



Development Partner Reporting

Consolidated Analysis Report 2010

Cairns Compact for Strengthening Development Coordination
in the Pacific

Pacific Islands Forum Secretariat
June 2010

Executive Summary

1. Introduction - The introductory section of this report provides background to the study.

1.1. Cairns Compact on Strengthening Development Coordination in the Pacific was signed between Leaders of the Pacific Islands Forum on August 7, 2009 in Cairns, Australia, “to *drive more effective coordination of available development resources from both Forum Island Countries and all development partners, centered on the aim of achieving real progress against the MDGs*”.

1.2. Cairns Compact Reporting was agreed by leaders of the Forum Island Countries (FIC), and covers efforts to reduce aid fragmentation, ease the burden of aid administration and improve aid effectiveness.

1.3. Aid to the Forum Island Countries – constraints and challenges discusses the importance of initiatives like the Cairns Compact in the context of the high level of reliance that many FICs have on external aid flows and consequently, the fact that the policies and programmes of development partners can be instrumental in FICs meeting the Millennium Development Goals (MDGs) by 2015.

1.4. Organisation of the report – outlines the qualitative approach used to synthesize the partner assessments. The report has four chapters: Introduction, Synthesis of Partner Reports, Emerging Issues and Concluding Remarks.

2. Synthesis of Development Partner Reports

2.1. The context - briefly summarizes the background trends and discussions on aid effectiveness that are useful context to the partner assessments.

2.1.1. Global trends on aid effectiveness comments on the two rounds of international monitoring that have been undertaken by the Organisation for Economic Cooperation and Development’s (OECD) Development Assistance Committee (DAC) in 2006 and 2008 and other studies.

2.1.2. Regional evidence and arrangements on aid effectiveness covers significant discussions at the regional workshops as well as high-level dialogue, joint donor missions and donor round tables. Peer review processes and ongoing work in tracking progress against MDGs also complement annual development partner reporting

2.2. Progress areas in Forum Island Countries - The partner responses suggest that there has been progress in seven key areas.

2.2.1. Country-led donor coordination - Partners are committed to and supportive of country-led coordination, particularly in countries where partners are confident of existing leadership, systems and the support of other key stakeholders. Some bilateral partners have frameworks in place to support country-led development and a range of country-led coordination mechanisms are being used in FICs.

2.2.2. National development strategies - The responses suggest that partners find it easier to address several elements of ownership, alignment, harmonization and measuring results when there are national development strategies in place. In countries that are still evolving national development strategies, partners employ a variety of ‘intermediary’ strategies for ownership and alignment.

2.2.3. Use of budget support for aid delivery - Partners are transitioning to the use of national budgets to align their programs with country priorities. In countries where budget support is not practical, then the focus is shifting to assessing the country systems with a view to providing support to bring them up to international standards.

2.2.4. Joint programming and analytical approaches – Partners are trialing new approaches to design, monitoring and evaluation in FICs.

2.2.5. Rationalization of aid - There is also increased rationalization of aid to FICs through a small but significant number of delegated cooperation approaches. New arrangements for co-financing are also being implemented as partners ‘rationalize’ their aid priorities.

2.2.6. Sectoral and thematic level alignment and harmonisation - An increase in programme-based approaches, sectoral and thematic work is also a prominent trend in the assessments, cutting across the themes of ownership, alignment and harmonization.

2.2.7. Partner frameworks for results-based development – While managing for results and mutual accountability is still a grey area in FICs there has been progress at the level of *partner* frameworks for results-based development.

2.3. Challenges and lessons learnt by FIC Partners - The challenges and lessons learnt by partners are around:

2.3.1. Predictability of aid – while some gains have also been made towards improving the transparency of aid flows, only the very large donors are able to engage in longer term (3-5 year) planning discussions with FIC countries.

2.3.2. Use of country systems - A number of constraints and challenges have meant that Paris Declaration targets in the area of partners using country systems are unlikely to be met in the near future. While budget support is directed through country financial systems this does not account for all aid flows to the region.

2.3.3. Capacity building and intermediary strategies - Implicit in the discussions on the challenges that partners operations in FICs face is the view that ‘starting small’ is a practical option.

3.1.4. Positioning technical assistance – several lessons and challenges have been shared in the area of aligning technical assistance to national and regional priorities and the importance of this to the FIC context

3.1.5. Monitoring, evaluation and data weaknesses - Finally there remain significant opportunities for FICs to gradually take greater leadership of development cooperation by maintaining current data on development outcomes.

3. Ways forward

3.1. Summary of trends - The report summarizes the current situation vis-à-vis aid effectiveness and progress in terms of the Cairns Compact, suggesting that **several FIC governments (Samoa, Tonga and Tuvalu in particular) are tracking well against international benchmarks and regional goals** around ownership, alignment and harmonisation as agreed in the Cairns Compact. In these countries, country ownership has been strengthened through the existence of national development strategies. There is a high level of consensus around development priorities between governments and partners and amongst the partners as well.

In other FICs (Cook Islands, Kiribati, Nauru, Solomon Islands, Papua New Guinea, Vanuatu) several elements of ownership, alignment and harmonisation are in place however there are practical boundaries to the extent of progress that can be achieved in the areas of managing for results and mutual accountability.

3.2. Practical recommendations - With these background trends, the report suggests a country and partner differentiated view of how the Cairns Compact can be strengthened further. Two levels of recommendations are included:

3.2.1. Improving the scope for engagement includes recommendations for ‘lead partners’ as well as , ‘other bilateral and multilateral partners’, including those that may have a small stake in FICs.

3.2.2 Improving the depth of engagement includes recommendations for ‘FIC countries that are tracking well against international benchmarks and regional goals’ as well as ‘FICs where partners and governments are operating in complex contexts’ and only some elements of ownership, alignment and harmonisation are in place.

4. Concluding remarks - The concluding remarks cover some of the general findings in the Issues Report along with specific recommendations for improving the reporting process and reporting template.

1. Introduction

1.1. Cairns Compact on Strengthening Development Coordination in the Pacific

The Cairns Compact was signed between Leaders of the Pacific Islands Forum on August 7, 2009 in Cairns, Australia, to renew and invigorate commitment to lift the economic and development performance of the region. The key objective of the Compact was “*to drive more effective coordination of available development resources from both Forum Island Countries and all development partners, centered on the aim of achieving real progress against the MDGs*”.

The Compact echoes the principles of country ownership, alignment, harmonisation and mutual accountability contained in the Paris Declaration and the Accra Agenda for Action. It also reinstates the Pacific Principles on Aid Effectiveness, which were endorsed at the 2007 PIC/Partners Meeting, by senior officials of Forum members’ Ministries of Finance, and representatives of major development partners in the region.

1.2. Cairns Compact Reporting

As part of the Cairns Compact, leaders of the Forum Island Countries (FIC), called for annual reporting by development partners on efforts to reduce aid fragmentation, ease the burden of aid administration and improve aid effectiveness.

The Forum Secretariat was tasked with the preparation of a consolidated assessment of these reports for FIC leaders. A reporting template was agreed and circulated to development partners. The template has two sections – a qualitative and a quantitative one. The qualitative section focuses on measures such as increased use of country partner systems, multi-year funding commitments, the delegation of aid delivery to lead donors and results-based frameworks. The quantitative section covers data on ODA disbursements, use of national financial reporting systems, missions and analytical work (See [Annex 1](#) - Reporting Template).

1.3. Aid to the Forum Island Countries – constraints and challenges

The importance of initiatives like the Cairns Compact is linked to the high level of reliance that many FICs have on external aid flows and consequently, the fact that the policies and programmes of development partners have a part to play in FICs meeting the Millennium Development Goals (MDGs) by 2015.

