to the principles of alignment and harmonisation.
- Formats for delegated cooperation developed at headquarters level (e.g. the arrangements and formats developed by the Nordic Plus donors) are not sufficiently flexible to national conditions. In order for other developing partners to participate in delegated cooperation arrangements, the arrangements and formats must be modified further: the embassies lack the legal expertise to do so on their own.
- The “interventionist attitude” of headquarters has spawned a plethora of parameters, dimensions, logical inferences to be used in analyses, conditionalities and dialogue. This places a heavy burden on the partner country involved and on the embassy.
- Finally, according to some embassies headquarters’ belief in the efficacy of changing the management and measurability of aid and development interventions is not always appropriate given the local conditions.

⁷⁵ The multi-annual strategy plans and annual plans submitted by the embassies to headquarters for review and adoption form the framework for the autonomy of decision-making at the level of the embassies. The autonomy was increased by the decision taken in 2007 to make embassies the budget holders of the funds to be used to provide general budget support. Up till then, this budget line for general budget support had been handled by the Effectiveness and Quality Department (DEK).

4.3.3 Applying the instruments

This section describes the embassies' application and assessment of the instruments presented in chapter 3.

Track Record

The main purpose of the Track Record in its current format is to analyse a partner country's policies, institutions and reform dynamics so as to decide on the most appropriate mix of aid modalities and the degree of alignment. In general, the Track Record is considered a useful instrument to serve as a basis for informed and well-argued policy-related decision-making. This was confirmed by the review of the instrument conducted by the Quality and Effectiveness Department (DEK) in 2006.⁷⁶ Despite this, the respondents had some criticisms of the instrument. Criticism is also mentioned in recent evaluations of the Ministry's Policy and Operations Evaluation Department (IOB).

The first relates to its methodology, which some embassies consider rather cumbersome and theoretical, arguing that reality cannot always be captured in indicators and that one should beware of creating an "artificial objectivity". This point was illustrated by the experience of 2006, when changes in the way certain criteria (e.g. good governance) were to be assessed and rated impacted considerably on the choices to be made.⁷⁷

A second issue concerns the use of the instrument in decision-making. Embassies primarily consider the Track Record as a tool for reporting to headquarters so that decisions can be made at that level; they do not see it as an analytical instrument for decision-making at embassy level. Most of the embassies consider the Track Record to be an indispensable instrument for deciding about the possible degree of alignment and the choice of aid modalities, but feel it is not enough. There are other important considerations in deciding alignment and selecting the mix of aid modalities, such as political circumstances, policy arguments and the positions of other donors vis-à-vis the partner country.⁷⁸

There have been differences of opinion between the embassies and headquarters about the final judgement to be derived from the Track Record scores. The embassies have tended to be more upbeat positive in their judgement – possibly because of their close involvement in policy dialogue at the country level and their wish to continue general budget support as a precondition for successful dialogue and to maintain the position of the Netherlands as a predictable and reliable donor.⁷⁹

As indicated in chapter 3, the embassies are to provide a general Track Record as well as Sector Track Records as part of their Multi-Annual Strategic Plans 2008-2011. Although the results of the analysis of the Track Records were not available at the time of writing, some of the embassies indicated that they consider the Sectoral Track Record useful in helping to choose between the aid modalities by sector.

⁷⁶ Hans Pelgröm and Marc Rooijackers, *Keeping on track*, report of a review of the Track Record, DEK, 16 June 2006.

⁷⁷ The Policy and Operations Evaluation Department's evaluation of Dutch policy on Sub-Saharan Africa found that the instrument leaves great scope for subjectivity. Judgements and conclusions were provided without adequate reference to the source of information. Initially, Track Records were drawn up by individual staff; currently they are a team effort, which should diminish subjectivity (Policy and Operations Evaluation Department, forthcoming).

⁷⁸ One embassy phrased it as follows: 'The choice for alignment and of aid modalities needs to depend on subjective (but well-argued) assessments which also include political arguments. The Track Record is not to be used as an instrument for objective legitimisation of a subjective choice.'

⁷⁹ See also the critical analysis in the Policy and Operations Evaluation Department's evaluation of the Dutch policy on Sub-Saharan Africa (Policy and Operations Evaluation Department, forthcoming).

Strategic Governance and Corruption Assessment (SGACA)

Since the SGACA instrument has only recently been introduced, there is not much experience in its application. Those embassies who have used it (some as a pilot) consider it overly complex and not very successful. Moreover, it is considered to be similar to the unharmonised instruments used by other donors.⁸⁰ Obviously, there are good arguments for consolidating these instruments.

Public Expenditure Financial Assessment (PEFA)

All nine embassies consider the Public Expenditure Financial Assessment to be a useful instrument. Its methodology is regarded as a great improvement compared to the fragmented instruments applied earlier by the World Bank, the IMF and other donors. In some countries where a number of PEFA's have been established, central government is becoming more interested in taking the lead and assuming ownership of the various issues and challenges in public finance. Although the instrument is taken seriously in most countries, it was pointed out that it only gives a snapshot of the current situation and does not provide an insight into the ways in which a country is aiming for improvements. One embassy suggested to use a series of PEFA's to analyse progress and mentioned that it would be inappropriate to use an individual PEFA for *ad hoc* decision-making.

Performance Assessment Framework (PAF)

The embassies surveyed have limited experience with Performance Assessment Frameworks (PAFs). Those who have worked with PAFs consider them useful for dialogue and negotiation. This is the case in Zambia, for instance, where the embassy considers it is a good example of collaboration in relation to the Joint Assistance Strategy. In Zambia, (smaller) PAFs are applied in specific programmes to enable managing for results in a more detailed manner. Where the PAF methodology is being developed, as in Mali, the embassy is endeavouring to develop a concise and transparent PAF for the PRSP.

Although Performance Assessment Frameworks (PAFs) are regarded as useful, one of the embassies was critical of their application. Developing a PAF, including defining the indicators, appears to be a long and painstaking process requiring much discussion of methodology. Care has to be taken that a PAF should include locally defined objectives, outputs and impacts instead of the results indicators defined by the donors.

The technical and methodological discussions are followed by increasingly political deliberations concerning the PAF. Important issues include: Do the political choices of the partner country lead to poverty reduction, and are different population groups treated equally? Some development partners tend to shy away from such discussions. One embassy stated that in order to avoid overloading the review processes, the development partners and their counterparts should spread the annual budget review and the different sector reviews over the year.

Guidelines for Financial Management

The embassies were asked how useful the General Guidelines for Financial Management⁸¹ are for the new ways of collaboration between development partners in general and in particular for developing "Silent Partnerships". The responses were quite diverse and there seems to be a certain degree of confusion about the General Guidelines for Financial Management and the specific Guidelines for Silent Partnerships.⁸² Some consider the latter not very useful, since they lack information on legal aspects.

⁸⁰ DfID introduced a Power and Change analysis, Norway operates a rather different Power and Change analysis and the European Commission has developed a Governance Analysis. Interestingly, one embassy mentioned that these instruments were subsequently applied by various development partners who used the same facilitator.

⁸¹ These Guidelines are part of the Procedural Guidelines for Development Cooperation.

⁸² This was confirmed by an interview with the Audit Department. Although the Ministry's Intranet provides specific instructions to guide and facilitate the establishment of Silent Partnerships, embassies are not always fully

Most embassies consider the General Guidelines sufficiently applicable to the context in the partner country in question. However, the embassies suggested improvements to their flexibility in order to reduce transaction costs.⁸³

4.3.4 Communication with Headquarters

In general, the nine embassies are positive about the support headquarters provides for the implementation of the Paris Declaration. There is frequent contact with the various departments at the Ministry, with the aim of facilitating the embassies' work relating to the Aid Effectiveness agenda.

Effectiveness and Quality Department (DEK)

The advice provided and instruments developed by this department are generally considered very positive, although a lack of sufficient contextual knowledge is sometimes noted. There is regular, intensive contact between DEK and the embassies. The latter consider DEK to be an important department giving solid advice focused on problem-solving and providing regular feedback on the development of new instruments or modification of existing instruments to be applied by the embassies.

Financial and Economic Affairs Department (FEZ)

The support provided by the Financial and Economic Department (FEZ) is also considered positive, but here too it is noted that its staff seem to have insufficient understanding of the local context in which the embassies have to operate. One of the embassies mentioned that the current discussion of the issues related to the Paris Agenda mainly involves DEK directly, with FEZ being largely indirectly involved. It is noted that long-term support is needed to handle the financial and administrative challenges encountered in establishing joint financing arrangements. It is important to adapt the Dutch administrative rules and regulations through tailor-made support, so they fit into harmonised administrative rules and regulations and formats.

The increasing importance of the Ministry's Legal Affairs Department, which provides adequate support in relation to the legal aspects of engaging in joint financing arrangements, is noted. Again it was said that it would be helpful if the Legal Affairs Department's knowledge were more partner-country specific.

Country Teams

Country Teams visit the respective countries once every two years.⁸⁴ Following each visit the team writes a report of its findings for stakeholders at headquarters⁸⁵ and for the embassy.⁸⁶

informed about these and have to resort to support from headquarters (the Financial and Economic Affairs Department and the Audit Department). As yet, no steps have been taken to train financial specialists or other embassy staff in these matters.

⁸³ One embassy considered the management information system of the Ministry of Foreign Affairs (*Piramide*) to be of little use in a situation of delegated authority.

⁸⁴ In the third quarter of 2007, country teams were instrumental in discussing the draft Multi-annual Strategic Plans for the period 2008 – 2011 when visiting the embassies (information provided by the Africa Department).

⁸⁵ The Director-General for International Cooperation, Director-General for Regional and Consular Affairs (responsible for the regional departments), the Quality and Effectiveness Department and the Financial and Economic Department, as well as relevant thematic departments.

⁸⁶ Reports of visits to eight of the embassies covered by this study were reviewed (there is no Country Team for South Africa). They discuss the mix of aid modalities and developments in the sectors supported by the Netherlands. In most reports the potential for harmonisation and alignment is central. Attention is paid to issues such as the political context, the government's attitude towards donors, the policy dialogue, good governance, Public Finance Management, and also the position of other donors vis-à-vis budget support and aid harmonisation. In many cases the report commends the embassy for its initiatives regarding aid harmonisation and efforts to involve other donors in the process. On two occasions (Bolivia and Senegal) it was agreed that the Ministry of Foreign Affairs would address the lack of willingness to harmonise with other development partners at headquarters level.

In general, the support provided and discussions with the Country Teams when they visit the embassy are considered very useful, as is the regular contact with the “focal point” in the Country Team: one embassy mentioned weekly prearranged telephone calls. It was noted that the usefulness of advice also depended on the personal relationships between embassy staff and staff in key positions at headquarters.

4.3.5 Support programmes provided by Headquarters

Embassies can make use of the various training and support programmes described in chapter 3. The use and usefulness of two programmes i.e. the Support Programme for Institutional and Capacity Development (SPICAD) and the Public Finance Management Embassy Support Programme (PFM-POP) merit attention.

Support Programme for Institutional and Capacity Development (SPICAD)

SPICAD is a very recent programme and so far most embassies have no experience of it. Those who have been involved consider it useful, but two embassies indicated that they do not wish to make use of the programme because it is supply-driven and focuses mainly on embassy staff.⁸⁷ However, another embassy mentioned that they had organised a workshop for external participants in connection with the programme.

Public Finance Management Embassy Support Programme (PFM-POP)

All embassies make use of the PFM-POP programme, which is considered very appropriate for embassies without a macro-economist on their staff. The periodic training provided to the Head of the Development Section, other policy officers and financial staff is conducive to mainstreaming the attention they pay to macro-economic issues. Most embassies indicated that other development partners and staff of partner country institutions participate in the PFM training. Some embassies mentioned that their staff also attend similar training programmes given by other development partners.⁸⁸

4.4 Views on the Paris Declaration at the embassies

This section describes the embassies' views on the consensus among the different stakeholders regarding the Paris Declaration. It also reports the embassies' opinions of the relevance of the Paris Agenda, the internal logic of its principles and the indicators used. It concludes with information on the incentives and disincentives that the embassies see as having an influence on the implementation of the Paris Agenda.

4.4.1 Concordance between the different actors in their approach to the Paris Declaration

The embassies covered by the questionnaire survey are positive about their own approach towards the Paris agenda and the general constructive attitude of the partner governments towards the new ways of handling development cooperation. Although the gap between intentions and achievements seems to be closing, the degree of concordance in practice still leaves much to be desired. Currently all partner country governments are well aware of the Paris agenda, are committed to it (to varying degrees) and have become more actively involved in its implementation.

The embassies consider alignment relevant and desirable in principle, but see it as possibly risky for a donor if the government is not willing to be held fully accountable for development

⁸⁷ This is contrast to the point raised by embassies that they lack expertise in institutional development.

⁸⁸ One embassy considers that other donors' training programmes are supply-driven; it was also opined that attendance at the multitude of workshops and training sessions provided by the various donors and development agencies is one reason why staff at the ministries are so often not in the office.

results. In turn, not all donors are willing to be held accountable by the partner country. Nevertheless, there is growing attention for and movement towards cooperation and coordination through regular sectoral, bilateral and multilateral dialogue. The partner countries that are very committed to the Paris Agenda (e.g. Vietnam) are prepared to review their legislation and procedures in order to allow its implementation. In South Africa, there is a difference of opinion between the government and a number of like-minded donors concerning the reciprocal nature of the Paris Declaration. However, here, as in other partner countries, the government's view is that donors will have to adhere to the various principles. In a number of partner countries, the government has not yet made clear whether and to what extent it wishes to change its own ways of operating or whether it lacks the capacity to do so.

The concordance between the Dutch approach towards alignment and donor harmonisation and that of other donors varies considerably. In the two cases where the Netherlands is involved in a Joint Assistance Strategy (Zambia and Uganda) the embassies are positive about the growing inclusiveness which provides development partners with the space and time to become accustomed to a joint approach. However, in practice, progress is difficult and slow. Often, as in Mali, where the Netherlands is an important donor, the Netherlands is regarded as a forerunner in advocating the Paris agenda and has taken risks to implement it. Slowly, more donors in this country become more engaged in the Paris agenda. A similar process is noted by the Dutch embassy in Bolivia. However, in other countries, there is notable variation among development partners' attitudes to harmonisation and alignment. For instance, in South Africa, the Netherlands and like-minded donors are very much in agreement about the Paris Declaration, but other development partners are still unconvinced.

Interpretation of the general concepts of the Paris Declaration

The nine embassies noted that the general concepts of the Paris Declaration are interpreted similarly by the Netherlands, the partner country and other development partners. However, as one embassy put it "the devil is in the details" and development partners do not yet share the same vision on measurable indicators for monitoring the implementation of the Paris agenda. Likewise, they often cling on to their own interpretations or definitions of the various concepts. There seems to be disagreement about concepts such as parallel Programme Implementation Units (PIUs), coordinated technical assistance, sector-wide approach, basket financing, programme support, co-financing arrangements, and even missions. In sum, approaches and operationalisation clearly differ and hamper the actual implementation of the Paris Declaration.

