



*PACIFIC ISLANDS FORUM SECRETARIAT*

PIFS(05)PICF.03

**PACIFIC ISLAND COUNTRIES/DEVELOPMENT PARTNERS MEETING**

Funafuti, Tuvalu

10 June 2005

***SESSION 3 PAPER 1***

***AID EFFECTIVENESS IN THE PACIFIC***

This paper, prepared for the Pacific Islands Forum Secretariat by Bill Pennington, Consultant, highlights aid effectiveness in the Pacific with a specific emphasis on capacity building and skills transfer. The paper presents options to the Meeting that will require a decision.



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*Aid Effectiveness in the Pacific*

**Purpose**

This paper, prepared for the Pacific Islands Forum Secretariat by Bill Pennington, Consultant, discusses aid effectiveness in the Pacific with a particular emphasis on capacity building and skills transfer. It draws attention to some of the lessons for technical assistance and capacity building programmes in the Pacific Island Countries. The paper also presents options for improving aid effectiveness and for increasing the commitment of partners and Members.

**Background**

2. At the Pacific Island Countries/Development Partners Meeting in 2004, it was proposed that the Pacific Islands Forum Secretariat (PIFS) prepare a study on the effectiveness of aid to the region. This followed a general discussion of aid volumes at the meeting, with views expressed by both donor and recipient countries that aid volumes alone did not adequately represent the impact of donor-funded assistance in the region. It was also pointed out that aid management incur certain costs for recipients, and these affected delivery and effectiveness of aid.

3. The report includes a survey of donor and recipient government policies and practices in the Pacific, coupled with a series of case studies (Annex 1) that draw out some of the more important factors in effective aid delivery. The lessons learned are at Annex 8 of the report. The report also contains a number of guiding principles and recommendations, the most important of which are summarised in dot point form below.

**Issues**

*Aid Effectiveness*

4. The issue of aid effectiveness has re-emerged over the last few years as donors and recipients continue to seek ways of making aid more accountable and to improve delivery approaches. Discussions within the OECD/DAC led to the *Paris Declaration on Aid Effectiveness* in March 2005, which followed previous efforts at improving donor harmonisation. The Pacific held a regional workshop on donor harmonisation in 2003. It

appears that a consensus on these issues is emerging, that effective aid programs should have the following characteristics:

- Donor policies and programs that recognise and are aligned with development priorities of the FICs, have multi-year or otherwise more predictable levels of funding, include activities to strengthen FICs' capacity to plan, manage and monitor/evaluate aid programs, increase the use of FIC budgets, systems and institutions to deliver aid, and increase the use of goods and services from the country or the Pacific region.
- FICs should exercise proper ownership and control of the development agenda, including key decisions affecting direction, type and implementation of aid programs, FICs should also have appropriate national and sectoral development plans, be able to identify development priorities and have accountable and efficient management and monitoring systems for aid expenditure.
- As a partnership, donors and FICs should move towards greater harmonisation, including joint programming, implementation and monitoring approaches, particularly for small island states. Multi-donor planning meetings, chaired by the FIC government, are recommended where coordination, programming and implementation issues can be resolved.

5. Donors and recipients will need to work towards these goals on a bilateral basis, as this is how most aid is delivered. PIFS, under the Pacific Plan and the CROP mandate, has a role in coordinating this process at a regional level. PIFS can also provide additional support to small island states.

### *Capacity Building*

6. Capacity building has always been a part of aid programs. It is a concept that includes a range of strategies investing in human capital development. Capacity building is not just a synonym for training, as it includes improvements to organisational systems and procedures, often coupled with organisational reform. Capacity building is most effective when it is targeted at the right areas. The identification of skills gaps, competencies and training needs is essential in planning aid activities. FICs need to have human resource and other capacity building policies and plans in place to ensure that donor-funded and domestic resources for capacity building are allocated appropriately.

7. There are a range of effective and tested capacity building 'tools' and techniques used by donors and recipients. These include technical advisers, on the job training, training courses, work attachments, scholarships, mentoring approaches and so on. Some are more appropriate in certain circumstances to meet development needs, while some are more cost-effective. A good capacity building program will use a mixture of these tools and approaches.