Historically, the reliance of Pacific countries on aid has come under frequent scrutiny. As shared in an aid effectiveness study by the Pacific Island Forum Secretariat:

“For many, the high volumes of aid have not translated into significant improvements in economic growth and other development indicators. Concerns have also been expressed that the Pacific is experiencing problems of increasing populations, environmental degradation and poor governance, and that governments in the region are not responding adequately. More recently, security issues have become prominent, with associated threats to law and order from both civil unrest and transnational crime and terrorism” (Pacific Island Forum Secretariat, 2005).

In 2005, when the Paris Declaration was signed, aid flows to the Pacific/FICs were highly volatile and often unpredictable. Moreover, coordination between aid donors was fragmented and not as advanced as in other regions. Some of the problems reports at the time included: a pronounced lack of consistency between donor activities and national priorities; and inconsistencies between donors, leading to excessive demands placed on local resources. Specific practices such as donor procurement policies, ‘tied aid’ and the non-utilization of local technical assistance were also found to be problematic (Pacific Island Forum Secretariat, 2005).

More recent analytical accounts like the *Tracking Development and Governance in the Pacific* Report have found that although total aid flows to the region have remained relatively stable (in the range of just under US\$ 1 billion to just over US\$ 1.2 billion), aid to FICs is still fragmented. In fact, the report suggests that many FICs deal with fragmentation at levels similar to major recipients in Africa, despite the relatively smaller number of development partners (AusAID, 2009). Moreover, this report and other analytical insights suggest that the Pacific region is seriously off-track to achieve the MDGs by 2015. While some countries like the Solomon Islands and Vanuatu have made good progress against MDG targets, the same cannot be said of the entire region (ADB, 2009, AusAID, 2009).

In this context, the Pacific Aid Effectiveness Principles and the Cairns Compact have provided a platform to steer development cooperation in the region on the right track. Any reflections on aid effectiveness however, need to be tempered with the realization that many FICs are still developing the basic governance and institutional frameworks needed to build ownership and alignment. Furthermore, aid to FICs is still characterised by a large number of multi-lateral and bilateral donors operating in very widely different country contexts and development partner policy agendas. Regional aid initiatives are also significant as regional aid flows account for a significant proportion of total ODA. However, they are complicated to track and not fully integrated in national development plans.

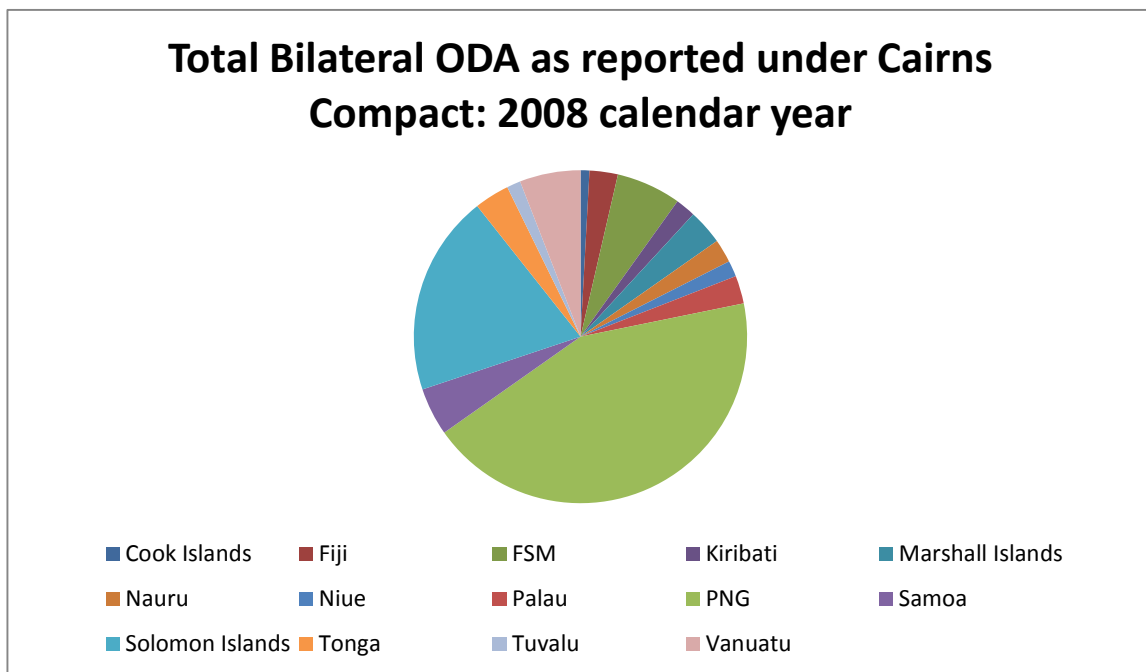
1.4. Development Partner reporting; scope and limitations

A total of ten assessments were received initially. Respondents include four multi-lateral donors (Asian Development Bank, European Union, World Bank and the United Nations) and six bilateral donors (Australia, Israel, Korea, New Zealand, Thailand and the United States). Eight of these assessments relied on the existing template for their analysis. Two partners provided a country-wide analysis and one partner – the UN, provided an agency-differentiated report country-based report as well as a consolidated country-based one. Regional organisations were exempted from this first round of reporting.

Two additional assessments were received following preparation of this report. These assessments were from Japan and France.

These assessments and the conclusions drawn were presented at the Pacific Island Countries Development Partners' Meeting held on June 24th and June 25th in Fiji. Minor revisions have been made to this report based on the suggestions made at the meeting.

While the sample is limited, the assessments provide valuable qualitative insights into the extent partners steer their efforts to support country leadership, alignment and harmonisation on the right course. Many of the development partners that have contributed to the reporting process make significant aid contributions to the region. Aid flows represented in the analysis total more than US\$1541.45 million and are distributed across FICS as illustrated below¹.



In terms of focus however, the assessments tend to concentrate on good practice examples (particularly in Samoa, Solomon Islands, Vanuatu and Tonga) with less evidence on contexts (country, sector or theme), where achieving aid effectiveness is highly problematic. There is limited discussion on Nauru, Niue, Marshall Islands, Federated Republic of Micronesia and Palau. Other limitations in the data include the wide range of interpretations of themes like 'country-led cooperation' or 'results-based development' and the fact that some of the more significant donors in the Pacific have not provided assessments (see [Table 1](#): Size and scope of response to 2010 Cairns Compact Annual Reporting) .

¹ Note that contributions from France are not included in this total due to some differences in their reporting which were not clarified in time for this report version

Table 1: Size and scope of response to 2010 Cairns Compact Annual Reporting (Shaded area indicates that these features were present in the Partner Assessment)

Partner	Quantitative template used	Qualitative template used	Size (pages)	Scope	
				Country/Agency-wise description	Lessons and good practice examples
Australia			20		
Asian Development Bank			50		
European Union			5		
France			12		
Israel ²			5		
Japan			13		
Korea			3		
New Zealand			15		
Thailand			2		
United Nations			20		
United States			5		
World Bank			14		

1.5. Approach and organisation of the report

The synthesis and analysis process has utilised a qualitative approach, to report on the progress reported by partners as well as the challenges they highlight (see Table 2). Data from the partner assessments was clustered around the three broad themes of: ownership and alignment; harmonisation; and measuring results and mutual accountability. Progress, challenges and good practice examples have been synthesized from this data and where appropriate, the emerging regional benchmarks for good practice have been evaluated against global good practice trends.

Several practical recommendations and ways forward have been developed from this data. The recommendations on progress towards the Cairns Compact are shared in this Analysis Report and the recommendations on Cairns Compact Reporting are shared in a separate Issues Report.