4.4.2 Relevance, internal logic and use of indicators

In general, the embassies consider the Paris agenda very relevant as a theoretical and practical frame of reference for a new way of working in development cooperation: the partner country leading and development partners in a support role. One of the embassies mentioned that the Paris Declaration is resulting in a new way of doing business which takes into account the responsibilities of the partner country. Structures fostering harmonisation, which also include non-like-minded donors, stimulate exchange of information and ideas. At the same time, however, interpreting "country systems" to mean working through the central government is considered to be a major bottleneck, since it excludes civil society and private sector. Development requires a tri-partite involvement of government, civil society and private sector. Yet, this issue has remained underexposed in the implementation and results measurement of the Paris Agenda.

In practice, there has been a major shift of aid to the central government, because this is how most donors interpret the term alignment. Although such a shift has its merits, it can result in less service being delivered at the national scale. One reason for this is inefficiencies in

government service supply. Another is bilateral and multilateral donors reducing their support to other service deliverers such as civil society organisations, churches and the private sector and also becoming less willing to fund regional and local programmes and projects.

The logic of the Paris Declaration and its suggested implementation presumes the partner government (in particular the Ministries of Planning and of Finance) plays a central and proactive role. At the same time it presumes the donors will react considerately. According to some of the embassies, in practice, this presumption cannot be regarded as self-evident.⁸⁹ Furthermore, political factors remain much more important than the technical aspects of the implementation of the Paris Declaration, as for instance was demonstrated in Bolivia. There, a political crisis in the period 2003 – 2005 caused a severe setback to earlier donor harmonisation, with the new government initially being not very eager to promote donor harmonisation.⁹⁰

The embassies expressed great concern about the indicators and how these are applied. Definitions are neither shared nor accepted by all donors and there are widely differing interpretations. Further work and advocacy is needed. Also, some embassies point out that one should not consider the achievement of indicators as an objective in itself.

In principle, all nine embassies consider the implementation of the Paris Declaration feasible in the long run. The following comments were made:

- Commitment on the part of the government is essential. This also applies to civil society organisations who need to be strongly involved in the dialogue about poverty alleviation.
- Implementation will take a considerable time because the donors and the government have to be able to fully meet the requirements for alignment. Donor attitude has to change: donors must accept that they should do less. This seems a paradox, but donor representatives are currently still very focused on reporting their actions to their headquarters, which may entail isolated interventions of low importance. Instead, donors should be ready to support a limited number of important interventions. In turn, the partner countries have to be willing and able to appropriate ownership and be convinced that donor harmonisation does not result in donors “ganging up”.
- Except for the Ministry of Finance and the political leadership of the sector ministries, in some countries the interest in the Paris Declaration is lukewarm. Other actors may regard unharmonised and off-budget support to be important because of the direct benefits to their organisation. Another aspect is that the Paris Declaration has increased the workload of counterpart institutions – at least in the short run – by imposing a myriad of instruments, questionnaires, evaluations and reviews. In order to be able to seriously implement the Paris Declaration there should be a balance between disincentives and incentives.
- In the final analysis, the Paris agenda and its implementation depends on the political will of both the development partners and the partner country. Where such political will is lacking among important donors and among national or local institutions who benefit from parallel financing and parallel projects and programmes, the best one can hope for is very partial implementation of the Paris Declaration.

⁸⁹ As noted earlier, the implementation of the Paris Declaration is a complex process which is hampered not least by the fact that many actors are still actively ‘doing their own thing’.

⁹⁰ The government formally accepted the Paris Declaration in October 2007, stating that the donor community should recognise its leadership. This implies that the only contribution donors can make is to the National Development Plan. Furthermore, the financial rules and procedures are being revised: all donations have to be provided through the national treasury. This may lead to problems, since administration of aid by third parties is not permitted. Finally, it remains to be seen to what extent the government will and is able to coordinate the donors with respect to choosing the sectors and modalities for financing.

4.4.3 Thematic objectives and targets

A widely held view among the embassies covered in this study is that the thematic input and output targets set by Netherlands development cooperation policy are not conducive to achieving certain aspects of the Paris Declaration, for the following reasons.⁹¹

- They have a negative impact on the sectoral division of labour among the donors and stand in the way of promoting national ownership.
- Strict adherence to input and output objectives⁹² in policy will reduce the flexibility of the aid programme and run counter to the objectives and priorities of the partner country. This point of view was also expressed by several respondents at headquarters involved in the implementation of the Paris Declaration. One of them stated that thematic input targets are a major disincentive, frustrating a sectoral division of labour and limiting the possibility to switch from sector budget support to general budget support.⁹³
- Finally, exiting from a certain sector to comply with a division of labour among donors is sometimes difficult, due to resistance from thematic departments.⁹⁴

Whereas input targets can be considered a problem at the level of a single country programme, this need not necessarily be the case for the Dutch bilateral aid programme as a whole, provided the programme involves a sufficiently large number of partner countries to ensure absorption capacity. However, adhering to broad input targets requires that the Netherlands (in consultation with the partner country and other donors) is willing to provide very substantial support to certain sectors.

4.4.4 Preserving a Dutch donor profile

Maintaining the visibility of the Netherlands and/or specific Dutch interests is not considered by the embassies to be a major problem hampering the realisation of a more demand-driven, locally adapted and harmonised approach to providing aid.⁹⁵ The ability to report the results of development cooperation (or of development), presenting sufficient evidence that the Netherlands has contributed through sector or general budget support, is considered more important than “planting flags” to increase or maintain donor visibility.

Embassies made the following observations about maintaining a donor profile:

- Visibility at the country level can be realised by taking an active and progressive stance vis-à-vis the Paris Declaration and being a catalyser in the debate.
- There is no contradiction between implementing the Paris Declaration and the Netherlands wishing to put its own accents in developing a common approach based on its comparative strengths (thematic expertise, flexibility and reliability).
- With respect to keeping a Netherlands visibility, the Netherlands embassy in South Africa pointed out that this does not necessarily have to be a “donor profile” based on the aid programme. More important are the historical and cultural relations between the two

⁹¹ This point of view is also held by a number of respondents at headquarters.

⁹² In terms of the spending of a certain amount of money from the Dutch aid budget on education or health leading to directly attributable numbers of children going to school and patients treated.

⁹³ In this connection, the issue was raised that the House of Representatives of the Dutch Parliament may demand the Minister for Development Cooperation to specifically attach a sectoral and thematic direction to Dutch development cooperation. For instance, in the past, Parliament passed a motion demanding that 15% of the aid budget should be spent on basic education. Also, an embassy may consider it relevant to provide general budget support, whereas certain departments at headquarters opt solely for sector support, in order to be able to report that specific input or output targets are attained.

⁹⁴ It is important to avoid giving mixed signals to a partner country by exiting from a particular sector whilst simultaneously providing earmarked funding through third parties to that same sector. One embassy suggested to conduct a gap analysis prior to selecting a sector. In countries where a division of labour among the development partners has not yet been established. Such an analysis should take into account the added value of the Netherlands being a donor, the totality of donors in that sector, and the partner country's absorption capacity.

⁹⁵ A review of the new Multi-Annual Strategic Plans for 2008-2011 will show whether this is the case.

countries which are, *inter alia*, expressed through an intensive bilateral cultural programme funded from non-ODA budgets.

- Finally, it was observed that there is no clear policy or directive on the ways in which a donor profile should or could be preserved.

4.5 Conclusions

Commitment

At the level of embassies there is readiness to implement the Paris Declaration. In general, they are willing to accept a leadership role for the government, especially where active government involvement and involvement of other national stakeholders has resulted in adequate PRSPs. The Netherlands is active in and promotes multi-donor/-agency development dialogue with the partner countries. Where necessary and requested (demand-driven), the embassies are prepared to engage in supporting institutional and organisational capacity-building processes to foster and facilitate host country leadership. Although much of the focus in creating partnerships is on the central government, it is recognised that there is a need for a much broader ownership at the level of local government, parliament and civil society organisations, in order to realise development effectiveness.

The nine embassies are actively involved in various processes of donor harmonisation. On various occasions they have taken a leading role in promoting harmonisation with like-minded donors, while simultaneously trying to involve other donors as well. In some countries the Netherlands has been one of the initiators of a Joint Assistance Strategy.

They are paying increasing attention to aligning aid to the policies, procedures and processes of the partner countries. The shift from project aid to sectoral budget support by the Netherlands predates the Paris Declaration. In principle, and where circumstances are favourable, Dutch embassies are striving for more general budget support. The conditions for full alignment, however, are not always in place. The Netherlands is undertaking a range of activities to assist partner countries to improve their systems and procedures.

For most embassies, accountability is an important matter. The predictability of aid is considered important, especially in aid-dependent countries where the Netherlands is a relatively large donor. Importance is attached to committing on a multi-annual basis. Partner country accountability is supported by funding NGOs, Parliamentary Commissions and Courts of Audit, among others.

Furthermore the embassies endeavour that activities sponsored by the Netherlands are becoming (more) results-oriented. Embassies frequently participate in agreeing Performance Assistance Frameworks; these frameworks are considered to be useful instruments in the dialogue with partner country governments.

Capacities

Staff capacity is generally considered to be appropriate to meet the requirements of the Paris Declaration. It is taking time to reorient from sector expertise to more institutional expertise and to develop diplomatic skills. But since the Paris Declaration did not imply a radical change for Dutch development aid in practice, the reorganisation and modification of staff which was already set in motion, will continue.

The high degree of devolution of authority that is standard practice in Dutch aid management is considered to be favourable to fulfilling the Paris Declaration objectives, e.g. in the policy dialogue with the partner country.

The work pressure at embassies is high, partly as a result of the various harmonisation processes in which the Netherlands participates. Thus far, the implementation of the Paris Declaration has not led to a rationalisation of labour. The considerable time embassies spend preparing common points of view, engaging in joint analytical work, doing joint missions, etc., especially where the Netherlands is a sector-lead donor, reduces their capacity to monitor implementation in the field.

Some embassies perceive the Procedural Guidelines for Development Cooperation as being fairly rigid. They have difficulty tailoring the common formats for delegated cooperation to the national situation, partly as a result of lack of adequate legal and financial expertise.

The Track Record is seen as a good basis for deciding on the appropriate aid modality, when taking into account other considerations. So far, only a few embassies have applied the new instrument for assessing governance and corruption (SGACA): they consider it to be an overly complex instrument, which is neither useful nor harmonised.

The communication with departments at headquarters who support and facilitate the implementation of the Paris Declaration is considered helpful. The same applies to the training programmes to support embassies in institutional capacity development (SPICAD) and public finance management (PFM-POP).

Incentives

Several disincentives to implementing the Paris Declaration were mentioned. One is that thematic input and output targets impact negatively on sectoral division of labour. When the targets are defined by the donor, they may run counter to the objectives and priorities of the partner countries (ownership) and may limit the possibility of switching from sector budget support to general budget support (alignment). It was indicated that headquarters continues to finance projectised activities from the central budget that sometimes do not fit in the defined sectors. This frustrates the agreed labour of division.

Harmonisation initiatives often suffer from the fact that some bilateral and multilateral development partners need to maintain visibility, continue to be project-oriented and regard delegating responsibilities to partner countries as problematic. It was suggested that Silent Partnerships work best if all donors participate.

Preserving a Dutch donor profile is not considered a problem. The Netherlands can be visible by being active in promoting the Paris agenda and being a catalyser in the debate. In addition, with sectoral or general budget support the Dutch contribution can be made plausible. There is no contradiction between implementing the Paris Declaration and the Netherlands pursuing its own policy agenda in a common approach to aid and development, provided that the partner countries' needs are taken into account in shaping the Dutch aid programme at the country level.

5 CONCLUSIONS

The Monitoring Survey conducted in 2006 by the Joint Venture on Monitoring the Paris Declaration highlighted that the corporate commitments of the Paris Declaration were not always matched by donor practices. Three dimensions were identified by the Survey: commitment, capacity building and incentive systems.

This chapter provides the major conclusions of the evaluation. It is structured along the lines of these dimensions and provides answers to the questions and issues raised in Chapter 1. Although the study did not aim to investigate the compliance of the Netherlands with the Paris Declaration at the output level, some illustrative examples of achievements are provided at the end of this chapter on the basis of information contained in Annex 1.

5.1 Commitment / leadership

The Paris Declaration in Dutch policies, programmes and procedures

There is considerable political commitment in the Netherlands to the Paris Declaration. The principles of ownership, donor harmonisation and alignment have been part of Dutch development cooperation since the 1990s, long before the Paris Declaration was signed in 2005. Expressions of this commitment are found in the successive policy documents of 2003 and 2007. The policy letter of the Minister for Development Cooperation *Our Common Concern, Investing in development in a changing world* (October 2007) demonstrates a political interpretation of the Paris agenda, by stating that causes of poverty are to be dealt with and that political choices in developing countries should be transparent and open for debate, making the government accountable to parliament and citizens. In his letter, the Minister makes clear that the Paris Declaration is not an objective but a means to an end. The Netherlands commitment to the Paris Declaration is also embedded in the annual development cooperation budget process, while various reports describe the progress made in the implementation of the Paris agenda.

The Netherlands also demonstrates its leadership for the new aid agenda through its prominent role in international forums, such as in the Nordic Plus donor group, in the OECD/DAC during the run-up to the Paris Declaration and thereafter, and in the European Union with regard to the EU Consensus on Development of 2006 and the EU Code of Conduct on Complementarity and Division of Labour of 2007.

The implementation of the Paris Declaration has not affected priority-setting in Dutch development cooperation, but rather has reaffirmed and strengthened current policy choices.

Changes in roles to accommodate the Paris agenda?

The roles of the Ministry of Foreign Affairs and the embassies did not need to be substantially adapted to the aid effectiveness agenda, as the institutional arrangements already in place were fit for purpose. The delegation of management responsibility to the field introduced in 1995, provides ample opportunity for conducting policy dialogue at the partner country level, and the shift from project support to sector support, which has been ongoing since 1998, provides a further impetus to the process of changing aid relationships. Having these two features in place – delegation of authority and a focus on sector support – gave the Netherlands a head start in the implementation of the Paris agenda after that agenda had been adopted in 2005. To support the implementation, new structures have been established at the Ministry, along with a number of instruments and support programmes (see 5.2 and 5.3).

Ownership of the Paris agenda at the Ministry

In line with the political commitment mentioned above, senior management at the Ministry has given full support to the principles of the Paris Declaration. The rationale underlying the new aid agenda is generally shared and its relevance is widely acknowledged at all levels in the Ministry and at the embassies. This does not mean that the principles are followed blindly. The evaluation team encountered a constructive critical attitude towards the agenda. This attitude includes a recognition of the weak points in the design of the Declaration, e.g. its primacy for technical and administrative aspects of development cooperation at the cost of thematic issues and issues related to the political economics of aid and development. Staff also exhibited a high level of awareness of the many obstacles in the practice of donor harmonisation and alignment, and their attitude to these was positive: it was that efforts should be made to overcome them.

Acknowledgment of Paris Declaration at the levels of government and Parliament and by Dutch civil society

The effectiveness of aid is a matter of political importance for the Netherlands government. The combination of the fight against poverty – the major aim of its development cooperation policy – and the limited resources available, demands that funds be handled effectively and efficiently. The government regards the Paris Declaration as an expression of a joint obligation on the part of donors and partner countries to pursue aid that is both of high quality and effective.