8. The most critical factor in effectiveness, however, is the level of commitment by the recipient agency or organisation to the activity, including making staff available and ensuring that systems and procedures introduced can be sustained. In the Pacific, movement of staff and the small size of agencies can make implementation difficult.

- FICs should endeavour to develop appropriate capacity building policies and/or human resource frameworks at the national, sectoral and agency level as appropriate.
- Aid programs and projects should use a range of capacity building options suitable for the agency concerned without relying solely on external technical assistance.
- Counterpart agencies and institutions should provide an appropriate level of resources (both financial and human) to assist in the implementation of aid activities.
- Multiple counterparts may be an appropriate option to encourage sustainability and address problems of availability and turnover.

### *Use of Technical Assistance*

9. Technical advisers represent a significant proportion of aid expenditure. In some projects, the cost of external technical advisers can be up to 90 per cent of the total budget. In the first instance, FICs and donors will need to determine whether there are other, lower cost and more appropriate alternatives to the use of technical advisers in their aid programs. Policies that encourage donors to reduce the reliance on technical advisers and offer more appropriate alternatives are required. When technical advice is warranted, it should be delivered in a manner that conforms to FIC priorities, systems and procedures as well as respecting local codes of behaviour.

10. It was found that the most effective use of advisers involved the selection of the right personnel with a mixture of good interpersonal skills, technical expertise, problem solving ability, organisational development skills, cultural sensitivity, flexibility and patience and experience in government. Advisers also needed to work with and support existing systems and processes, and not introduce inappropriate methods of working, and that an overall capacity building framework is required. Advisers need to be accountable to the recipient organisation, and senior management should take responsibility for their performance.

- FICs should develop policies on the use of technical assistance in aid programs. This could include a limit on costs of external technical advisers, encouraging use of local expertise, preference for short-term versus long-term assignments and responsibility for oversight.
- All technical advisers should have capacity building as their first priority.
- Recipient agencies will identify and make available individual or multiple counterparts for technical advisers.
- Technical advisers will be responsible to an appropriate member of the FIC government. Contracts will reflect this as much as possible.
- Technical advisers should receive briefings on appropriate behaviour and work practices before taking up positions.

### *Other Issues*

11. Effective implementation of aid programs requires good management from both the donor and the FIC, including operationalising some of the policies outlined above. The strengthening of FIC agencies and systems should be an objective in aid delivery. This could include:

- using existing FIC government budget, management and organisational structures for implementation, selecting a form of aid that provides the most cost-effective means of delivery and reducing the reliance on third party contractors.

12. Ensuring that aid programs continue to meet the expectations of FICs and donors requires good monitoring and evaluation, and the ability to incorporate results into planning frameworks.

- Donors and FICs should work towards mutually agreed performance frameworks at the national, sectoral and activity level for their aid programs. FICs should lead the monitoring and evaluation of aid programs and projects, and donors should give priority to strengthening this capacity.

### **Options for a Way Forward**

13. Numerous studies have been undertaken on aid effectiveness in the Pacific since the early 1980s, however many of the studies have come to same conclusions and provide the same recommendations. The recommendations and findings of these studies provide the Pacific Island Countries and Development Partners with enough evidence that there is a need to increase aid effectiveness. Furthermore, the same thematic conclusion is derived. Considerable commitment to change the way in which aid is delivered, administered, programmed and received is required. It may be timely therefore to consider some practical steps for taking these forward.

14. The Rome and Paris Declarations provide an internationally agreed framework to aid effectiveness. The Paris Declaration takes the Rome Declaration further by agreeing on indicators and targets to be reached by 2010. The international community with developing partners have agreed to these indicators and targets. The Pacific Island Countries may need to consider or decide as a region on how they may wish to address or pursue these indicators and targets and whether or not they should be monitored . Alternatively, consideration could be given to developing on the basis of the international consensus and other works done in the Pacific a suite of principles of aid effectiveness that would be specific to the Pacific.

### **Recommendations**

15. The Meeting is requested to:

- i. consider the consultant's study (Attachment A) that highlights a number of recommendations for increasing effectiveness of technical assistants/advisers, training courses, on-the-job training, work attachments, scholarships, and mentoring approaches; and
- ii. consider options for taking the issues forward (refer to para 14 above) and task the Secretariat accordingly.

Pacific Islands Forum Secretariat  
Suva, Fiji Islands  
17 May 2005