² While Israel did not use the Qualitative/Quantitative template – a qualitative description was provided using a separate reporting format

As this is this is the first attempt at annual reporting, the focus of the synthesis as a whole is less on generalizations of what works and what doesn't and more on unique and interesting approaches, pilots and innovation that can be analysed, documented and shared by partners in the interests of learning and improving aid effectiveness.

Table 2: Analytical approach and framework for synthesizing partner reports

Issues/ key questions		Global Context	Country/Partner Context	Ways forward
Ownership and Alignment	What is the progress made?	Progress Challenges	Progress Challenges Good practices examples	Recommendation for partners/ Strengthening Cairns Compact
Harmonisation	How is it measured?	Indicators used Progress against benchmarks	Indicators used Possible benchmarks Qualitative insights Gaps in data	Recommendations for Cairns Compact reporting
Measuring results and mutual accountability				

The report has four chapters.

Chapter Two: **Synthesis of Partner Reports** covers the major progress areas and challenges or lessons learnt, as reported by partners and across the three thematic areas covered in the reporting template: ownership and alignment, harmonization; and measuring results and mutual accountability.

Chapter Three: **Emerging issues** recommends practical ways forward for development partners as they continue to work towards the goals of the Cairns Compact in the Pacific and broader international aid effectiveness goals. The recommendations are clustered in relation to: the scope for aid engagement (partners who are the 'lead' in a particular country versus others who play a support role); and the depth of aid engagement (countries which are in formative stages of national development planning versus countries that have established national development plans).

Chapter Four: ends with **Concluding Remarks** on the reporting process and the content and structure of the template, which is elaborated on in a separate Issues Report.

A consolidated view of the quantitative data is provided at the end of the report (see Annex 2 – Consolidated quantitative data from development partners). While the quantitative data is not complete for all development partners and can therefore not be used as a true baseline, the data does reveal trends in overall donor practice. Data has been consolidated across countries and used throughout the report to assist in explaining some areas.

1.6. Terminology

In this report, the term '**region**' has been used to denote the Forum Islands Countries and not the broader geographical area of the '**Pacific**'. The terms '**partners**' or '**development partners**' are used to refer to the donors that fund the FICs and their contributions to the annual reporting process are referred to as '**the assessments**'. The term '**report**' is used for this document. The acronyms and references used in the report are listed at the end.

2. Synthesis of Development Partner Reports

2.1. The context

2.1.1. Global trends on aid effectiveness

Since the Paris Declaration on Aid Effectiveness was endorsed in 2005, two rounds of international monitoring have been undertaken by the Organisation for Economic Cooperation and Development's (OECD) Development Assistance Committee (DAC) in 2006 and 2008.

The *2006 Monitoring Survey* highlighted the need for partner countries to deepen their ownership of the development process and for donors to support these efforts by strengthening and using country systems and improving the transparency and predictability of aid flows. A more aggressive approach to reducing the transaction costs of delivering and managing aid was advocated, along with explicit recognition of mutual accountability and cost-effective results oriented reporting. These conclusions were based on body evidence from 34 countries and donor organisations covering 37% of the aid programme.

The more recent *2008 Monitoring Survey*, reflected information provided by 55 developing countries in relation to US\$ 45 billion of aid – nearly one-half of all aid delivered in 2007. It was this survey that was instrumental in shaping the Accra Agenda for Action — the outcome document adopted by ministers and heads of development agencies to accelerate and broaden implementation of the Paris Declaration in 2008.

The three high-level findings of this survey are important in contextualizing progress vis-à-vis the Cairns Compact and the assessments made by Pacific development partners.

- (a) **Operational development strategies** - Internationally, many countries are not on track to reach the targets that have been agreed for the operationalisation of development strategies and mechanisms linking budget formulation and execution with national strategies are proving hard to achieve.
- (b) **Quality and use of country systems** – Countries have increased the quality of their systems, however the use of these systems remains weak.
- (c) **Strengthening and supporting country capacity** - While many countries and donors have met their targets, interventions are often ad hoc and not well prioritized or sequenced. Some aspects of alignment like capacity building are making little headway because there is limited understanding of what the Paris commitment is on this issue.

Similar themes are outlined in the *2010 Development Cooperation Report*, produced by OECD/DAC. A key finding shared in this report was that only 45% of aid to the 54 developing countries surveyed in 2008 used those countries' own financial management systems, and, in some cases, the use of partner country systems had declined between 2005 and 2007.

On a more positive note, several thematic studies and institutional assessments are helping 'map out' a route to fast tracking progress towards the goals of the Paris Declaration and Accra Agenda for Action. Examples include the OECD *Report on the Use of Country Public Financial Management Systems*, the World Bank's *Results-based National Development Strategies: Assessments and Challenges Ahead*.

Findings drawn from these and other relevant studies are clearly indicated in Chapter Two and Three of this report, noting where trends in the region converge or diverge from international benchmarks.

2.1.2. Regional evidence and arrangements on aid effectiveness

Since the Paris Declaration, the Organisation for Economic Cooperation and Development's Development Assistance Committee (OECD/DAC) has monitored aid effectiveness through two Surveys on Monitoring the Paris Declaration. Papua New Guinea (PNG) was the only country that participated in the 2008 Survey and this data showed some progress but not in line with international benchmarks for good practice (AusAID, 2009, Annex 3).

In addition to the international monitoring surveys, there has been regional level analytical work and discussion around aid effectiveness, which is useful context to this report. For example, two regional workshops on aid effectiveness have been held in Fiji. The *Pacific Regional Workshop on Aid Effectiveness* in 2008 identified examples of progress in implementing the Pacific Principles as well as other areas requiring further attention. The progress areas included: the existence of national development strategies in several FICs; an increase in joint country strategies (multi-donor or multi-agency); and increased evidence of donor harmonisation in particular sectors like education. The areas flagged for improvement include: a lack of common approaches by development partners to policy dialogue; reluctance on the part of development partners to use country systems; persistent weaknesses in country systems; and a lack of capacity within Pacific island countries to coordinate and lead development activities (Pacific Islands Forum Secretariat, 2008).

At partner level, high-level dialogue, joint donor missions and donor round tables are also useful in strengthening understanding of country leadership, alignment and harmonisation. For example, the ADB, Australia, New Zealand and the World Bank, have held two 'quadrilateral' donor meetings. Significant meetings have also taken place between Australia, the European Union and New Zealand. At country-level, peer review processes and ongoing work in tracking progress against MDGs also complements annual development partner reporting

2.2. Progress areas in Forum Island Countries

2.2.1. Country-led donor coordination

The responses suggest that development partners are committed to and supportive of country-led coordination, particularly in countries where partners are confident of existing leadership, systems and the support of other key stakeholders.

Some bilateral partners have frameworks in place to support country-led development. New Zealand for example, is revising its ‘Strategic Framework’ to ensure that requests from FIC governments and national and regional plans form part of aid prioritization (New Zealand Assessment). France has a Framework Partnership Document (FPD) in place and is in dialogue with FIC governments to define sector policies within this (French Assessment). The UN has developed the United Nations Development Assistance Framework (UNDAF) 2008-2012 based on consultations with PICs and key strategic documents such as the Pacific Plan and National Strategic Development Plans of Pacific Countries. The UNDAF is a development framework that guides the UN agencies programmatic interventions and attempts to align the various thematic focuses on country priorities (UN Assessment). For others like the ADB and the World Bank, the aspiration is to ensure that donor processes (for example, the World Bank’s Country Assistance Strategy or CAS) are aligned to country priorities and set in the context of diverse stakeholder (state, non-state) interests. Practical changes in aid operations such as increasing technical and managerial presence in-country have also enabled partners to participate in country-led processes (ADB, France, World Bank Assessments).