The Paris Declaration has not received much explicit attention from the Dutch Parliament. Queries in the House of Representatives have been limited to written questions; the issues have never been the subject of debate between members of the House of Representatives and the Minister for Development Cooperation. One reason for the lack of critical debate may be that the members of the House of Representatives are largely content with the new agenda; it may also be that they view the Paris Declaration primarily as a technical rather than a political agenda. The Senate has been more active in this regard. In 2006 it initiated a consultation with the Minister about the development policy of the European Union; this was followed by a thematic debate in 2007. The Senate made a formal request to study the implications of the European Consensus for Dutch development cooperation. Subsequently, the Minister asked the Advisory Committee on International Affairs for advice on the matter.

Notwithstanding, Dutch Parliament has accepted the *modus operandi* in development cooperation related to the Paris agenda, i.e.. the sector-wide approach, sector budget support and general budget support, as may be concluded from the discussions in Parliament of the Minister's policy reactions to the recent evaluation of the Dutch sector support and the joint evaluation of general budget support. The issue of visibility has been raised in Parliament through questions about the methodology for measuring the results of the Dutch development cooperation efforts. It has not been brought up as an explicit concern about the lack of visibility as a result of changing aid modalities.

The Dutch NGOs for development cooperation are gradually entering the debate on the Paris Declaration, as a watchdog monitoring the effects of the measures and as implementing agencies that are themselves confronted with the challenges of harmonisation and alignment. Their attitude is one of "wait and see": sometimes they criticise the Paris Declaration as being yet another "donor hype" after the Structural Adjustment Programmes, the Poverty Reduction Strategy Papers and the MDGs.

Actual and potential conflicts with other political / administrative systems

The government-wide Policy Document on Management and Supervision and the current Procedural Guidelines for Development Cooperation are considered adequate and sufficiently flexible for the purpose of alignment and harmonisation in development cooperation. Although fine-tuning is necessary, they can accommodate budget support,

sectoral support and Silent Partnerships. Therefore, the respective guidelines form no a priori barriers to the implementation of the Paris Declaration, provided that the accountability of the partner country and of the intermediary donor or agency is assured. The issue of attribution to the Dutch efforts in development cooperation will remain a challenge in future reports of the Ministry of Foreign Affairs on development results.

Changes in the use of aid modalities envisaged as a result of the Paris Declaration

No fundamental changes are envisaged in the aid modality mix of the Netherlands, as the current preferred modalities comply with the vision expressed in the Paris Declaration. The change in the aid modalities started at the end of the 1990s, with the introduction of the sector-wide approach. However, the change is slow, as demonstrated by the continuing importance of the project mode of support. Nevertheless, it seems likely that the operationalisation of sector budget support and general budget support will continue and that aid spending through these modalities will increase in the years ahead, provided that they serve the purpose of poverty reduction.

Since 2003, the Netherlands has engaged in an increasing number of Silent Partnerships in priority countries involving Nordic Plus donors and there is interest in extending this way of working to include other donors as well. The Nordic Plus like-minded group developed the Joint Financing Arrangement and the template for Silent Partnerships in order to provide a legal basis for joint subsidies. The experience gained with these instruments, especially in Zambia and Uganda, led to modifications to the format. The advantages of Silent Partnerships are acknowledged, but the mechanism is also considered to be less optimal than a more effective division of sectors among the donors. Moreover, Silent Partnerships are said to be “too much focused on harmonisation while paying too little attention to alignment”. The comment is typical of the view encountered among various respondents that donor harmonisation is less important than alignment.

Views on the Paris Declaration

As can be concluded from the above, the Paris Declaration has had a positive reception in the Netherlands. In general, the Paris agenda is considered very relevant as the theoretical and practical frame of reference for a new way of working in development cooperation: the partner country leading and development partners in a supporting role. The agenda is seen as an instrument that can increase aid effectiveness by providing a stronger focus whilst simultaneously preventing waste of resources resulting from donor fragmentation.

With hindsight it can be noted that policy decisions in Dutch development cooperation taken in the second half of the 1990s paved the way for and now accommodate the operationalisation of the Declaration's principles. With the focus on fragile states as one of the four priority areas defined in the 2007 policy letter *Our Common Concern: Investing in development in a changing world*, there seems to be ample room in current Dutch development policy to respond to the call in the Paris Declaration for “delivering effective aid in fragile states”. However, it is not yet clear how some of the Paris Declaration principles (ownership and alignment) will be applied in support provided to fragile states.

Concerns regarding the Paris Declaration

The Paris Declaration has also raised concerns, both about design and practice. In terms of design, the technical nature of the agenda has been questioned, as has the loss of focus on thematic issues. Another set of concerns deals with the internal contradictions in the Paris agenda, where harmonisation may stand in the way of further alignment and partner country ownership. Major concerns on the implementation side include the variable and often slow pace of other donors, the difference in views on the measurable indicators for monitoring among donors and partner countries, and the lack of capacity for implementation on the side of the partner government.

5.2 Capacity

Staff knowledge and understanding of the Paris Declaration

The level of knowledge and understanding among Ministry and embassy staff concerning the Paris Declaration principles and their operational implications is high. In general there is good insight into the rationale behind the Paris agenda, the necessary adjustments in procedures and the challenges ahead. Some embassies indicated they lacked public finance and legal expertise with regard to some aspects of making the Paris Declaration operational.

Knowledge and understanding of the Paris agenda are being enhanced in several ways. The Effectiveness and Quality Department (DEK) of the Ministry of Foreign Affairs analyses policy and provides support and advice to the embassies on policy implementation. It has also published information material to be used as a source for reference and to stimulate discussion in the Ministry on a variety of issues to do with policy and aid effectiveness. Furthermore, specific Country Teams are regularly sent out to embassies to discuss the opportunities for implementing the Paris Declaration with them and to provide advice. A training module on the Paris Declaration is part of the overall training programme for new staff at the Ministry, and special workshops are provided to staff working in development. On a more operational level, two special support programmes have been initiated: the Public Finance Management Support Programme and the Embassy Support Programme for Institutional and Capacity Development.

Guidelines and operational directives

Several guidelines and operational directives have been developed to facilitate the implementation of the Paris Declaration by the embassies. The Track Record instrument, operational since 1994, has been adapted to provide an analysis of a partner country and is used to inform decision-making on aid modalities. The Sectoral Track Record was introduced in 2007 to analyse the sectors and sub-sectors supported by the Netherlands. It includes the 12 indicators of the Paris Declaration. The Multi-Annual Strategic Plan (MASP), the main tool for the Ministry's planning cycle, is geared towards making strategic choices regarding the Paris Declaration; the Track Records analyses are used for that purpose. The Strategic Governance and Anti-Corruption Assessment was introduced recently as a tool to analyse aspects of both formal and informal governance at the level of individual partner countries. The Planning, Monitoring and Evaluation procedures for Dutch development aid were streamlined in 2006-2007 to focus more on results and take account of harmonisation and alignment. The Procedural Guidelines for Development Cooperation have been adapted to enable alignment and harmonisation, budget support, sector support and Silent Partnerships.

Monitoring and evaluation framework

The quality of results monitoring, reporting and evaluation will be addressed with the new Planning, Monitoring and Evaluation procedures issued in 2006-07, which aim to ensure stronger focus on results. The Ministry's independent Policy and Operations Evaluation Department (IOB) has actively participated in processes to encourage applying harmonised approaches and methodologies in evaluation. In the past decade, IOB has increasingly become engaged in joint donor and joint donor-partner country evaluations covering sector support as well as general budget support.

Embassies report that the development activities wholly or partly supported by the Netherlands are – or are becoming – results-oriented. Steps taken include ensuring that proposals are formulated on the basis of logical frameworks and results are reviewed on the basis of Performance Assessment Frameworks (PAFs). The embassies frequently help develop performance matrices in sectors of importance to the Netherlands. Similar action is taken where the Netherlands provides budget support on a multi-annual basis; results orientation is used as a precondition when defining the “variable part” of sector budget

support and general budget support.⁹⁶ The current design for the Multi-Annual Strategic Plans requires embassies to pay due attention to results orientation. Where necessary and feasible, the embassies aim to provide support to partner country institutions to help them become more results-oriented. At a general level, results orientation is emphasised in the dialogue with the authorities. The specific actions taken and support provided depend on the country context.

Implementation plan

There is no overall plan for the implementation of the Paris Declaration. Implementation plans for individual partner countries will be developed and become operational in the course of 2008. They will most likely consolidate the current implementation practice, rather than introduce new measures.

Clarity and unambiguity of instructions, guidelines and directives

In general, the embassies consider the guidelines and directives appropriate for their work. For clarification, they can turn to the Ministry's Financial and Economic, Legal Affairs, and Effectiveness and Quality Departments. Criticism of the guidelines and instruments has led to adjustments where appropriate. For instance, though the Track Record is considered a useful instrument as a basis for informed and well-argued decision-making, the extent to which the outcomes of the Track Record should determine the decision-making on the modality-mix is contested, since other considerations (political, policy-related, or otherwise) might also need to be taken into account. A review of the instrument led to the introduction of the Sectoral Track Record. As yet, experience with the Strategic Governance and Anti-Corruption Assessment is limited. Those who have used it find it overly complex and regret it is non-harmonised. The embassies' assessment of the suitability of the guidelines for Silent Partnerships varies. It was indicated that there is room for improving the guidelines by tailoring them to the specific partner country contexts and by extending the delegated cooperation to new development partners.

Organisation of Dutch development cooperation

The organisation of Dutch development cooperation has not undergone fundamental changes in response to the Paris Declaration. The delegation of authority to Dutch embassies had already been effected back in 1996. Embassies consider their degree of autonomy favourable with regard to fulfilling Paris Declaration objectives. The workload at embassies is reported to be high, partly as a consequence of the intensifying of harmonisation processes. As a result, little time remains for monitoring the actual operation of supported activities. In addition, the shift in emphasis from thematic expertise to public sector management expertise at the embassy level may complicate a return to project aid if circumstances demand.

At headquarters, the Effectiveness and Quality Department was established in 2005 and has since developed into the hub fostering the promotion of the Paris Declaration. In addition, the Ministry of Foreign Affairs has put in place strategic secondments to the European Commission and the World Bank, to promote the Aid Effectiveness Agenda.

Mutual accountability

Embassies reported a variety of measures to improve the accountability of the Netherlands towards the partner country. In particular the predictability of the volume of aid provided by the Netherlands is an issue, though the importance differs from country to country. Several embassies gave their perceptions on the partner country accountability. The emerging picture is that accountability to the development partners is slowly improving whereas accountability to the country's citizens generally remains weak in a number of countries.

⁹⁶ This is the proportion of sector and general budget support that is variable, commonly defined by the donor on the basis of an analysis of the country's performance.

Where relevant, the embassies have taken initiatives to directly or indirectly support the partner country to improve accountability. The activities focus mainly on central government institutions, although in some cases local government is supported too.

5.3 Incentives

Incentives for the recruitment, performance assessment and training of management and staff

The most important incentive for staff both at headquarters and at the embassies has been the commitment of political and managerial leadership at the Ministry to the Paris Declaration and its support and active engagement in the implementation of the new aid agenda. Senior management has not felt compelled to recruit specific expertise to facilitate the implementation of the Paris Declaration as in the last decade the managerial and operational staff at headquarters and embassies has been gaining skills and expertise in the various aspects of the new aid agenda. The sector-wide approach, harmonisation, and the use of new aid modalities such as sector budget support and general budget support have been applied for a considerable period of time in Dutch development cooperation practice. Thus no specific incentives were needed to get staff engaged in implementing the new aid agenda.

With respect to assessing the performance of staff, no specific measures have been introduced in the staff assessment system or procedures. On the other hand, steps have been taken to provide – and where necessary improve – communication about the Paris Declaration. Also, operational directives and guidelines have been developed to facilitate the work of the operation staff. As mentioned above, a range of instruments was introduced, while existing instruments were adapted in order to provide staff with the necessary tools for implementing the Declaration, especially with regard to harmonisation, alignment and result-based management. Various departments at headquarters level have played an important facilitating role.

Efforts made to address limitations at the organisational level.

Where necessary, steps were taken to temporarily or structurally modify the organisation of the Ministry to face the challenges posed by the ongoing change in the ways Dutch development cooperation was to be implemented. Currently the organisation can be considered to be well-adapted to the demands posed by the new aid agenda. The work of *ad hoc* Task Forces established to facilitate adaptation to new aid modalities has been mainstreamed. The broadening of the harmonisation and aid effectiveness agenda and the need to pay more attention to policy-related aspects during its implementation resulted in a permanent organisational arrangement being established: the Effectiveness and Quality Department (DEK). A major task of DEK is to guide and advise on the implementation of the Paris agenda.

There has been no need to change the approach taken by the Netherlands to implement its development programme with respect to “donor visibility”. This is attributable to the relatively early (and ongoing) change from the project approach to the sector approach, and to the early steps taken to actively engage in donor harmonisation. It is felt that there is no contradiction between implementing the Paris Declaration and the Netherlands pursuing its own policy agenda in a common approach to aid and development, provided that the partner countries’ needs are taken into account when shaping the Dutch aid programme at the country level.

To date, there has been adequate public support for pursuing the new aid agenda. Moreover, to judge by the content of recent debates in Parliament about the future direction of Dutch development cooperation, it has not been necessary to counter any perceived loss of visibility.

Perceived disincentives with respect to other agency priorities

The study revealed a number of disincentives with respect to realising the objectives of the Paris agenda in the short and long run. The most important challenge consists of the thematic input and output targets currently set in Dutch development cooperation policy, which may negatively impact on the sectoral division of labour among the donors. Also, strict adherence to input and output targets may reduce the flexibility of the aid programme and may run counter to the objectives and priorities of the partner country, thereby frustrating alignment and ownership. Thematic input targets, such as the requirement that as of 2007 some 15% of the annual aid budget needs to be spent on basic education, may limit the possibilities for switching from sector budget support to general budget support. Whereas input targets can be considered a problem at the level of a single country programme, this need not be the case for the bilateral aid programme as a whole, provided the programme involves a sufficiently large number of partner countries in order to ensure absorption capacity. However, the need to adhere to overall input targets may require the Netherlands to be willing to provide very substantial support to certain sectors, given that a necessary precondition is that the support must be aligned to the partner country's policies and needs. Finally, decisions to exit from a certain sector because of division of labour among donors may meet resistance from thematic departments.

Another disincentive is related to the demands made of embassy staff mainly resulting from the increased need for donor harmonisation. Embassies observed that consultations on the division of labour among the donors active in the same sector as well as on establishing joint financing agreements are very labour intensive and time-consuming. Although harmonisation and the transition to support at the macro level may result in efficiency gains for donors (and developing countries) in the long run; in the short term, high transaction costs are experienced.

The priority given to consultations with the different stakeholders at the national level has resulted in less time being spent on monitoring developments at the field level. This problem is also caused by the increasing need to pay attention to administrative processes. Finally, as mentioned above, the composition of staff in embassies is gradually changing as the focus shifts from expertise covering a wide range of thematic and sectoral issues to public sector management expertise and a narrower focus on a limited number of sectors. Such developments may erode the knowledge base at the embassies (an issue in the short run) and at headquarters.

5.4 Some results at output level

This evaluation did not investigate Netherlands compliance with the Paris Declaration in terms of *outputs* (results), as this will be captured by the various evaluations at partner-country level. However, it was considered interesting to present the following illustrative results the Netherlands has achieved, plus some more general observations about donor behaviour in the partner countries where the Netherlands is providing bilateral aid on a structural basis:

- During the past years there has been a gradual shift in Dutch bilateral aid towards more sector and general budget support. Project aid is still very important and complements the two other aid modalities.
- Compared to sector budget support, general budget support remains a relatively small proportion of total Dutch bilateral aid. It is only applied in partner countries where circumstances allow this modality.
- There have been important shifts to sector budget support in the education sector, notably in Uganda and Zambia.
- There has been an ongoing sector concentration in the 36 partner countries in the past eight years. Two phenomena stand out. The first is the frequent change in

priority sectors in Dutch support to individual countries, with a growing emphasis on the social sectors (education and health). The second is a further concentration on two or three sectors per partner country.

- There has been overall progress in the various Paris Declaration indicators. As shown by the 2006 Monitoring Survey, on most indicators the Netherlands scores well above average.
- The overall results of the harmonisation process involving the different donors vary considerably between the partner countries, particularly between sectors, and leave much room for improvement.
- Like harmonisation, management for results is slow to get off the ground.
- The results in alignment (both with systems and with policy) differ greatly, depending on the particular context in the partner country in general and in the various sectors in particular, and also on the donors and development agencies involved. The same applies to the aid modalities used. The reasons for these differences are the possibilities for alignment in the partner country, the fiduciary risks, the donors' desire to keep their own "donor profile", and the different rules, regulations and management arrangements still being applied by donors. An issue is that donors seem to expect the partner countries' governments to adapt to them, rather than the other way around.

ANNEX 1 SOME RESULTS AT THE OUTPUT LEVEL

The evaluation did not investigate compliance of the Netherlands with the Paris Declaration in terms of *outputs* (results). Compliance will be captured by the various evaluations at partner-country level, which will document and provide detailed assessments of the behaviour of embassies and field offices of development partners (including the Netherlands).

Nevertheless, this annex provides some exemplary insights into the results the Netherlands has achieved at output level with respect to the implementation of the Paris Declaration. First, information is provided on shifts in aid modalities in Dutch support. Second, the change in priority sectors in a number of partner countries in Africa, including a stronger focus on a limited number of sectors is shown. Third, based on the 2006 Monitoring Survey, information is provided on the relative position of the Netherlands in terms of the implementation of the Paris Declaration. Finally, some initial findings about harmonisation, alignment and management for results are provided for seven partner countries where the Netherlands is providing support to the water sector.

1. Shifts in Aid Modalities

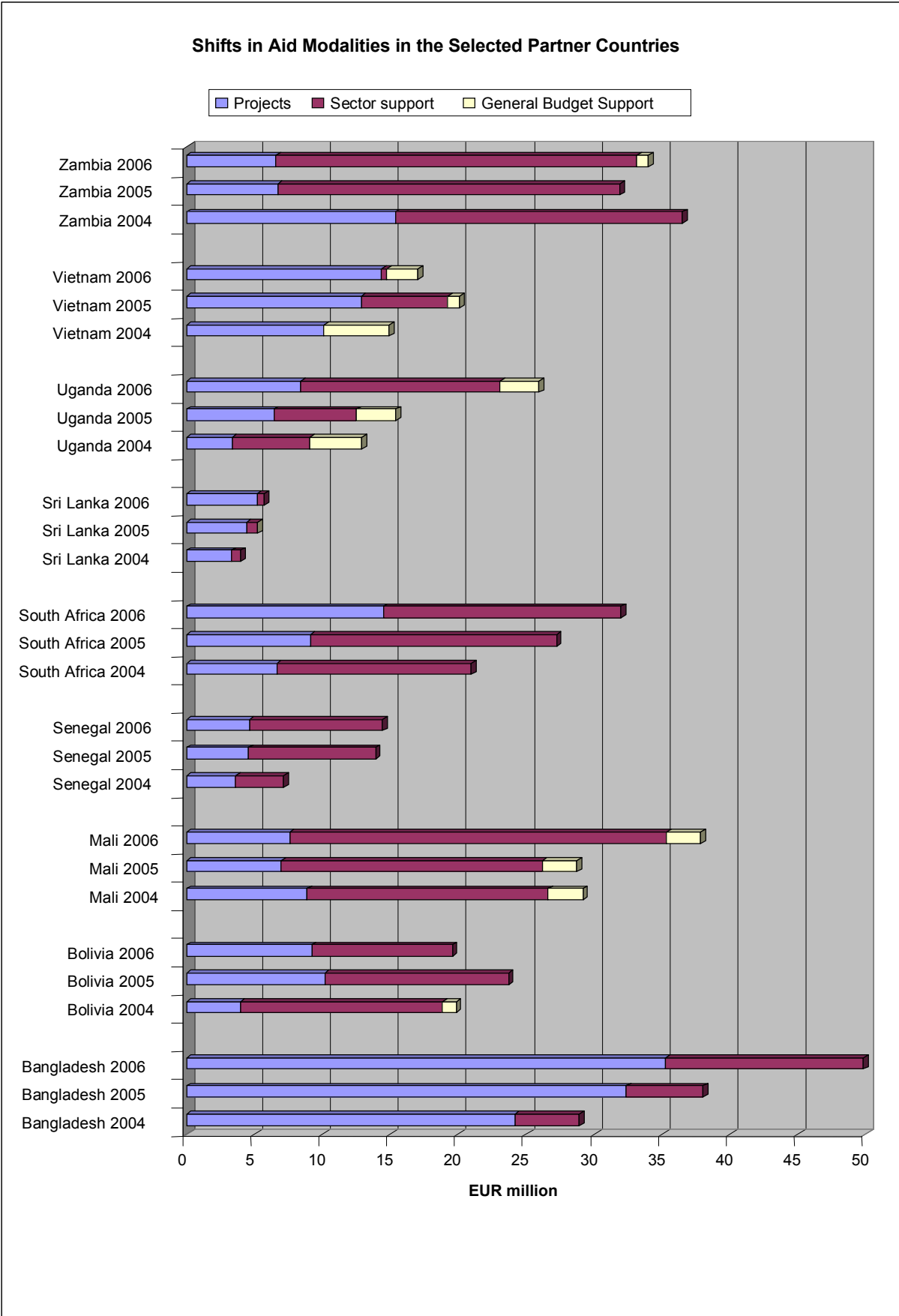
During the past three years (2004-2006) there has been a gradual shift towards more sector and general budget support. The shift has been the result of an overall increase in the aid volumes in the nine partner countries. Project aid has not diminished in importance: rather it has been complemented by two other aid modalities (see Figures 1.1 and 1.2).⁹⁷

In six of the nine selected partner countries (Bolivia, Mali, Senegal, South Africa, Uganda and Zambia), sector support has become the most important aid modality. This is largely because of the amount of sector support given to the education sector: in 2006, almost triple the amount of project support. Sector support is also gaining ground in most other sectors, but remains low in private sector development. The water sector receives support in only two of the selected partner countries: Bangladesh and Vietnam (See section 4 below for an insight into the Dutch support to the water sector in other countries). In Bangladesh the support is fully projectised, but provided in a programmatic way.

General budget support remains a small proportion of total Dutch bilateral aid. It is only applied in partner countries where circumstances allow; of the nine countries examined, only five receive such support and there is no common pattern. In none of these five countries did the amount rise considerably in the period 2004-2006. In Mali and Uganda the amount remained constant; in Zambia it increased a little, in Vietnam, the general budget support fluctuated and in Bolivia general budget support was only provided in 2004.

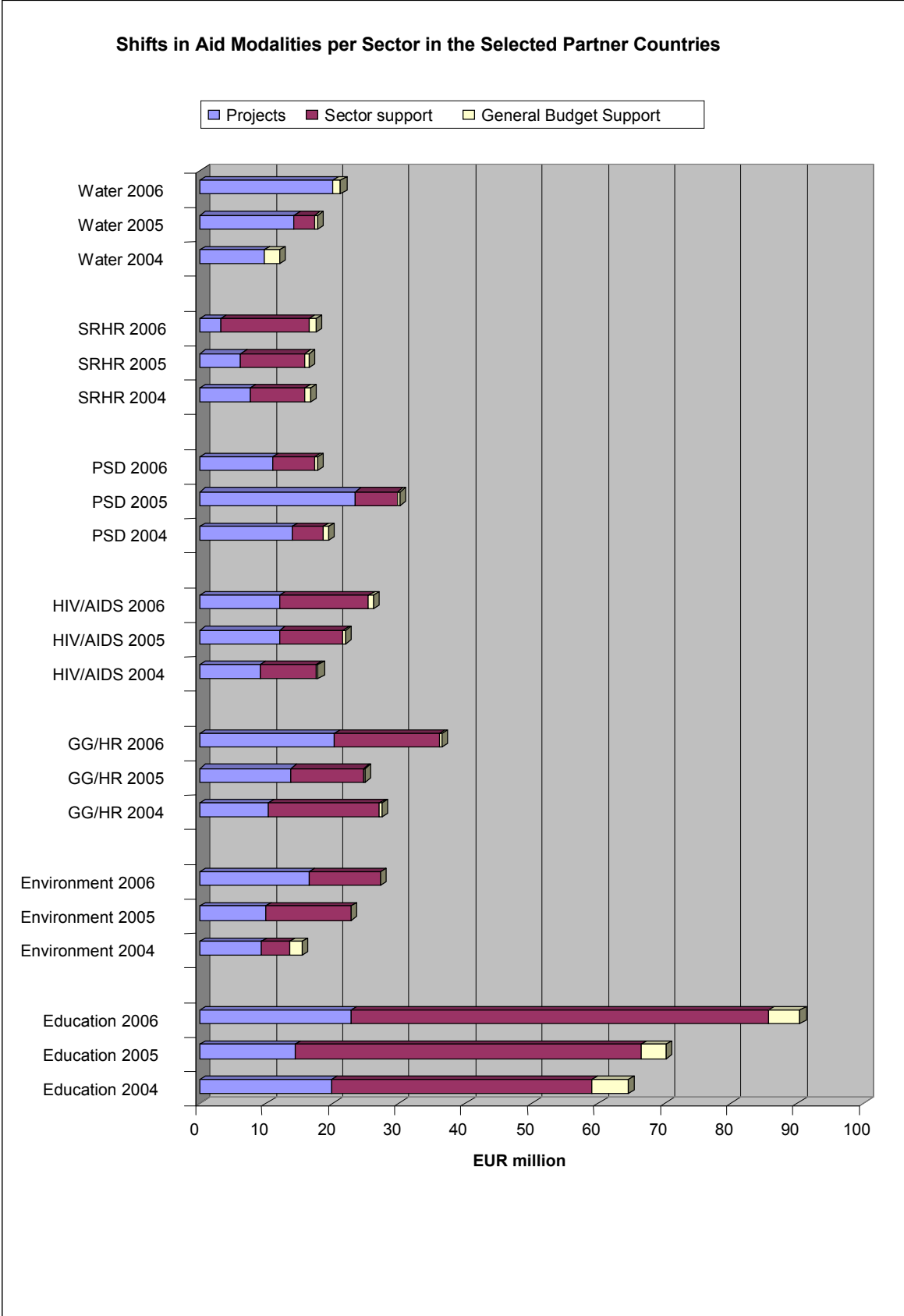
⁹⁷ The aid modalities are operationalised as follows: *Project financing*: Activities in a partner country that are implemented under the management of the embassy. *Sectoral financing*: Funds that are made available under certain management conditions (e.g. procurement and financial accounting) to the government of a partner country for the implementation of multi-annual policy in a sector or subsector. *General Budget Support or debt relief*: Funds that are made available to the recipient country for the support of the general poverty reduction policy (including sectoral multi-annual policy).

Figure 1.1 Shifts in Aid Modalities in the Selected Partner Countries



Source: Netherlands Ministry of Foreign Affairs, *Results in development 2005-2006*, The Hague, 2007.

Figure 1.2 Shifts in Aid Modalities per Sector in the Selected Partner Countries



Source: Netherlands Ministry of Foreign Affairs, *Results in development 2005-2006*, The Hague, 2007. SRHR = Sexual and Reproductive Health and Rights; PSD = Private Sector development; GG/HR = Good Governance and Human Rights.

Table 1.1 reveals shifts in the Netherlands aid provided to basic education in Uganda and Zambia. It is clear that project support has become less important over time, whereas sector support and general budget support have gained in importance.

Table 1.1 Shifts in aid modalities in Netherlands support to basic education in Uganda and Zambia 2000-2006 (€ million)

	2000	2001	2002	2003	2004	2005	2006
<i>Uganda</i>							
Project support	0.8	0.1	1.1	0.2	0.9	4.0	2.8
Sector support	5.0	9.8	12.6	10.9			
General Budget Support				1.5	10.9	10.9	10.9
Total	5.8	9.9	13.7	12.6	11.8	14.9	13.7
<i>Zambia</i>							
Project support	5.3	5.2	17.2	0.4	10.3		
Sector support				6.0	7.2	9.9	12.5
General budget support							0.9
Total	5.3	5.2	17.2	6.4	17.5	9.9	13.4

Source: Policy and Operations Evaluation Department, Evaluation of the Netherlands Africa Policy, 2008.

The Netherlands is one of the bigger bilateral development partners in Uganda, providing considerable aid through general budget support.⁹⁸ Because of the ways in which general budget support is provided and used, the proportion of the Dutch contribution to the education sector in Uganda has been estimated on the basis of the proportion of funding to the education sector in the national budget.⁹⁹

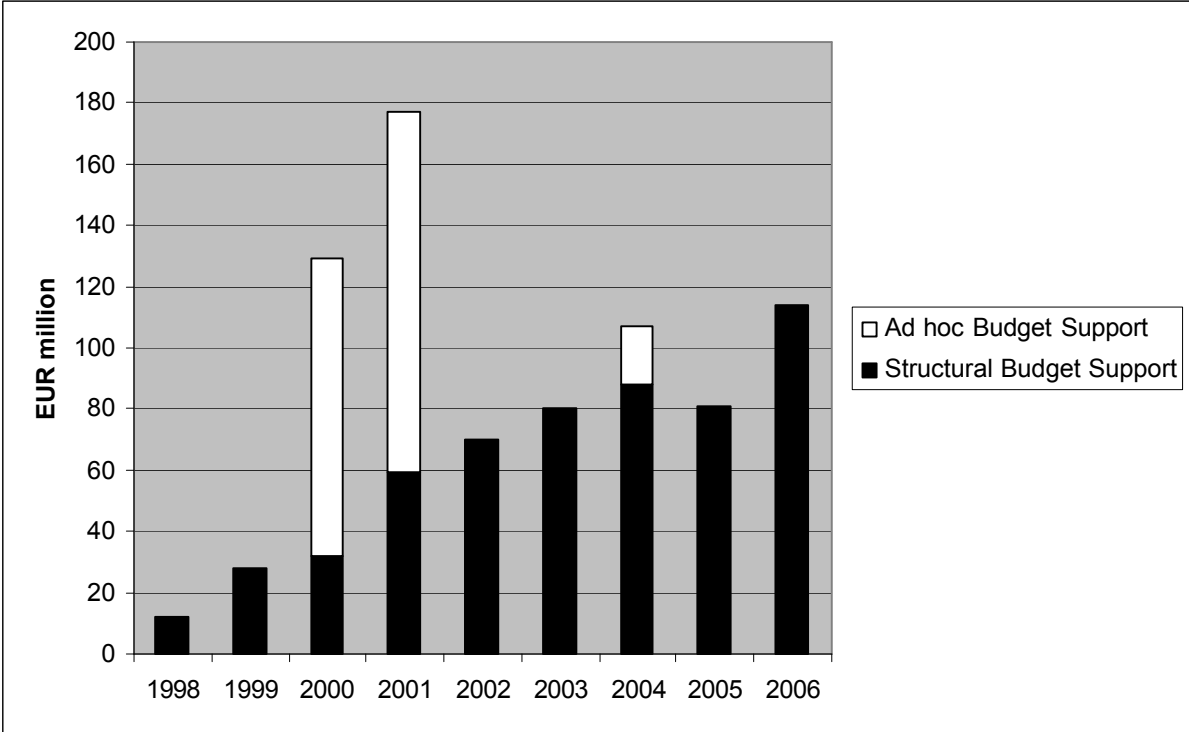
As of 2004 the annual provision of general budget support amounted to some € 10 million. The Netherlands has made its support conditional upon the results achieved. The reason why project support still remains relatively important is related to Dutch support to specific education projects in Northern Uganda.