At present a range of country-led coordination mechanisms are being used in FICs ranging from partner involvement in aid coordination units managed by FIC governments themselves, to sectoral coordination mechanisms and ad hoc meetings convened by partners. This full range of mechanisms is most prominent in Samoa and the Solomon Islands. The existence of country-level aid effectiveness declarations (e.g. in PNG, Tonga and Tuvalu), are also emerging as effective mechanisms for country leadership, donor coordination and alignment (see [Box 2](#) –Tuvalu Development Partner Agreement).

These trends match progress made internationally around building consensus for country ownership. Realistically, all FICs may not be able to reach international benchmarks in the area of country-led coordination. Governance and political stability varies across the region and not all governments are in a position to co-ordinate donor efforts. Moreover, as noted in a couple of partner assessments, the aspiration of country-led donor coordination needs to be less about mere information exchanges and more about substantive policy engagement with FIC governments. Many FIC governments have significant progress to make in relation to leading policy development and change (Australia, New Zealand and World Bank Assessments). In some FIC countries like the Marshall Islands, donor coordination meetings are being held for the first time (Japanese Assessment).

2.2.2. National development strategies

As evidenced by the Tuvalu example (Box 2), it is clear that partners find it easier to address several elements of ownership, alignment, harmonization and measuring results when there are national development strategies in place.

Box 2: Tuvalu's Joint Country Strategy

The Government of Tuvalu and its development partners have signed an agreement to apply the principles of the Paris Declaration for Aid Effectiveness and the Accra Action Agenda to foster more effective development coordination in country.

Signatories to the agreement have committed to an ongoing process of effective coordination in the implementation of development assistance for Tuvalu, in line with Tuvalu's National Strategy for Sustainable Development 2005-15 (Te Kakeega II).

These policy developments are the basis for donor technical assistance around strengthening public financial management. A joint country strategy between the Government of Tuvalu, the ADB and Australia has also been developed. The country strategy uses joint performance benchmark indicators developed by the three parties to harmonize reporting processes. AusAID has co-financed ADB technical assistance in Tuvalu. Tuvalu has benefited from assistance delivered through sub-regional activities under the Pacific Regional Audit Initiative also financed by the ADB and Australia. .

Source: Australia and ADB Assessments

In countries that are still evolving national development strategies, partners employ a variety of 'intermediary' strategies for ownership and alignment. These include: promoting country-level aid coordination units; a 'champion' or partner that facilitates the planning process; using reliable national level data and statistics; or using donor situational assessments in planning resources and aid allocations. The Solomon Islands Core Economic Working Group is one such example of an interim, collaborative approach aimed at boosting country ownership and alignment (see [Box 3](#) – Collaborative Economic Reform in Solomon Islands).

Internationally, the Paris Declaration benchmark is for countries to have national development strategies, with clear strategic priorities linked to medium term expenditure frameworks, annual budgets and results-oriented operational programmes. The Accra Agenda for Action has elaborated additional benchmarks for the broad based consultative processes required to ensure that all stakeholders are able to play an active role in formulating development strategy and preparing, implementing and monitoring national development strategies.

Box 3: Collaborative Economic Reform in Solomon Islands

In the Solomon Islands, the ADB, EU, WB, Australia, New Zealand and RAMSI participate in the Solomon Islands Government -chaired Core Economic Working Group (CEWG). This group was established in 2009 to help develop a comprehensive and coordinated response to the impact of the global financial crisis. It is the first effective Government-donor forum focused on economic development and reform issues to be established in the post-2003 era in the Solomon Islands and is widely recognized as having been able to improve dialogue and the coordinated response to critical and economic and fiscal challenges facing the country.

The group meets formally every three months (more often for development partners), and development partners have agreed to link their support to a single set of priority reforms outlined in the Solomon Islands Government's Medium Term Fiscal Strategy and to a single, joint review process to determine progress against reform objectives.

Source: ADB, Australia and World Bank Assessment

While the partner assessments have discussed the *existence* of national development strategies, the assessments have not always engaged in the follow-on issues flagged in international monitoring processes around the linkage of national development plans to budget envelopes and results-based frameworks or the scope for broad-based consultation in drafting these strategies. These may be priorities in subsequent annual reporting cycles.

2.2.3. Use of budget support for aid delivery

In line with global trends, FIC development partners are transitioning to the use of national budgets to align their programs with country priorities.

The partner assessments suggest that when funding is processed through the national budget then it is easier to record and update expenditure. In Vanuatu for example, through the Governance for Growth program, Australia and New Zealand have supported the introduction of an integrated national budget that allows development partner funds to be considered alongside Government funding in determining budget allocations (Australia, France and New Zealand Assessments). In the Cook Islands and Tonga, aid flows appear on the national budget and regular reporting is provided. In Tonga, the reporting actually takes place on a quarterly basis (New Zealand Assessment)

In Samoa, direct budget support is being provided to the Government of Samoa for improved public sector governance through the Samoa-Australia Partnership for Development. This support is provided under an Economic Recovery Support Program together with the ADB, the EU, NZAID and the World Bank. The agencies are all working from the same Government of Samoa led policy framework in formulating the policy content of their budget support.

The Tuvalu experience is also distinct. In Tuvalu, partners have provided funding through the Tuvalu Trust Fund specifically set up for development partner projects and managed by the Tuvalu Trust Fund Board on behalf of the citizens of Tuvalu (see [Box 4](#) – Tuvalu Trust Fund).

Box 4: Tuvalu Trust Fund

The Tuvalu Trust Fund was established in 1988, with initial support from Australia, New Zealand, United Kingdom, Japan and South Korea. Since its establishment, Tuvalu, Australia and New Zealand have continued to make annual contributions to the Fund. The Fund was set up to enable Tuvalu to help finance chronic budget deficits, underpin economic development and achieve greater financial autonomy. Initial contributions amounted to \$27.1 million. The Fund provides a mechanism for these and subsequent contributions to be held in trust for the benefit of current and future generations of Tuvaluans.

After twenty two years the Fund has clearly made a huge difference to the Government's financial position and also to economic stability and national self confidence. It has given Tuvalu a level of financial security not thought possible at independence. It has provided an additional source of government revenue that underpins the Budget as well as the whole economy.

The Fund has grown to \$106.6 million in market value as at 30 June 2007. The real rate of return on the Fund has averaged 6.2 percent per annum providing \$65.7 million in revenue to Tuvalu. Of this \$24.1 million has been used to help fund budget deficits, \$29.2 million has been reinvested in the Fund and \$12.4 million is held in the CIF awaiting drawdown as at 30 June 2007. The Government's subsequent reinvestments back into the Fund since inception raises Tuvalu's contributions to the Fund to \$29.8 million including the initial contribution of \$1.6 million. It makes Tuvalu the major contributor to the Fund, which is evidence of Tuvalu's commitment to the long term sustainability of the Fund.