In Zambia, the important shifts in aid modalities are related to the establishment of the Basic Education Sub-Sector Investment Plan (BESSIP) in 1999 and the subsequent Ministry of Education Strategic Plan (MoESP) for the period 2003-2007. Currently, the Netherlands is the lead donor in the education sector.

⁹⁸ In 2004 €21 million was provided annually as general budget support. As of 2005, the Netherlands has reduced this amount by € 6 million because of the lack of progress towards good governance. Other development partners have also cut some of their general budget support.

⁹⁹ The proportion of Netherlands aid to Uganda that is general budget support fluctuates: it was about 30 per cent in 2004. General budget support in Uganda covered some 22-25 per cent of total government expenditure; Uganda spends about 16 per cent of its government expenditure on education, of which some 63 per cent is spent on basic education.

Figure 1.3 Structural and Ad Hoc Budget Support in Africa 1998-2006



Countries include Benin, Burkina Faso, Burundi, Ghana, Cape Verde, Mali, Mozambique, Tanzania, Uganda and Zambia.

Figure 1.3 reveals that the amount of structural budget support in partner countries in sub-Saharan Africa has increased steadily over the years. The somewhat lower amount in 2005 resulted from a decision to diminish the level of general budget support to a number of partner countries as a result of their Track Record scores for governance.¹⁰⁰ Ad hoc general budget support was provided mainly in 2000 and 2001; in 2004, less was provided.

IOB’s evaluation of the Netherlands Africa policy has come to the conclusion that ad hoc general budget support has been provided because of pressure to spend the development budget, especially in the years 2000 and 2001. As to structural general budget support, it was found that until recently this type of aid was provided when funds remained unspent in the annual bilateral aid allocation to the partner countries. This changed with the introduction of multi-annual commitments, which in turn resulted in general budget support being more predictable. The funds are commonly provided as unearmarked contributions to the Ministry of Finance in the partner countries – exceptionally (in the case of Uganda and Ghana) to the Central Bank. The funds (or counterpart funds) have commonly been used for debt relief, covering recurrent expenditure and investments.

General budget support that can be considered as unearmarked funding is provided on the basis of the policy dialogue with the recipient country; the application of this aid modality is conditional upon on the scores in the country’s Track Record. The support is provided as aid that is fully aligned with policy and with procedures.

¹⁰⁰ See chapter 5 of the evaluation of the Netherlands Africa Policy (Policy and Operations Evaluation Department, 2008).

2. Sector concentration

As mentioned in chapter 2 of the report, since 1998, the year the sectoral approach was launched, the Netherlands has aimed to concentrate its bilateral aid on a number of sectors. Table 1.2 provides an overview of the sector concentration and the support to cross-cutting themes (e.g. private sector development) in Netherlands bilateral aid provided to the 36 Partner countries in 2006. It becomes clear that no more than a maximum of four sectors/themes are supported per country.

Table 1.2 Partner Countries and Sectors/Themes of cooperation in 2006

Partner Country	Sector / Theme				
1 Afghanistan	Good Governance **				
2 Albania				Environment	
3 Armenia					
4 Bangladesh	Good Governance	Education	Health	Water	PSD
5 Benin	Good Governance	Education		Water	
6 Bolivia	Good Governance	Education			PSD
7 Bosnia-Herzegovina	Good Governance				PSD
8 Burkina Faso	Good Governance	Education	Health		
9 Cape Verde				Environment	
10 Colombia				Environment	
11 Egypt				Water	
12 Eritrea					
13 Ethiopia	Good Governance	Education	Health		PSD
14 Georgia					
15 Ghana			Health	Environment	
16 Guatemala	Good Governance		SRGR *	Environment	
17 Indonesia	Good Governance	Education		Water	PSD
18 Kenya	Good Governance				
19 Macedonia	Good Governance	Education		Environment	PSD
20 Mali	Good Governance	Education	Health		PSD
21 Moldova					
22 Mongolia				Environment	
23 Mozambique	Good Governance	Education	Health	Water	
24 Nicaragua	Good Governance		Health		PSD
25 Pakistan		Education		Environment	
26 Palestinian Authority	Good Governance				
27 Rwanda	Good Governance				PSD
28 Senegal				Environment	
29 South Africa	Good Governance	Education	HIV/AIDS*		
30 Sri Lanka				Environment	PSD
31 Surinam	Good Governance	Education	Health	Environment	
32 Tanzania	Good Governance	Education	Health		PSD
33 Uganda	Good Governance	Education	SRHR*		
34 Vietnam			Health	Environment	Water
35 Yemen	Good Governance	Education	Health		Water
36 Zambia	Good Governance	Education	Health		PSD

Source: Netherlands Ministry of Foreign Affairs, *Results in development 2005-2006*, The Hague, 2006, p. 9.

* Not a "Health Sector Programme Country", but substantial input from embassy in the areas of SRHR and HIV/AIDS.

** Selection of Good Governance Countries (GG) is based on GG programme of more than € 2 million and total Dutch input of more than € 10 million.

PSD = Private Sector Development; SRGR = Sexual and Reproductive Health and Rights.

Table 1.3 provides an overview of the sector concentration by the Netherlands in a number of partner countries in sub-Saharan Africa. It shows the effects of the shift to sector support in Netherlands development cooperation in the period from 1998 to 2006. Two phenomena

stand out. The first is the frequent change in priority sectors, with a growing emphasis on the social sectors (education and health); the second is a further concentration on two or three sectors per partner country.

Table 1.3 Priority Sectors in Netherlands policy for a number of African countries, 1998-2006

	Before 1999	1999-2003	2004-2006
Burkina Faso	Integrated rural development; Education; Health; Local government	Health and HIV/AIDS; Education; Rural Development	Health; Education
Kenya	Integrated rural development; Agricultural production; Urban development; Environment; Drinking water and sanitation	Good governance; Social development	Good governance; Environment and water management
Mali	Integrated rural development; Health and nutrition	Health; Education; rural development and environment	Health; Environment; Education
Mozambique	Integrated rural development; Health and nutrition; Drinking water and sanitation; Basic education; Democratisation	Health; Education; Environment; Water	Health; Education; Water
Tanzania	Good governance; Environment; Social and institutional development; Education; Rural Development; Economic development	Education; Health, Local governance; Private sector development	Education; Health
Zambia	Agricultural and rural development; Health	Health; Education; Economic development and rural development	Education, Health; Private sector development

Source: Policy and Operations Evaluation Department, Evaluation of the Netherlands Africa Policy, 2008.

3. Overall progress by the Netherlands on the Paris Declaration indicators

The general progress made by the Netherlands on the different indicators of the Paris Declaration has been documented in the report of the *Survey on Monitoring of the Paris Declaration* conducted by the OECD in 2006. Table 1.4 which is based on the Survey results as well as on additional information provided in Explanatory Note to the Budget for Development Cooperation for 2008, reveals that the Netherlands scores well above average on most indicators. On all indicators the Netherlands scores better than or equal to the average scores in the same countries. In some cases (indicators 8, 9, 10a and 10b) the 2010 targets have already been met. On three indicators the Netherlands performs somewhat below the worldwide average: the alignment with national policy (indicator 3); the coordinated support to capacity building (indicator 4) and the predictability of aid (indicator 7). Although it is clear that the Netherlands can be considered a good performer in terms of the twelve indicators of the Paris Declaration, improvements are possible. Whether such improvements will be realised will depend on a wide variety of factors, including the ways in which the different principles of the Paris Declaration are taken up by the partner countries as well.

Section 4 below provides information on how the Netherlands has been working towards achieving harmonisation and alignment in a specific sector in a number of partner countries.

Table 1.4 Progress by the Netherlands on the Paris Declaration indicators

Indicators	Definitions	Baseline ratio NL ¹ (2005)	Average partner country ratio ² (2005)	Baseline ratio Worldwide ³ (2005)	Targets NL (2007) ⁴	Target Worldwide (2010)	
1	Operational development strategies	% countries with operational development strategies	na	na	17	na	≥ 75
2a	Reliable public financial management (PFM) systems	% countries with reliable PFM systems	na	na	31	na	≥ 50
2b	Comprehensive and realistic budget estimates	% countries with comprehensive and realistic budget estimates	na	na	nya	na	≥ 33
3	Aid flows aligned with national priorities	% of Aid for government reported in national budget	70	44	88	≥ 78	≥ 94
4	Capacity strengthened by coordinated support	% coordinated technical cooperation	36	nya	48	≥ 44	≥ 50
5a	Use of country public financial management systems	% aid with use of partner country's PFM system	71	60	40	≥ 80	≥ 80 ⁵
5b	Use of country procurement systems	% aid with use of partner country's procurement system	78	72	39	≥ 80	≥ 80 ⁵
6	Avoidance of parallel implementation structures	Number of parallel PIUs	23	nya	1832	≤ 23	≤ 611 for NL: ≤ 23
7	Greater predictability of aid	Aid disbursed as scheduled	65	52	70	≥ 76	≥ 87
8	Untied aid	% untied aid	91	83	75	≥ 75 (achieved)	≥ 75
9	Use of common arrangements or procedures	% programme-based aid	68	61	43	≥ 66 (achieved)	≥ 66
10a	Joint missions	% coordinated joint missions	46	46	18	≥ 40 (achieved)	≥ 40
10b	Joint country analytical work	% joint analyses	77	77	42	≥ 66 (achieved)	≥ 66
11	Managing for results	% countries with monitorable performance assessment frameworks	Na	na	7	na	≥ 38
12	Mutual accountability	% countries with reviews of mutual accountability	Na	na	38	na	100

Source: *Explanatory Note to the Budget 2008*, Netherlands Ministry of Foreign Affairs, 2007; and *2006 Survey on Monitoring the Paris Declaration*, OECD, 2007.

na = not applicable; nya = not yet available

¹ Refers to performance of the Netherlands in cooperation with the 24 partner countries taking part in the baseline survey.

² The average partner country ratio is the average of the ratios across all countries where the Netherlands has reported activities. It is an unweighted average: each country has the same weight.

³ Refers to all partner countries (indicators 1-3, 11 and 12) and/or development partners (indicators 3-10) that have endorsed the Paris Declaration.

⁴ It has been internationally agreed to report in 2008 on the progress made in 2007, and to report in 2011 on the progress made in 2010. The targets for the Netherlands have been geared to this timing.

⁵ Tentative figure.

4. Harmonisation and alignment in Dutch support to the water sector

This section summarises some initial findings from the IOB evaluation of the sector-wide approach of the Netherlands in seven partner countries where the Netherlands is providing support to the water sector.¹⁰¹ The evaluation covered Bangladesh, Benin, Egypt, Indonesia, Mozambique, Vietnam and Yemen. Dutch support to the water sector in these countries is considerable and has increased during the past three years (see Table 1.5).

Table 1.5 Netherlands expenditure on the water sector 2004-2006 (in € million)

	2004	2005	2006
Delegated bilateral	31.2	93.3	106.6
- project support	21.6	72.6	89.2
- sector support	7.2	11.0	8.3
- general budget support and debt relief	2.3	9.7	9.1
Central bilateral	28.7	29.5	27.8
Multilateral	54.6	57.3	43.2
Total	114.5	180.1	177.6

Source: Ministry of Foreign Affairs, *Results in Development 2005-2006*, The Hague, 2007.

This growth mainly resulted from an increase in the delegated bilateral support which is provided through the Netherlands embassies in the respective countries. Bilateral funding from the central budget remained fairly stable and the support provided through multilateral channels fluctuated slightly. Interestingly, in contrast to sector support, project support increased considerably. There has been an increase in general budget support, but the picture is somewhat blurred because of the inclusion of debt relief in the data derived from the Ministry of Foreign Affairs management information system.

In financial terms, the Netherlands can be considered as an important donor in Benin and Mozambique – both countries with a high degree of aid dependency. Dutch support to the water sector is important in the less aid-dependent countries of Bangladesh, Yemen, Vietnam and Egypt, due to its specific added value. Other actors in the countries involved stated that the added value of the Netherlands support was in terms of technical know how, flexibility in aid forms, risk taking, taking initiatives and innovation.

Harmonisation and donor coordination in the seven partner countries are characterised by the following:

- the number of donors that exchange information has increased, and nearly all donors active in the sector participate in the information exchange process;
- the number of donors involved in strategic coordination has also increased somewhat, but remains limited;
- the number of donors involved in operational coordination in the water sector has grown as well, but also remains limited and;
- the role of the recipient country in donor coordination has remained limited, with the exception of Vietnam, which plays a leading role in donor coordination.

The programmes and projects in the water sector supported by the Netherlands in each of the seven partner countries are characterised by:

- consistency with the vision and strategies of the partner country government. All programmes and projects support the efforts of the partner country government to reach water and sanitation related goals and objectives which are articulated in national policies, or sector plans, or PRSPs, or MDGs.

¹⁰¹ The information was provided by Nico van Niekerk who is responsible for conducting this evaluation, which also covers harmonisation and alignment processes in the environment sector in other partner countries. The overall evaluation will be finalised and published in the first quarter of 2008.

- although policy alignment in the water sector is taking place, donors' alignment to national management systems and procedures occurs to a far lesser extent. However, in most of the countries, the Dutch contribution to management alignment is substantial. In relative terms, the Netherlands is ahead of other donors in adhering to national tender and procurement procedures, applying national financial reporting procedures and often providing funding through the national financial system.

Harmonisation

The overall result of the harmonisation process involving the different donors varies considerably from one partner country to the other.¹⁰² Generally, the record of donor harmonisation leaves much room for improvement. Harmonisation of practices and exchange of information is fairly well established, but harmonisation in programme implementation is not very advanced. In some countries, donors have each found their own niche.¹⁰³ The Netherlands is playing a relatively important role in advocating and practising donor harmonisation, albeit with varying success. In five of the countries, the Netherlands chairs the water sector consultative group of donors, which generally consists of the like-minded donors. The Netherlands is seeking to improve dialogue with the national government.

At this juncture, the Netherlands and like-minded donors have taken the first steps to engage in co-funding programmes in Vietnam and Benin. These initial steps have already contributed to higher efficiencies, improved effectiveness, and to better policy alignment with the government. In the other countries, the Netherlands has gained influence by co-funding large-scale multi-lateral loans or by connecting trust funds to multi-lateral initiatives. Both steps have resulted in increased aid efficiency. The influence gained by the Netherlands by co-funding with other donors and agencies is not being used sufficiently to influence other development partners.