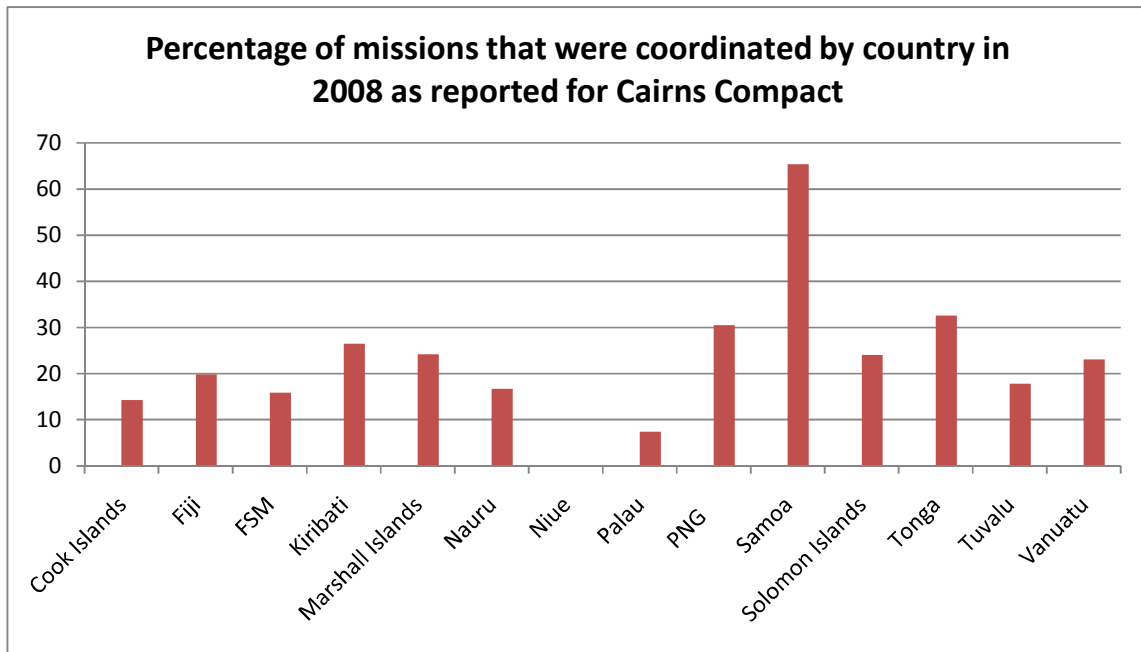
Source: Australia, New Zealand Assessments and Tuvalu Trust Fund Profile

In countries where budget support is not practical, it becomes important to assess the country systems with a view to providing support to bring them up to international standard. Other important issues highlighted in the assessments include, the anomalies in the way information on funding is recorded in budgets. Budget formats and budget coherence vary from country to country and often financial data is not presented in a manner that facilitates better decision making by partners. Overall the analysis suggests that further work is required to ensure that information is provided in line with governments' preparation and planning processes and in a way that helps strengthen budget coherence.

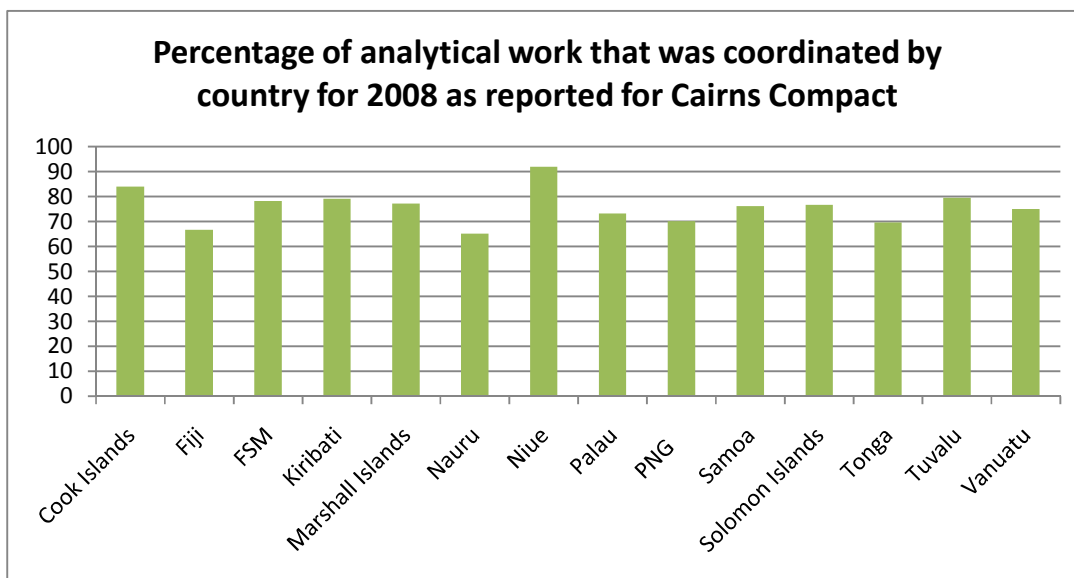
Regional aid flows, actual disbursement (compared to budgeted aid) as well as aid provided as technical assistance, are also key issues for consideration in relation to the use of budget support of aid delivery. However, partner assessments do not explore these in detail. Regional aid is not tracked through national budgets and national monitoring and evaluation processes. In some cases regional programmes rely entirely on the financial management and procurement systems of regional organisations.

2.2.4. Joint programming and analytical approaches

The assessments suggest that partners are trialing new approaches to design, monitoring and evaluation in FICs. The move from projects to programmes is the major driver for this, along with an increase in partner alignment and harmonisation of programming activities. Examples include: joint missions, the adoption of common monitoring frameworks, and joint participation in project appraisals, reviews, and evaluations. These processes represent important advances for partners in terms of reducing the transactional costs of aid. However, their real value, in terms of development impact for FICs, has yet to be assessed.



The analysis suggests that joint processes work best in situations where harmonisation is supported at the highest level – like the *Partnership for Development Cooperation in the Pacific* between Australia and New Zealand or the *One UN* strategy which aims at harmonizing the work of different UN agencies (see [Box 5](#) – One Fund in Kiribati).



Box 5: One Fund in Kiribati

In Kiribati, seven UN agencies meet, review and plan with Government and partners as one. The initial burden of this consolidated process may be higher on the Government, than the individual lower level consultations. However, this will hopefully be offset by greater commitment by Government and partners to UN supported programmes, greater UN cohesion and broader reach within Ministries

Following more than a year of negotiations within the UN and with development partners, the UN One Fund documentation was agreed and signed in September 2009. Progress with this initiative has spurred a number of agencies to move forward with similar but somewhat simpler arrangements for two north Pacific countries (Palau and FSM).

The objective of Kiribati One Fund is for donors to transfer funds into a multi-donor trust fund with Australia as the delegated lead, coordinating technical and financial resources.

Source: UN Assessment

High-level harmonisation approaches exist at the regional level as well, with implications for design, monitoring and evaluation. For example, there is a long standing humanitarian arrangement between France, Australia and New Zealand (FRANZ), where the three countries successfully coordinate and share resources and information in response to disasters in the Pacific region (New Zealand Assessment). Another regional approach to harmonisation is the Pacific Region Infrastructure Facility (PRIF) which involves the ADB, Australia, New Zealand and the World Bank and aims to improve coordination in the infrastructure sector (see [Box 6](#) – Pacific Region Infrastructure Facility).

A good-practice example for joint design work is the PNG Access to Finance Risk Sharing Facility, which provides an illustration of how Government and other stakeholders can be substantively involved in program design (World Bank Assessment). In terms of monitoring and evaluation, the Samoan case is mentioned in a few assessments. For example, in Samoa, Australia, New Zealand and the Samoan Government have developed a joint monitoring framework for the scholarships program (Australia, New Zealand Assessments).

Thus, the FIC trend is very much in line with the international trends, which is that joint work and analysis is taking place but faster progress is needed to reach agreed international goals. As this is a progress area, there is scope for more analysis on additional aspects of harmonisation (joint missions and joint analysis is a starting point), in the FIC context.

Box 6: Pacific Regional Engagement Facility

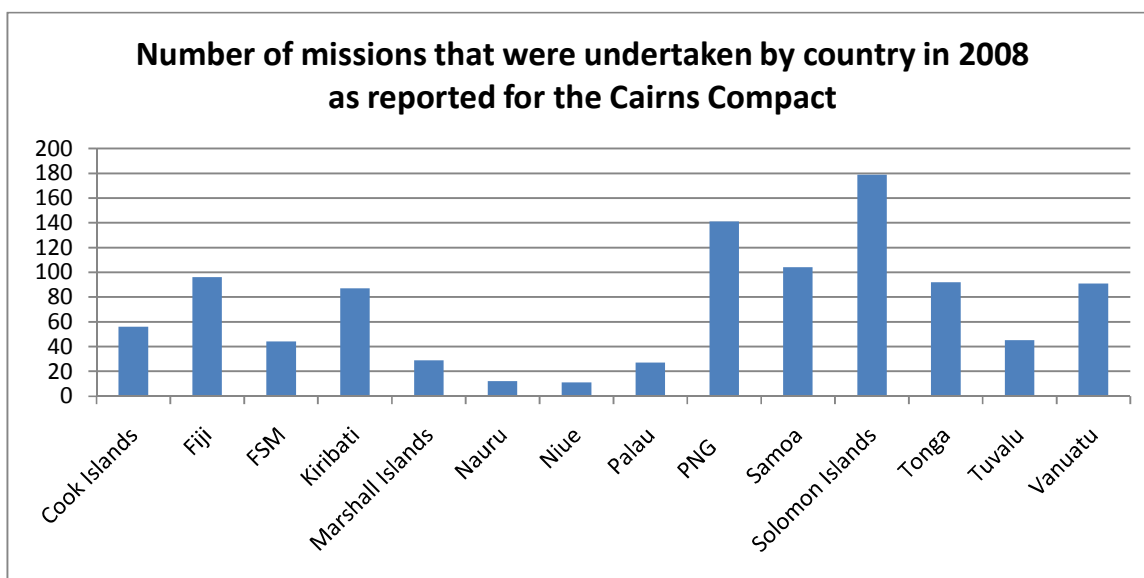
The World Bank is able to structure and administer multi-donor trust funds or to accept and oversee bilateral funding on the donor's behalf through a recipient-executed trust fund. The Pacific Facility is a World Bank administered multi-donor trust fund supported by ADB, Australia and New Zealand, and is currently in its third phase, providing technical assistance and financing to improve infrastructure services in transport, energy, telecommunications, water and sanitation, and solid waste management. PRIF provides a good example of how trust fund mechanisms can provide sustained, coordinated, and strategic assistance to Pacific Island Countries.

Source: Australia, World Bank Assessments

2.2.5. Rationalization of aid

The growth in harmonized programmes, joint monitoring and analysis is symptomatic of another positive trend – the increase rationalization of aid to FICs. As mentioned previously, aid to the FICs has always been highly fragmented and transactional costs of aid have been significant both for the FICs and the development partners.

By contrast, the current aid context is characterized by a small but significant number of delegated cooperation approaches - approaches where one partner acts with authority on behalf of one or more donors. In the Cook Islands for example, Australia has delegated the bulk of its programme to New Zealand. In Kiribati, the ADB has taken a lead in key areas such as state owned enterprise reform (Australia and ADB Assessments). In Tonga, education sector work is delegated to Australia and New Zealand. New Zealand takes responsibility for the interim ferry and the education program and Australia takes responsibility for technical and vocational education. Both partners are involved in strategic review but only 'lead' partners have responsibility for day-to-day engagement on financial and progress reporting (Australia, World Bank Assessments). A few partner assessments mention and emphasize the need for 'complementarity' (Australian, Japanese and New Zealand Assessment)



New arrangements for co-financing are also being implemented as partners ‘rationalize’ their aid priorities. Regional level co-financing was also touched upon in the assessments. One such example is the Pacific Regional Strategy for HIV/AIDS, implemented by the SPC and backed by a response fund to which New Zealand and Australia contribute. Another example is the work of the Pacific Islands Forum Fisheries Agency, which—with the backing of development partners such as Australia and New Zealand—has been the key to sustainably managing regional tuna stocks.

As regional organisations were exempt from this round of annual reporting, the extent to which regional programming aligns with national priorities and the strengths and limitations of this approach in the FIC context, are not clear.

2.2.6. Sectoral and thematic level alignment and harmonisation

An increase in programme-based approaches, sectoral and thematic work is also a prominent trend in the assessments, cutting across the themes of ownership, alignment and harmonization. The common observation made is that it is easier to work at the sectoral and thematic level in the FIC region and the partner assessments have numerous examples of effective coordination mechanisms at the sectoral and thematic level (see [Box 7](#) – Vanuatu Roadmap Project and [Box 8](#) – Tonga Energy Roadmap). The assessments focus in particular, on the education and health sectors.

Box 7: Vanuatu Education Road Map

Among the most successful examples for sectoral work is the Government of Vanuatu's support to universal primary education through the Vanuatu Education Road Map (VERM) 2010-12. VERM is a collaborative, Vanuatu Government-led and -implemented reform plan supported by Australia, New Zealand, UNICEF, France, the World Bank and European Union. The approach taken to VERM reflects the Government of Vanuatu's efforts to transition to more coordinated, program-based forms of development assistance in education, as well as health, infrastructure and agriculture. For example, the design used Vanuatu Government systems, including the budget process, to take forward key policy initiatives. The VERM also provides for harmonised reporting, financial management and procurement processes using Government of Vanuatu systems

Box 8: Tonga Energy Roadmap

The Government of Tonga's initiative to develop an 'Energy Roadmap' sets out a ten year (2010–2020) energy sector plan to address the impact of fossil fuel dependence in Tonga, while expanding access to quality energy services. It focuses on pursuing appropriate energy options in Tonga across the whole sector – including renewable energy options (such as solar and wind energy), consumer energy efficiency measures and improved petroleum supply management. A final draft of the Roadmap is being considered by the Government of Tonga and development partners, with adoption expected in June 2010.

The Roadmap is a strong practical example of the application of Cairns Compact principles to development in Tonga. It was developed in a process led by the Government of Tonga, in collaboration with PRIF, other development partners and regional organisations through the World Bank-led *Energising the Pacific* framework. It provides a mechanism for coordination of Government and donor support in the energy sector, and a coherent framework within which to engage donors on measures to address Tonga's energy needs. While development partners may respond to these needs in a variety of ways, the common framework shapes partners' responses and aims to ensure a greater return on investment.

Source: Australia Assessment

While programmed-based approaches deliver significant benefits there are numerous challenges especially in relation to management and implementation of these in FICs. The challenges discussed in the partner assessments include: building momentum to take approaches forward; aligning policy settings; linking between policy and budget; insufficient human resources; different levels of tolerance to risk among parties; different requirements for accountability; and changes in policies by countries and development partners.

Joint programming in health, gender, conflict and humanitarian situations and other regional concerns (climate change, HIV/AIDS), while mentioned briefly, have not been adequately explored through the assessments. The suggestion is that these are potential growth areas and ones where substantial harmonization efforts are being applied.

2.2.7. Partner frameworks for results-based development

Managing for results and mutual accountability is still a grey area in FICs and partner assessments do not engage comprehensively in the various elements of results-based management and mutual accountability to allow for an evidence-based assessment of progress. There is a mention of some mechanisms for mutual accountability (review of partnership agreements, high-level dialogues and public expenditure reviews) but not enough analysis of these processes.

Demonstrable progress towards the goals of the Paris Declaration in the area is mainly been at the level of *partner* frameworks for results-based development. The assessments suggest that partners are reforming their own systems for maximum impact on poverty reduction and the MDGs. Partners use the language of “expected results”, and are developing results-based measurement systems. Nonetheless, embedding such systems in countries which lack basic governance and aid management systems is hard. The analysis suggests that if basic government structures exist and there is broad consensus around the development strategy, mutual accountability is a possible goal. However, partner country capacity to support mutual accountability must also be strong.