Management for results

Like harmonisation, management for results is only slowly getting off the ground in the water sector. Data collection and the monitoring and evaluation of results are weak, and the progress made is limited. This is illustrated by the large variation in the data on MDG progress provided by the different actors, which may result in different priority setting in sector policies. None of the parties involved appear to be concerned about this issue. Very little data is available on sustainability and contribution of aid to poverty reduction: this hampers analysis and priority setting.

Alignment and aid modality

In general, the donors exhibit relatively high interest in alignment with overall sector policy in the respective countries and in the harmonisation of donor policies, practices and dialogue with the government. In contrast, there is low interest in system alignment and in harmonisation of funding. The reasons for this are the fiduciary risks, the donors' desire to keep their own "donor profile", and the different rules, regulations and management arrangements still being applied by donors. Donors expect that the partner countries' governments will adapt to them, rather than the other way around.

In Mozambique, Yemen and to a lesser extent in Egypt, the Netherlands tends to be ahead of other donors with respect to systems alignment and providing aid through different

¹⁰² In Benin, substantial progress has been made regarding all Paris indicators related to harmonisation in the water sector.¹⁰² This is mainly because the Netherlands and three other "like-minded donors" provide substantial funding and play an active role in the strengthening of the harmonisation process in the external support to improve urban and rural drinking water facilities.

¹⁰³ This applies to Yemen, with donors targeting specific sub-sectors and within these sectors focusing on specific locations (Netherlands Government and World Bank in Rural Water Supply and Sanitation; World Bank and the German Development Bank as the main donors in Urban Water Supply and Sanitation; World Bank as main donor in Irrigation). Similar patterns, albeit to a lesser extent, can be recognised in Bangladesh.

modalities. An important driver for the Netherlands is the argument that systems alignment provides the best way to build national capacity in the sector. In its support programmes, the Netherlands relies on checks and balances: for instance, by demanding specific audits and approval of annual plans.

There are indications that other donors are following suit, although it is too early to claim success of being ahead in systems alignment. In Mozambique, the initial choice of the Netherlands to provide sector-wide budget support in the framework of the sector-wide assistance programme (SWAp) was ill-timed. The institutional framework for the SWAp was not sufficiently established and other donors were not ready to provide sector-wide support. Moreover, the SWAp pilot was poorly monitored and consequently failed. As an over-reaction the Netherlands turned to project support – albeit in the framework of the national policy priorities. In Yemen, the SWAp pilot seems more balanced, partly due to the lessons learnt in Mozambique, and will probably be more successful.

As an illustration, details regarding to the Dutch involvement in the harmonisation and alignment processes in Mozambique are summarised in Table 1.6.

Table 1.6 Dutch contribution to harmonisation and alignment in the water sector in Mozambique

Role of the Netherlands in harmonisation	Extent of alignment in donor consortium to which the Netherlands belongs	Constraints/enabling factors	Aid modality
<ul style="list-style-type: none"> Local Consultative Sub-group which was hardly functioning; recently improved with respect to rural water supply and sanitation, leading to principles of basket funding. Code of Conduct in preparation, with the Netherlands and the Swiss Agency for Development and Cooperation as leading parties. No government leadership or ownership of the harmonisation process. 	<ul style="list-style-type: none"> Full policy alignment with the, National Water Policy Framework. Aid programme fully aligned with the government’s financial and tender procedures. New activities financed through CARE and UNICEF less aligned. 	<ul style="list-style-type: none"> Lack of bilateral donors in sector. No like-minded donor group. The Netherlands is the biggest bilateral donor. Lack of involvement of multi-lateral donors Ill-fated start of the SWAp 	<ul style="list-style-type: none"> Initially the Netherlands aimed to provide sector budget support; currently it provides a mix of types of aid.

Source: Case studies IOB water sector, draft country reports 2007.

ANNEX 2 COUNTRY PROFILES IN CURRENT DUTCH DEVELOPMENT POLICY

The Netherlands has a structural relationship with 36 partner countries and also provides substantial support to four countries characterised by a conflict or post-conflict situation: Sudan, Burundi, Democratic Republic of the Congo and Kosovo. As a result of the specific circumstances in each of these 40 countries, Dutch support has differed considerably in terms of aid volume, aid modalities and channels, and the intensity of cooperation. In the future these differences will be made more visible by the introduction of three country profiles: 1) countries needing support to be able to accelerate progress towards the MDGs; 2) countries characterised by fragility and security issues hampering development; and 3) countries where a broad relationship will be developed (profile 3). These profiles provide a general but relatively flexible framework for defining the direction and content of Netherlands development cooperation relationship. Each profile consists of a combination of the most important characteristics of the country; the overall Dutch policy direction, and the specific needs of the partner country. The profiles will be elaborated in the Multi-Annual Strategic Plans 2008-2011, which are to be drawn up by the Netherlands embassies in those countries in the last quarter of 2007.

Table 2.1 Classification of partner countries in profiles

Accelerated achievement of MDGs	Security & development	Broad-based relationship
Main criteria: 1. Low-income country 2. Fragility not dominant problem 3. Government structures offer enough potential to work with them	Main criterion: 1. Fragility or major inequality blocking poverty reduction Main criteria:	Main criteria: 1. (Prospective) middle-income country 2. Fragility not dominant problem
Bangladesh* Benin Bolivia* Burkina Faso Ethiopia* Ghana Kenya Mali Mongolia Mozambique Nicaragua Rwanda* Senegal Tanzania Uganda* Yemen* Zambia	Afghanistan Burundi Colombia Congo, Democratic Rep. Guatemala Kosovo SC Res.1244 Pakistan Palestinian Territories Sudan	Egypt* Georgia* Indonesia Moldova Vietnam South Africa Suriname**
Development cooperation to be phased out over next four years:		
	Bosnia-Herzegovina Eritrea Sri Lanka***	Albania Armenia Cape Verde Macedonia, FYR
Comments:		
* = countries that also have an actual or potential security problem		
** = agreement reached on phasing out of framework treaty resources		
*** = only humanitarian relief in response to current security situation		

ANNEX 3 PERSONS INTERVIEWED

Ministry of Foreign Affairs

Audit Department (ACD)

Mr. W.A. Slot (Senior Auditor)

Effectiveness and Quality Department (DEK)

Mr. M.A. Brouwer (Director – DEK)

Mr. H.T. Specker (Head Reporting and Monitoring Division – DEK/RM)

Mr. J.H.A. Waltmans (Head Policy Analysis and Advice Division – DEK/BA)

Mr. P.C.F. Zwetsloot (Head Aid Modalities and Instrument Development Division – DEK/HI)

Mr. W.W. Mostert (Senior Officer, Aid Modalities and Instrument Development Division – DEK/HI) .

Mr. N.W. Dijkstra (Senior Officer External Affairs Division, European Integration Department, seconded to DEK/HI tasked with European aspects concerning the Paris Declaration)

Financial and Economic Department (FEZ)

Mr. H.L. van der Vegt (Head Financial Management Advice Division – FEZ/FM)

Ms. A.A.M. Roholl (former Senior Officer Financial Management Advice Division – FEZ/FM)

European Integration Department (DIE)

Mr. J.W. Klugkist (Senior Officer External Affairs Division – DIE/EX)

Policy and Operations Evaluation Department (IOB)

Mr. N.G.W. van Niekerk (Evaluator)

United Nations and International Financial Institutions Department (DVF)

Ms. J. van Krimpen (Senior Officer)

Social and Institutional Development Department

Ms. C.M.A. van der Pol (Women and Development Division – DSI/ER)

Netherlands embassies

A questionnaire survey for the Netherlands embassies in Bangladesh, Bolivia, Mali, Senegal, South Africa, Sri Lanka, Uganda, Vietnam, and Zambia, addressed to the Heads of the Development Sections of these embassies.

Netherlands NGOs

HIVOS

Ms. C. Wildeman (Coordinator Lobby and Networks)

Ms. C. Straatsma (Southern Africa Regional Office, Harare)

ICCO-Interchurch Organisation for Development Cooperation

Mr. P. Verhallen (Senior Policy Officer)

Oxfam-Novib

Ms. M. Maassen (Head Research & Development)

ANNEX 4 TERMS OF REFERENCE

1 Introduction

Alongside its strong focus on monitoring, the Paris Declaration on Aid Effectiveness (henceforth referred to as 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 partners.

In response to this commitment, the OECD DAC Network on Development Evaluation (EVALNET) explored possible approaches to an evaluation. The proposed evaluation received strong support from the OECD DAC Working Party on Aid Effectiveness (WP-EFF) and EVALNET. Early 2007, an international Reference Group comprising partner country members of the WP-EFF, members of EVALNET and representatives of civil society was set up to commission and oversee the evaluation.¹⁰⁴

The Netherlands has been closely involved in the designing of this overall evaluation and is represented in the Reference Group and the Management Group of the evaluation by the Policy and Operations Evaluation Department (IOB) of the Ministry of Foreign Affairs. The following Terms of Reference apply to the evaluation of the implementation of the Paris Declaration by the Netherlands Ministry of Foreign Affairs at headquarters level.

This particular evaluation, which takes place in the context of the wider, cross-country evaluation of the implementation of the Paris Declaration, forms part of a series of brief “headquarter level” evaluations implemented by different donors and development agencies. The Terms of Reference for the Netherlands case study are based on the model ToR for Donor/Agency Headquarters Evaluations, which were adopted by the International Reference Group for the evaluation of the implementation of the Paris Declaration.

2 Background, rationale and purpose of the overall evaluation

Background

The Paris Declaration on Aid Effectiveness¹⁰⁵ poses an important challenge to the world of development cooperation in general and to the field of development evaluation. Compared with previous joint statements on aid harmonisation and alignment, it provides a practical, action-oriented roadmap with specific targets to be met by 2010 and definite review points in the intervening years. Furthermore, an unprecedented number of countries and international organisations are participating in the High Level Forum (HLF) which guides the implementation of the Paris Declaration and have put their signature to the joint commitments contained in the Declaration¹⁰⁶.

The Paris Declaration is built around five key concepts:

1. *Ownership*: Developing countries exercise leadership over their development policies and plans.

¹⁰⁴ A Management Group was set up to handle the day-to-day management of the evaluation; its small secretariat is located in the Danish Institute for International Studies.

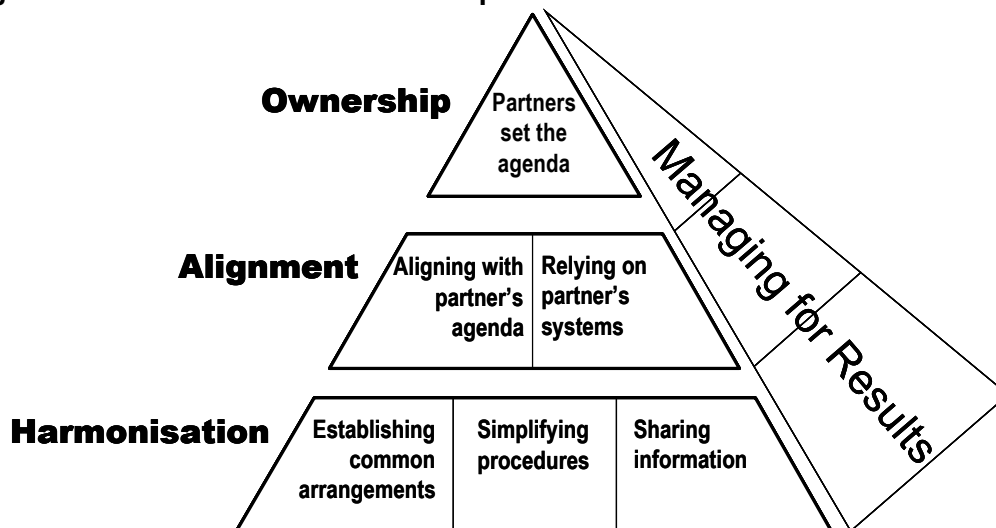
¹⁰⁵ High Level Forum, *Paris Declaration on Aid Effectiveness*, Paris, 2 March 2005. For the full text, see: <http://www.oecd.org/dataoecd/11/41/34428351.pdf>

¹⁰⁶ This reflects a progressive widening of the range of voices included in major meetings convened by the OECD DAC.

2. *Alignment*: Donors (and aid agencies/organisations) base their support on developing countries' policies, strategies and systems.
3. *Harmonisation*: Donors coordinate their activities and minimise the cost of delivering aid.
4. *Managing for results*: Developing countries and donors orient their activities to achieve the desired results.
5. *Mutual accountability*: Donors and developing countries are accountable to each other for progress in managing aid better and in achieving development results. The national accountability mechanisms will be reinforced.

The way in which these concepts relate to each other is visualised in Figure 1.

Figure 1 The Paris Declaration concepts



Source: Framework Terms of Reference for the evaluation of the Paris Declaration.

The Paris Declaration expresses a shared view on at least the basics of how some central institutional variables fit together, and why they are important. It draws together international thinking on some of the core topics of concern to both sides of the official international aid relationship. The Declaration conveys a simple but important message: aid will be more effective if the actions and behavioural changes listed as commitments under the five headings are undertaken, but will be less effective if they are not. Moreover, development results are considered to depend to a significant extent on the same variables.

Underlying the consensus on these central propositions, however, are important differences of interpretation and emphasis. This reflects several factors. First, there are some unexpressed but generally recognised disagreements about how the variables Ownership, Alignment, etc. relate to each other. There is no single, universally accepted view on these matters – especially as some of the assumptions underlying the Paris Declaration are increasingly being questioned as the implementation process proceeds. Second, these views are, in the main, practical axioms that form part of the current world-view of particular agencies; they are largely based on experience, but not strongly rooted in a body of systematic evidence. Third, the “programme theory” or set of hypotheses that gives the Declaration its logic has not been fully articulated. Finally, the principles of the Paris Declaration are oriented on process and procedures rather than on the content of the aid relationship. Consequently, the evaluation must initially focus on processes and procedures too.

Rationale

The evaluation is explicitly set up to complement the monitoring of the implementation of the Paris Declaration (including the Medium-Term Monitoring Plan that has advanced through the Joint Venture on Monitoring) by deepening the understanding of the lessons emerging from the Paris Declaration surveys.¹⁰⁷ The surveys are rightly focused on whether partners are actually fulfilling their commitments, measured across the 12 indicators (see Annex 4B) and how the implementation is progressing; only to a limited extent do they raise more fundamental questions related to why some of the changes are occurring, or, if there are no changes, why not. Furthermore, the surveys are not designed to measure whether the process is actually leading to increased effectiveness and whether the processes of change set in motion are having unintentional effects.

The evaluation will therefore focus on causal effects not captured within the parameters of the Paris Declaration surveys, with particular focus on the envisaged outcomes and benefits of the aid effectiveness agenda. Also, the evaluation process makes it possible to raise more fundamental questions related to the theory of change that is implicit in the Paris Declaration and to give attention to unintentional outcomes of the implementation process.

Purpose

The purpose of the overall evaluation is to provide information about the effects of the steps taken in order to increase aid effectiveness, which in the longer term is thought to improve development effectiveness in the partner countries.

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

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

3 Design of the overall evaluation of the implementation of the Paris Declaration

The overall evaluation will be conducted in two successive phases: The first phase will 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 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. *Donor headquarters evaluations*: Similarly to the sampling of country cases, there is a self-selection process of donors and agencies willing to undertake a headquarters-level evaluation.
- c. *Thematic studies*: The Reference and Management Groups may initiate special 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.

¹⁰⁷ OECD, *The 2006 Survey on Monitoring the Paris Declaration*, OECD, 9 May 2007.

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, in order 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). 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 Netherlands headquarters evaluation

As an actively involved member in the overall evaluation, the Policy and Operations Evaluation Department (IOB) of the Netherlands Ministry of Foreign Affairs will undertake the Netherlands headquarters evaluation.¹⁰⁸

The central argument for evaluating the follow-up to the Paris Declaration at the level of individual donors is that various donors appear to be interpreting and implementing the Paris Declaration commitments in different ways. An evaluation allows the reasons behind this divergence to be investigated and discussed. Furthermore, the evaluation can address the learning needs at donor headquarters: in this case, the Netherlands Ministry of Foreign Affairs. If required, it can help the Ministry to improve the implementation of the Paris Declaration commitments.

The specific purpose of the Netherlands headquarters evaluation is to document and assess how the Paris Declaration commitments have been interpreted and translated into policies and procedures for implementation at the headquarters level of the Netherlands Ministry of Foreign Affairs. The evaluation aims at finding out what conditions the Netherlands has created to meet its commitments to the Paris Declaration, and how these are operationalised at headquarters level and (in general terms) at the level of a number of embassies.

The evaluation will inform the synthesis study (which is to be compiled at the end of phase one of the overall evaluation of the Paris Declaration) by:

- providing an insight into the ways in which the principles of Paris Declaration and their underlying assumptions are dealt with by the Netherlands;
- providing information and, if appropriate, suggestions in order to facilitate the implementation of the Paris Declaration.

Although its main purpose is to inform the synthesis study, the evaluation is also expected to provide case-specific lessons, which may be useful to the Netherlands Ministry of Foreign Affairs. The report on the Netherlands case will not be published as a separate IOB evaluation report, but will be made available as an annex to the Synthesis Report which will be submitted to the High Level Forum for its meeting in 2008. It is envisaged that the synthesis report will be widely disseminated in the Netherlands, including to the Netherlands Parliament.

¹⁰⁸ In order to facilitate synthesis of results, this evaluation will be structured similarly to the other donor and agency headquarters evaluations. Evaluations at partner-country level will be undertaken by Bangladesh, Bolivia, Mali, Philippines, Senegal, South Africa, Sri Lanka, Uganda, Vietnam, and Zambia. The Policy and Operations Evaluation Department of the Netherlands Ministry of Foreign Affairs will be involved in and support the evaluation at partner-country level led by Zambia.

5 Scope, focus and limitations of the evaluation

Since the endorsement of Paris Declaration in March 2005, the Netherlands Ministry of Foreign Affairs has made an effort to implement its principles within the organisation of Netherlands development cooperation with partner countries. In fact, some of the elements of the Paris Declaration already formed part of Dutch development cooperation policy for some years prior to the endorsement of the Paris Declaration. For instance, one of the inspirations for the policy document *Mutual interest, mutual responsibilities: Dutch development cooperation en route to 2015* (2003) was the Rome Declaration on Harmonisation (2003).¹⁰⁹

Summarising its baseline findings, the survey conducted by the Joint Venture on Monitoring the Paris Declaration in 2006¹¹⁰ on the implementation of the Paris Declaration highlighted that these corporate commitments are not always matched by donor practices. Similar findings have been recorded by various studies of country-specific implementation experiences. In terms of donors' compliance with the Paris Declaration, the Monitoring Survey identified three explanatory dimensions for the inadequate donor practice: a.) commitment; b.) capacity building; and c.) incentive systems.

Scope

These three dimensions will constitute the main scope of the evaluation.

a) Commitment

The Paris Declaration calls for a radical new way of delivering aid. Country strategies are no longer to be formulated by individual donors. Instead, with the emphasis on country ownership, donors' cooperation strategies are to be guided by partner government needs-based demands in an aligned and harmonised manner. This may explain why in the report of the Monitoring Survey (henceforth referred to as the Survey Report), in line with good practices for institutional reform, the factor considered crucial for ensuring commitment to (and compliance with) the Paris Declaration objectives is political will and leadership at the central managerial level. However, the report is less clear about how effective leadership is to be enacted. The notion of demand-driven development cooperation is challenged by the current reality of headquarters policies, programmes, and procedures being driven by the donor's administrative *and* political concerns.¹¹¹

A similar situation applies to ownership, where the use of conditionalities as an instrument for reform is being challenged. Instead of practising conditionality, donors are now focusing more on policy dialogue in support of identified drivers for changes in the partner countries. Nonetheless, the use of process indicators for the release of e.g. general budget support is still widely applied through the 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/partner country schism, a disconnection has been noted between headquarters policies and in-country practices. For some donors it may be the case that the PD is owned by policy staff at headquarters level, with country level staff seeing

¹⁰⁹ The Rome Declaration can be considered to be the precursor to the Paris Declaration.

¹¹⁰ Aid Effectiveness: 2006 Survey on Monitoring the Paris Declaration – Overview of the Results (OECD, 2007).

¹¹¹ For example, in Zambia, the government's implementation of a division of labour, determining which donors should intervene in which sectors has been positively embraced by the more than 20 different bilateral and multilateral donors providing support to Zambia. Nonetheless, some donors have voiced their concerns over the new sector distribution – especially when the new distribution requires an exit from social (MDG-focused) sectors often enjoying strong backing from donor constituencies and the donor country's own public commitments.

harmonisation tasks as hampering 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 concerns of their headquarters about financial control. Indeed, in some instances the legal liability concerns of donor headquarters have led to commitments to the Paris Declaration at field level being low – at least initially. 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 Paris Declaration commitments can be identified.¹¹²

The highly decentralised nature of the management of Dutch development cooperation constitutes a challenge, as the implementation of the Paris Declaration requires full commitment both at headquarters and at embassy level.

b) Capacities

Uneven commitment to the Paris Declaration roll-out may also be found within donor offices, either at headquarters or at field level. What this demonstrates is that leadership on Paris Declaration commitments reflects first and foremost the commitment/ownership of individual members of staff, as well as differences in the capacities of individual staff employed by the same donor. Hence, individual donor representations might take very different approaches to the Paris Declaration. It is for this reason that donors and National Coordinators alike have called for more effective communication on the issues of the Paris Declaration between headquarters policy advisers and operational staff – especially in countries where the aid effectiveness agenda has been launched only recently.

The decentralisation of the management of Dutch development cooperation since 1996 is intended to make Dutch development cooperation more responsive to local needs and has enabled embassies to engage in dialogue with governments, non-state actors and development partners in the respective countries concerning future development cooperation. At the same time, the policies and guidelines for Dutch development cooperation are posing a challenge to embassies: to maintain a balance between the national context and the demands and requirements at headquarters level.

In some cases, the devolution of authority to embassy level may be inadequate to allow for an adequate response to the Paris Declaration commitments. For instance, many donors tend to take decisions about the granting of general budget support largely centrally, at headquarters. This often limits the insight of field offices into the predictability and timing of aid disbursements. The evaluation should therefore ascertain the extent to which such types of constraints are experienced in the management and practice of Dutch development cooperation.

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, the preparation of coordinated multi-donor programmes typically requires 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 Paris Declaration (assuming that coordinated aid is more effective) and should be factored into operational budgets and allocation of staff time. Several donors 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 partner 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 the donor's administrative costs; this is a legitimate concern, which must be examined.

¹¹² Survey Report (Final Draft 20 March 2007) p. 46.

c) Incentive systems

Incentive Systems of the donors have been reported as a critical parameter for efficient donor behaviour. The Survey Report suggests that a number of obstacles work against donors' ability to meet the commitments made in Paris. At the staff level, these include inappropriate pressure for disbursements, lack of flexibility of staff time, and high staff turnover linked to staff capabilities; taken together these create incentives that reward short-term benefits over longer term and collective, gains.

At the organisational level, the donors' need for visibility and influence sometimes takes precedence over the commitment to harmonised approaches – a tendency which has been especially noted in areas of intervention such as decentralisation, where development models are seen as the “export vehicles” of different donor systems. Similarly, experiences demonstrate that the same need for visibility limits effective delegation – even when donors are willing to harmonise and align – as illustrated by the proliferation of donor groups *and* donor group members. It seems that the career prospects for donor staff are improved by the maintenance of individual donor profiles through active participation in donor coordination. Such incentives may result in permanently high transaction costs.¹¹³

Focus and Approach

The headquarters-level evaluation will focus on documenting and assessing the policies, procedures guidelines and instructions from the Ministry of Foreign Affairs to the embassies, with respect to compliance with the Paris Declaration. Such policies, guidelines, instructions, etc. constitute the *input* to the development process in partner countries. Compliance in terms of *outputs* (results) will be captured by the separate evaluations at partner-country level, which will document and provide detailed assessments of the behaviour of embassies and field offices, including those of the Netherlands.

At this stage, the current headquarters-level evaluation will be unable to provide a definitive answer regarding the relevance of the underlying assumption(s) of the Paris Declaration: namely that increased aid effectiveness leads to greater development impact. This particular issue will be covered, to the extent possible, during the second phase of the overall evaluation of the Paris Declaration.

The evaluation will have to be conducted in a brief period of time. To ascertain the translation of the Paris Declaration at the headquarters level, it will entail reviewing policy documents and other relevant written sources and conducting interviews. In addition, a number of Dutch embassies will be covered, in order to ascertain how policy and guidelines have been communicated to and taken up by them in a general sense. In order to create synergy between this headquarters study and evaluations at partner-country level, the embassies studied will be located in the ten partner countries due to conduct a country-level evaluation (Bangladesh, Bolivia, Mali, Philippines, Senegal, South Africa, Sri Lanka, Uganda, Vietnam, and Zambia).

6 Evaluation Questions

The evaluation will be particularly interested in examples of potential obstacles to implementation of the Paris Declaration, and how these have been overcome, and with what results. The following evaluation questions are considered relevant for the assessment.

Assessing commitment

- How has the Paris Declaration's emphasis on demand-driven development cooperation been reflected in Dutch policies, programmes and procedures? Has the implementation

¹¹³ Ole Winkler Andersen and Ole Therkildsen. *Harmonisation and Alignment: the double-edged swords of budget support and decentralised aid administration*, Danish Institute for International Studies. 2007.

of the Paris Declaration affected the setting of priorities in Dutch development cooperation? Has the roles of the Ministry of Foreign Affairs and embassies been adapted to the aid effectiveness agenda? If not, why not?

- How is the Paris Declaration internalised (“owned”) at the Ministry of Foreign Affairs?
- How is it acknowledged at governmental/parliamentary level and by Dutch civil society? What are the actual and potential conflicts with other political / administrative systems, and what is being done to resolve these?
- What specific changes in the use of aid modalities are envisaged by different actors in the Ministry of Foreign Affairs as a result of the implementation of the Paris Declaration? Do these modalities comply with the vision expressed in the Paris Declaration?
- To what extent does the Dutch domestic political agenda influence the possibilities of implementing the Paris Declaration (for instance, pressures on accountability and visibility)?
- Are Dutch actors satisfied that they are fulfilling their Paris Declaration commitments, including the implementation of the DAC Principles for Good Engagement in Fragile States? Do they have concerns? If so, why? Are the concerns linked to the relevance and coherence of the Paris Declaration’s commitments and indicators? Are there ways in which these concerns might be overcome?

Assessing capacity

- What is the level of staff knowledge and understanding of the principles of the Paris Declaration and their operational implications (at headquarters and at embassy level)? Have special efforts been made to communicate these and to enhance staff’s understanding, e.g. through seminars, training, workshops, etc.?
- Have specific instructions, guidelines, operational directives and evaluation criteria been disseminated to staff to stimulate implementation of the Paris Declaration? Is there a dedicated implementation plan?
- Do Ministry and embassy staff consider these instructions, guidelines and directives to be clear and unambiguous?
- Have there been any changes in the structure of delegated authority as a result of the Paris Declaration? Have there been any changes to procedures in order to meet Paris Declaration commitments? Is the organisation of Dutch development cooperation sufficiently adapted (staff, resources, delegation of authority) to support national ownership and address and implement alignment and harmonisation?

Assessing incentive systems

- Are specific incentives provided by the Ministry of Foreign Affairs – 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?
- Have efforts been made to address limitations at the organisational level: for instance, reducing the need for visibility?
- Are there any perceived disincentives (e.g. transaction costs), in respect of other agency priorities?

These questions have been further operationalised in the evaluation matrix (annex 1). The matrix contains main questions related to the five principles of the Paris Declaration with sub-questions covering the three dimensions (commitment, capacity and incentives) outlined above. The matrix also contains indicators, data sources and methods to be applied in the evaluation, and will be further developed during the course of the evaluation.

7 Methodology and structure of the work

The evaluation work will involve:

- An analysis of documents (policy documents, instructions, guidelines, annual plans of embassies and relevant departments in the Ministry of Foreign Affairs, records of Parliamentary debates, evaluation reports and the recent DAC Peer Review of the Netherlands, etc.);
- A brief user-friendly questionnaire survey covering the embassies located in the 9 countries which will each conduct a partner-country-level evaluation (The Dutch embassy in the Philippines will not be involved because the Netherlands is no longer engaged in bilateral cooperation with that country);
- Structured and semi-structured interviews with key respondents at the Ministry of Foreign Affairs;
- Structured and semi-structured interviews with respondents from a selection of Dutch non-governmental development agencies in order to solicit their views on the ways in which the Ministry of Foreign Affairs has operationalised the Paris Declaration.

8 Organisation of the evaluation

The evaluation will be conducted by the Policy and Operations Evaluation Department (IOB) of the Ministry of Foreign Affairs. The evaluation team consists of IOB member of staff Ted Kliest, (responsible for the evaluation), external consultant Ria Brouwers (Institute of Social Studies, The Hague) and IOB researcher Bas Limonard.

The evaluation will be guided by a reference group consisting of Paul Engel (European Centre for Development Policy Management, Maastricht), Hans Brüning (ICCO – Interchurch Organisation for Development Cooperation, Utrecht), Karin Roelofs (Environment and Water Department, Ministry of Foreign Affairs) and Herman Specker (Department for Effectiveness and Quality, Ministry of Foreign Affairs). The reference group is chaired by the deputy director IOB, Henri Jorritsma. IOB staff members Nico van Niekerk and Piet de Lange will be involved as peer reviewers.

9 Conduct of work and time schedule

The evaluation will be conducted from June – November 2007 and will have three phases:

Inception

The Evaluation Management Group will review the Terms of Reference. A workshop for the evaluation managers of all headquarters evaluations and partner-country-level evaluations will take place before the evaluation begins, in order to share ideas, promoted understanding and encourage comparable approaches and conceptual frameworks (including evaluation indicators and criteria). The Netherlands reference group and IOB staff will comment on the Terms of Reference before the document is adopted.

Data collection, analysis and reporting

Data collection, interviews and questionnaire survey will be conducted in the period July – September, followed by analysis and reporting. The evaluation report will be no more than 50 pages, including an executive summary.

Consultation and finalisation of report

The draft report will be submitted to relevant sections of the Ministry of Foreign Affairs, the Netherlands reference group, and the IOB Peer Reviewers for comments, before it is finalised. In addition, the draft report will also be reviewed by Peer Reviewers appointed by the Evaluation Management Group. The final report will be provided to the Synthesis Team.