It would be useful to track practices, like the development of joint donor matrices, to establish practical benchmarks for FICs in the area of results-based development and mutual accountability going into the future (see also Box 9 – Vanuatu Education Partners Group) .

Box 9: Vanuatu Education Partners Group

In Vanuatu, donors participate in the EPG (Education Partners Group), which supports the programme which was jointly drawn up by the Government and the donors. The EPG group features two types of partners: the Pool Partners, made up of Australia, New Zealand and UNICEF, and the Non-Pool Partners, like France, Japan (JICA), etc. The Pool Partners make financial commitments and monitor education reform operations. The Non-Pool Partners have no binding financial commitments but can finance work based on their resources and are committed to cooperating with all partners, notably during monthly EPG meetings and through the document which lists all operations assisted by the partners in the education sector, the Donors’ Matrix. All aid actors are therefore working collaboratively and exchange ideas and best practices.

Source: France Assessment

2.3. Challenges and lessons learnt by Development Partners

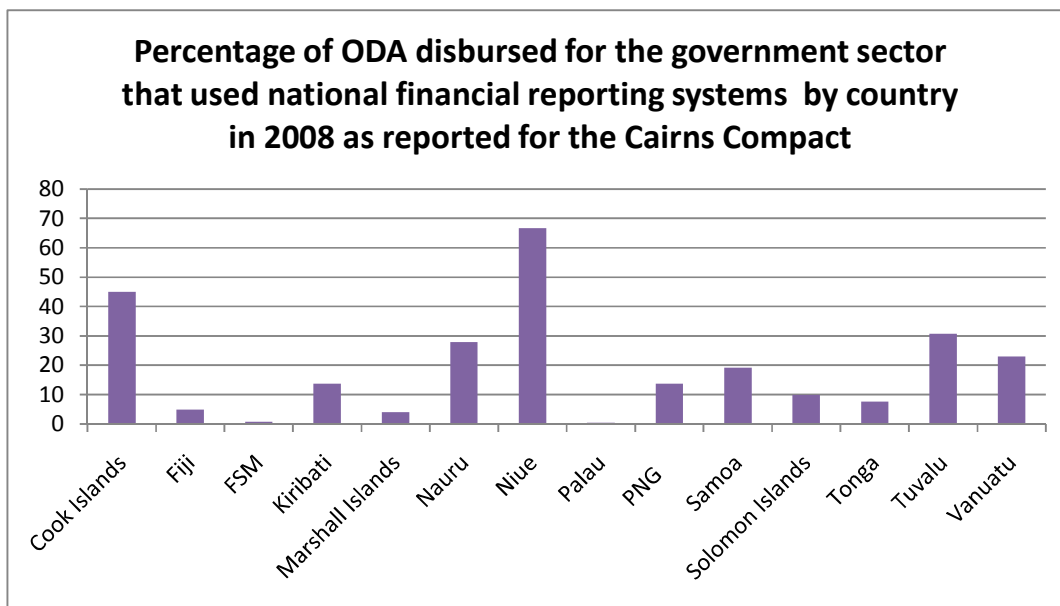
2.3.1. Predictability of aid

In terms of challenges and lessons learnt, partners have flagged that the predictability of aid in the region is still an area that deserves attention. As mentioned previously, aid to this region has remained relatively stable since the signing of the Paris Declaration. Some gains have also been made towards improving the transparency of aid flows from partners to the FICs. However, only the very large donors are able to engage in longer term (3-5 year) planning discussions with FIC countries. Less significant partners still tend to plan/operate on annual planning and budgeting cycles.

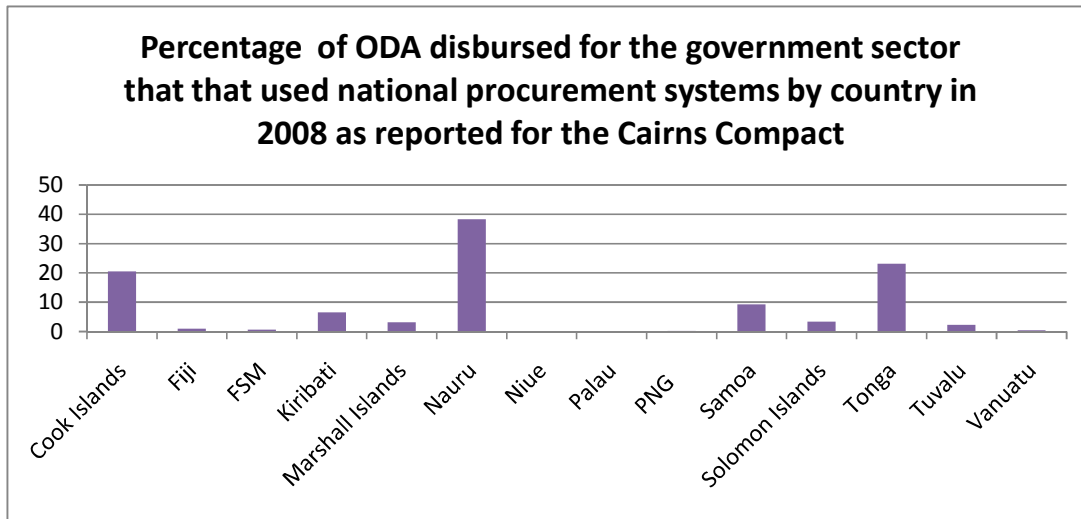
At a partner-level the assessments provide a sense of well developed processes and programming cycles to identify priority sectors at a country and regional level. Examples include the Australian Partnerships signed with FIC countries, the UNDAF or the ADB's Pacific Strategy. The extent to which these processes are country-driven however, is not clear. For future reporting cycles it will be essential to establish a baseline to assess how the different donor cycles and reporting process work in tandem and the transactional costs of managing this from a FIC perspective. It would also be useful for the reporting template to capture changing trends in aid predictability over time.

2.3.2. Use of country systems

A number of constraints and challenges have meant that Paris Declaration targets in the area of partners using country systems are unlikely to be met in the near future. While budget support is directed through country financial systems this does not account for all aid flows to the region.



Bilateral donors in particular appear to be using some country systems but not others. For example, some report on greater use of FIC systems at the beginning of the program cycle, but more limited use of procurement and monitoring and evaluation systems (AusAID Assessment) and others report using national planning but not national procurement systems (New Zealand Assessment, Japan Assessment). In fact, partner analysis suggests that none of the FICs have developed national procurement systems to the level of international good practice (World Bank Assessment).



The ongoing challenges mentioned by partners include: improving the robustness of the systems, and adequacy of these systems to meet acceptable levels of risk; capacity constraints either across Governments or within individual agencies to effectively manage government and donor funds; perceptions of corruption and fraud in some cases; inability of agencies to expend or report in an effective and transparent manner; and concerns that rapid integration into government systems will, by focusing internally on systems, lead to a drop in quality of service delivery to clients, particularly in health and education.

The assessments suggest that initiatives at a regional level like the Pacific Association of Supreme Audit Institutions managed by the World Bank will help address these perceived weaknesses in the system. At a country level, the use of Public Expenditure Framework Assessments is also proving effective. PEFAs have been mentioned in the assessments in relation to Tonga, Nauru and Vanuatu. In Nauru and Tonga, PEFAs will be conducted later in 2010.