Timing	Activity
May - June 2007	Drafting Terms of Reference
June – July	International workshop (18 – 20 June, Copenhagen) to compare and harmonise evaluation approaches of the evaluations at headquarters and partner-country levels Review of Terms of Reference by Netherlands Reference Group (21 June) and by staff of the Policy and Operations Evaluation Department (5 July). Adoption of Terms of Reference Collection and analysis of documents Development of interview guidelines Development of questionnaire survey for embassies
August – September	Conducting of interviews with key actors in the Netherlands Analysis of documents Questionnaire survey among embassies and analysis of the response to the questionnaire
September/October	Drafting of evaluation report
Second half of October	Review of first draft of report by external Peer Reviewers and Netherlands Reference Group Revision of draft evaluation report
November	Peer Review of revised report by Policy and Operations Evaluation Department followed by further revisions and adoption of report Submission of final evaluation report to the Synthesis Team
December	Workshop on evaluation results (Ministry of Foreign Affairs)
January 2008	Participation in workshop to discuss the emerging findings from the different evaluation reports (Synthesis team). Venue: South Africa

Annex 4A Evaluation Matrix for the Headquarters Level Evaluation The Netherlands

N.B. The list of sub-questions and indicators is not definitive and will be extended during the course of the evaluation.

Paris Declaration Principle: Main Question	Typical sub-questions	Indicators	Methods
Ownership: <i>To what extent does the Netherlands grant partner countries ownership of their development policies and plans? Has this changed since the adoption of the Paris Declaration?</i>	<ul style="list-style-type: none"> - What is the commitment to the concept of ownership and how is this concept translated and interpreted in Dutch policy? - How is the impact of ownership (or increased ownership) on effective development perceived? - To what extent does the Netherlands grant ownership to partner countries? Why and how? - What are the constraints in terms of capacities and incentives for granting ownership / leadership? - Does the Netherlands support the strengthening of partner countries' capacity to improve national development strategies? 	<ul style="list-style-type: none"> - The use of "ownership" in policy documents, annual plans, instructions, guidelines, records of parliamentary debates, etc. - Views of headquarters and embassy staff on the actual or potential benefits of ownership (or increased ownership) for effective development. - Funds spent in accordance with partner government priorities. - Participation in Joint Assistance Strategies. - Constraints mentioned by policy makers, management and staff on the appropriateness and feasibility of granting ownership to partner countries. - Programmes / funds for enhancing partner countries' capacity to improve policy and strategy (in the 10 partner countries involved in the evaluation). 	<ul style="list-style-type: none"> - Review of Documents (policy documents, instructions, guidelines, instruments such as the "track record", DAC Peer Review of the Netherlands, evaluation reports, OECD 2006 Survey on Monitoring the Paris Declaration, Records of Parliament, etc.) - Interviews with key staff members at the Ministry of Foreign Affairs and of a number of NGOs - Questionnaire survey (among Dutch embassies in 9 of the 10 partner countries involved in the evaluation)
Alignment <i>To what extent does the Netherlands base its support on partner countries' development strategies and systems? Has this changed since the adoption of the Paris Declaration?</i>	<ul style="list-style-type: none"> - What is the commitment to the concept of alignment and how is this concept translated and interpreted in Dutch policy? - How is the impact of alignment (or increased alignment) on effective development perceived? 	<ul style="list-style-type: none"> - The use of "alignment" in policy documents, annual plans, instructions, guidelines, records of parliamentary debates, etc. - Views of headquarters and embassy staff on the benefits of (or constraints to) alignment for effective development. - The use of partner countries' systems to deliver aid. 	<ul style="list-style-type: none"> - Review of Documents (policy documents, instructions, guidelines, instruments such as the "track record", DAC Peer Review of the Netherlands, evaluation reports, OECD 2006 Survey on Monitoring the Paris Declaration, Records of Parliament,

	<ul style="list-style-type: none"> - To what extent, why and how does the Netherlands aim to align its policies and strategies with those of partner countries? - What are the constraints in terms of capacities and incentives to align policies and strategies with those of partner countries? - Does the Netherlands support partner countries' capacity development for improving operational frameworks? 	<ul style="list-style-type: none"> - ODA spent via General & Sector Budget Support (using the current reporting system). - Constraints mentioned by staff at headquarters and embassies as preventing alignment (quality of partner country's systems and procedures, Dutch rules, procedures or routines, transaction costs, perceptions of impact on aid effectiveness, transaction costs, etc.). - Programmes / funds for partner countries' development of capacity for planning, budgeting, and establishing performance assessment frameworks (in the 10 partner countries involved in the evaluation). 	<p>etc.)</p> <ul style="list-style-type: none"> - Interviews with key staff members at the Ministry of Foreign Affairs and in a number of NGOs - Questionnaire survey (among Dutch embassies in 9 of the 10 partner countries involved in the evaluation)
<p>Harmonisation <i>To what extent does the Netherlands coordinate its activities and does it minimise the costs of delivering aid? Has this changed since the adoption of the Paris Declaration?</i></p>	<ul style="list-style-type: none"> - What is the commitment to the concept of harmonisation and how is this concept interpreted and translated in Dutch policy? - How is the impact of harmonisation (or increased harmonisation) on effective development perceived? - To what extent does the Netherlands harmonise its development cooperation policy? Why and how? - What are the constraints in terms of capacity and incentives for harmonisation of policy? 	<ul style="list-style-type: none"> - The use of "harmonisation" in policy documents, annual plans, instructions, guidelines, records of parliamentary debates, etc. - Views of headquarters and embassy staff on the benefits of (and constraints to) harmonisation for effective development. - Initiatives to coordinate aid modalities with other donors. - Pooling of resources with other donors. - Constraints mentioned by staff at headquarters and embassies as preventing harmonisation (domestic political, internal agency, external factors including transaction costs). 	<ul style="list-style-type: none"> - Review of Documents (policy documents, instructions, guidelines, instruments such as the "track record", DAC Peer Review of the Netherlands, evaluation reports, OECD 2006 Survey on Monitoring the Paris Declaration, Records of Parliament, etc.) - Interviews with key staff members at the Ministry of Foreign Affairs and in a number of NGOs - Questionnaire survey (among Dutch embassies in 9 of the 10 partner countries involved in the evaluation)

<p>Managing for Results <i>To what extent does the Netherlands orient its activities to achieve the desired result and supports developing countries in doing so? Has this changed since the adoption of the Paris Declaration?</i></p>	<ul style="list-style-type: none"> - What is the commitment to the concept of managing for results and how is this concept interpreted and translated in Dutch policy? - To what extent does the Netherlands orient its activities to achieve the desired results as defined by the partner country? - Does the Netherlands support partner countries to develop a results-driven approach? If yes, how? If not, why not? - Does the Netherlands harmonise reporting and monitoring formats with other donors if country systems cannot be relied on? 	<ul style="list-style-type: none"> - The use of terminology concerning results-driven policy in policy documents, annual plans, instructions, guidelines, records of parliamentary debates, etc. - Reliance on partner countries' performance assessment frameworks for resource allocations. - Programmes / funds for enhancing the capacity of partner countries' information systems in support of decision-making and management. - Initiatives with other donors on coordinated reporting and monitoring (in the 10 partner countries involved in the evaluation). 	<ul style="list-style-type: none"> - Review of Documents (policy documents, instructions, guidelines, instruments such as the "track record", DAC Peer Review of the Netherlands, evaluation reports, OECD 2006 Survey on Monitoring the Paris Declaration, Records of Parliament, etc.) - Interviews with key staff members at the Ministry of Foreign Affairs and in a number of NGOs <p>Questionnaire survey (among Dutch embassies in 9 of the 10 partner countries involved in the evaluation)</p>
<p>Mutual accountability <i>To what extent is the Netherlands accountable to developing countries for managing aid better and achieving development results, and to what extent does the Netherlands support developing countries to be accountable as well? Has this changed since the adoption of the Paris Declaration?</i></p>	<ul style="list-style-type: none"> - What is the commitment to the concept of mutual accountability and how is this concept interpreted and translated in Dutch policy? - How is the Netherlands trying to improve its accountability? - What are the constraints in terms of capacity and incentives for providing timely, transparent and comprehensive information of aid flows to partner countries? - Does the Netherlands support partner countries to develop capacities in 	<ul style="list-style-type: none"> - The use of terminology concerning mutual accountability in policy documents, annual plans, instructions, parliamentary debates etc. - Views of headquarters and embassy staff on the concept of mutual accountability. - Type(s) of reporting mechanism(s) in use. - Constraints mentioned by staff at headquarters and embassies as making it difficult to provide timely, transparent and comprehensive information. - Programmes / funds for enhancing partner 	<ul style="list-style-type: none"> - Review of Documents (policy documents, instructions, guidelines, instruments such as the "track record", DAC Peer Review of the Netherlands, evaluation reports, OECD 2006 Survey on Monitoring the Paris Declaration, Records of Parliament, etc.) - Interviews with key staff members at the Ministry of Foreign Affairs and in a number of NGOs

accountability?	countries' capacity in accountability (in the 10 partner countries involved in the evaluation).	Questionnaire survey (among Dutch embassies in 9 of the 10 partner countries involved in the evaluation)
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ANNEX 4B The 12 indicators of the Paris Declaration as operationalised in the 2006 Monitoring Survey

- 1 Do countries have operational development strategies?
- 2 How reliable are country public financial management systems?
- 3 Are government budget estimates comprehensive and realistic?
- 4 How much technical assistance is coordinated with country programmes?
- 5 How much aid for the government sectors uses country systems?
- 6 How many PIUs are parallel to country structures?
- 7 Are disbursements on schedule and recorded by government?
- 8 How much aid is untied?
- 9 How much aid is programme-based?
- 10a How many donor missions are coordinated?
- 10b How much country analysis is coordinated?
- 11 Do countries have monitorable performance assessment frameworks?
- 12 Do countries have reviews of mutual accountability?

ANNEX 5 QUESTIONNAIRE FOR DUTCH EMBASSIES

You are kindly requested to answer the questions in the boxes placed below each question and return the questionnaire to IOB preferably no later than 22 October 2007.

Embassy:

Name respondent:

I Implementation Practice

How does the embassy try to put the Paris Declaration principles (2005) into practice?

Please answer this question by means of the following questions on the five principles.

Ownership

- The ways in which the principle of *ownership* is shaped.

What has changed since 2005 in the policy dialogue and interaction with the partner country? Is this dialogue organised in a bilateral or in a multi-donor / multi-agency setting?

What are the consequences?

On which actors in the partner country does the embassy focus its efforts to promote ownership?

Has the partner country taken initiatives to increase its leadership role? If so, which?

Which obstacles do you encounter regarding the promotion of ownership?

Alignment

- The ways in which systems and procedures of the partner country are being applied.

Can you provide examples of how Dutch systems and procedures are being adapted or have been adapted to those of the partner country?

Which obstacles are encountered in aligning with the partner country's systems and procedures?

What actions are undertaken by the embassy to support the partner country in improving its systems and procedures? Provide examples.

Harmonisation

- The ways in which *donor harmonisation* is shaped in the partner country.

Which changes has the (further) shaping of donor harmonisation brought about for the embassy during the last two years?

Have the consultations regarding harmonisation changed in character and participants? Please explain.

In the event a Joint Assistance Strategy has been established in the partner country, what are your experiences with the JAS?

Could you explain whether you think it is possible to bring the embassy's forthcoming Multi-Annual Strategic Plan in line with the JAS?

Which actions does the embassy take to stimulate other donors and agencies to live up to the Paris Declaration?

Which obstacles do you encounter with regard to donor harmonisation?

Managing for results

- The ways in which *working towards results* is shaped?

How does the embassy promote that the development activities that are supported (wholly or partly) by the Netherlands are result-oriented? Which measures / actions have been taken in that respect?

How does the embassy support the partner country to become more results-oriented?

Can you give examples of support provided and the experiences thus far?

Which obstacles do you encounter regarding managing for results?

Mutual accountability

- The ways in which the principle of *mutual accountability* is shaped.

Which initiatives has the embassy taken to improve its accountability towards the partner country?

To what extent is the predictability of the volume of aid provided by the Netherlands an issue?

Which initiatives has the partner country taken to improve its accountability to the development partners as well as to the population?

Which initiatives has the embassy taken to support the partner country to improve its accountability?

II Concordance in approach of different actors

- Does the embassy perceive a degree of concordance between its approach towards alignment, managing for results and mutual accountability and that of the partner country? Please explain.

- Does the embassy perceive concordance between its approach towards alignment and donor harmonisation and that of other donors / agencies? Please explain.

- Is there (general) agreement on the interpretation of the concepts of the Paris Declaration between the Netherlands, the partner country and other donors? Please explain.

III Interaction with and support from the Ministry of Foreign Affairs (The Hague)

- Has the embassy sufficient autonomy and authority regarding policy, financial issues and administrative matters to implement the Paris Declaration principles? Are there any obstacles?

- What is the experience with the “Track Record” as the overall instrument for determining the aid modality or mix of aid modalities?

- How useful are the other instruments that have been developed for this purpose? 1) the Strategic Governance and Corruption Assessment (SGACA), 2) the Public Expenditure Financial Assessment (PEFA) and 3) the Performance Assessment Framework (PAF)? Provide information per instrument.

SGACA:

PEFA:

PAF:

- How useful are the current Guidelines for Financial Management, in particular for new ways of collaboration among donors/agencies, in particular Silent Partnerships? Please explain.

- To what extent does the embassy receive support from divisions and teams of the Ministry of Foreign Affairs tasked with the promotion of the Paris Agenda: 1) the Effectiveness and Quality Department (DEK), 2) the Financial and Economic Affairs Department (FEZ) and the so-called Country Teams? Do they respond appropriately and timely to requests from the embassy? Do they provide for the embassy's needs?

DEK:
FEZ:
Country Team:

IV Capacity

Capacity of the embassy

- Does the implementation of the Paris Declaration demand other qualities of the embassy staff? Please explain.

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- Does the embassy have sufficient personnel and skills to meet the requirements for implementing the Paris Declaration? If not, indicate the challenges and the consequences. Please elaborate.

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- Does the embassy make use of the Support Programme for Institutional and Capacity Development (SPICAD) or other training and support programmes? Are these programmes appropriate and timely? Do they provide for the embassy's needs?

SPICAD:
Other training and support programmes:

Capacity development support provided by the embassy

- In which ways does the embassy provide support to capacity building in the partner country to implement the Paris Declaration?

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Can partners (partner country institutions, other donors / agencies) participate in capacity training provided to embassy staff? Please explain.

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Are there special activities to train partners (partner country institutions, other donors / agencies)? Describe projects/activities to enhance capacity (objectives, financial magnitude and intended participants).

Project/Activity:
Project/Activity:
Project/Activity:

V View on the Paris Declaration

- What is your opinion regarding the relevance of the Paris Agenda, the internal logic of its principles and the indicators used?

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- How feasible do you consider these in the partner country where you work? Take into account the efforts and role of the partner country and of other donors / agencies when answering this question.

- How do the (Dutch) thematic objectives and input targets relate to the implementation of the Paris Agenda?

- Does the need for visibility of the Netherlands and/or specific Dutch interests hinder the realisation of a more demand-driven, locally adapted and harmonised approach to providing aid?

- Is it important to preserve the Netherlands donor profile in the partner country?

VI Remarks

- Any other issues that you consider of interest for this evaluation.

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