2.3.3. Capacity building and intermediary strategies

Implicit in the discussions on the challenges that partners' operations in FICs face is the view that 'starting small' is a practical option. Several countries are still evolving national development strategies and others simply lack the stability for coordinated national development planning. In these situations intermediary strategies with embedded capacity building processes are important. For example, where country systems are not yet fully acceptable, partners can provide targeted assistance to help relevant institutions develop the

capacity and skills they need to assume these responsibilities fully. For example, the UN has supported revision of national development strategies in both Nauru and Kiribati to include results based management concepts. Some partners concentrate on using one element of the system as a program or pilot (AusAID Assessment). Others use FIC systems when other donors are involved as well (New Zealand Assessment).

Box 9: Intermediary strategies for Forum Island Countries

Marshall Islands - ADB has been requesting the Government of the Marshall Islands to take a stronger lead in coordinating donor support to the country. ADB has also requested other donors, most notably the USA, to assist the Government in leading donor coordination efforts. The donor coordination meeting has been proposed to take place in 2010 and all major donors are expected to meet in mid-2010 to discuss how to optimize donor support and avoid duplication.

Federated States of Micronesia - ADB and FSM developed a Capacity Development Roadmap. Work on this was completed in 2008. ADB activities are cognizant of the findings and recommendations of this roadmap. ADB supports co-financing of its activities. ADB is involved in ongoing discussions with relevant development partners on where co-financing can be used to fund its activities in FSM. ADB also uses parallel funding in FSM to leverage US infrastructure maintenance grants and capacity building grants through the State Governments.

Vanuatu - has little in the way of formal country-led aid coordination mechanisms and forums although the Aid Coordination Unit does provide some coordination. As part of the Country Partnership Strategy process ADB gathered all Port Vila-based donors for consultations including Australia, New Zealand, International Finance Cooperation, People's Republic of China, the European Commission, France, Japan and the Millennium Challenge Corporation. This was the first such meeting for some time. In order to improve coordination in Vanuatu, through ADB's Vanuatu Country Partnership 2010 – 2014, which was approved in 2009, ADB has agreed to engage a local development coordinator in Port Vila beginning in 2010.

Source: ADB Assessment

3.1.4. Positioning technical assistance

The area of technical assistance (TA) is also one that has been challenging and considerable improvements in aligning technical assistance to national and regional priorities can be made. The assessments suggest that when TA is part of the broader package of assistance it can often fulfill a useful capacity development role. However, this is not always the case.

One of the major issues is that technical assistance is not reported in budgets. Another issue is the extent of capacity constraints. Advisors are frequently requested by the FIC governments to assist senior leadership to deliver short-term products, making long-term, strategically defined TA hard. In the case of the multi-lateral organisation, their own mandates limit the extent to which they can strategize TA flows (EU, ADB Assessments). The EU, Japanese and World Bank assessments assert that TA is based on requests received by the FIC governments.

Box 10: Positioning technical assistance

Kiribati - Strengthening Public Financial Management is one of the agreed priorities that ADB is supporting in Kiribati. ADB's current technical assistance (TA) on Economic Management and Public Sector Reform aims to build capacity on financial management and put in place a medium term budget framework (MTBF) as Kiribati does not currently have one in place. This MTBF will allow the Government of Kiribati to better plan the allocation of its resources and ensure that all revenues are all accounted for in the MTBF.

RMI - All of ADB's technical assistance is developed in consultation with Government with the aim of building capacity at the national level. The COBP sets out a pipeline of TA which is aligned with Vision 2018. The USA and ADB discussed issues related to capacity development in 2009. Both agencies agree to jointly assess the capacity development gaps. Both development partners will then seek a strategy to communicate clear objectives for capacity development through RMI's National Training Council (NTC).

Source: ADB Assessment

In the future, the alignment and harmonisation of technical assistance needs to be assessed through processes that govern and determine the scope of TA at a partner and a country level. An understanding of the proportion of TA provided as part of coordinated capacity development programmes would also be useful in the FIC context.

3.1.5. Monitoring, evaluation and data weaknesses

Finally there remain significant opportunities for FICs to gradually take greater leadership of development cooperation by maintaining current data on development outcomes. Given data weaknesses across the Pacific however, partners still have a role to play in data collation and collection at the country and regional level.

There are positive relationships in working towards data integrity between the UN and SPC's Demography and Statistics Program, ADB, AusAID and NZAID statistics focal points, and the World Bank and the UN monitoring and evaluation group. The UN is also working towards developing a Pacific network of monitoring and evaluation specialists to enhance the interaction and involvement of all stakeholders in building the monitoring and evaluation capacity in the Pacific region (UN Assessment).

In several assessments, the importance of government data and statistical capacity is linked to collaborative and aligned design processes (Australia, EU, World Bank Assessments). Some elaboration by FIC partners on successes and limitations around harmonising monitoring and evaluation activities in particular, would help clarify the extent of progress in FICs. This includes alignment to the M&E frameworks attached to national strategy development plans. The international trend is that harmonising monitoring and evaluation can be much harder than harmonised design work.

3. Ways forward

3.1. Summary of trends

This analysis has demonstrated that **several FIC governments (Samoa, Tonga and Tuvalu in particular) are tracking well against international benchmarks and regional goals** around ownership, alignment and harmonisation as agreed in the Cairns Compact. In these countries, country ownership has been strengthened through the existence of national development strategies. There is a high level of consensus around development priorities between governments and partners and amongst the partners as well. Prioritisation of aid by partners at a national and regional level is in the process of being linked to national and regional planning processes and there are positive examples of harmonisation at a country, regional and sectoral level.

In the short term (1-3 years) partners need to push more aggressively for implementation and evaluation against key progress indicators for ownership, alignment and harmonisation. In the medium term (3-5 years) partners operating in these FIC countries need to work towards strengthening weak elements in country systems, improving the predictability of aid and building capacity for results-based management and mutual accountability.

In other FICs (Cook Islands, Kiribati, Nauru, Solomon Islands, Papua New Guinea, Vanuatu) several elements of ownership, alignment and harmonisation are in place. Partners and governments are operating in fairly complex environments and aid is only a part of the solution for chronic difficulties faced by these countries. The economic, political and administrative context in these countries continues to affect ownership, alignment and harmonisation at a variety of levels. Moreover, there are practical boundaries to the extent of progress that can be achieved in the areas of managing for results and mutual accountability. In fact, in some countries and in the short term (1-3 years), it might be vital for partners to highlight sectors or programmes where ownership or predictability is not the goal and where in fact, aid effectiveness is a measure of adaptability, to complex and rapidly evolving contexts. A continued focus on pilots and trialing change in parts of country systems and at the sectoral level is relevant to these country contexts in the short term.

In the medium to longer-term (5-10 years) partners operating in these FICs need to concentrate on the building block for aid effectiveness – national development strategies, sound national financial management systems and a higher level of country leadership on aid effectiveness.

The countries that have not been included in the above trend analysis for reasons of paucity of data are Fiji, Federated Republic of Micronesia, Marshall Islands, Niue and Palau.

3.2. Practical recommendations

With these background trends, it is possible to suggest a country and partner differentiated view of how the Cairns Compact can be strengthened further – improving the scope and engagement and depth of engagement in aid effectiveness.

3.2.1. Improving the scope for engagement

Lead partners, or partners that have responsibility for delegated cooperation or coordinating the technical and financial aspect of development cooperation need to:

- (a) Use development assistance to resource government reform programs particularly in the area of streamlining aid ministries and operational planning
- (b) Promote understanding and analysis of country systems (strengths, weaknesses, etc)
- (c) Strengthen the indicative pipeline for aid engaging governments in 3-5 year planning cycles
- (d) Improve the effectiveness of harmonisation mechanisms such as donor round tables, and joint review meetings at programme and sectoral levels
- (e) Review co-financing or delegated cooperation on an ongoing basis, communicating opportunities for ‘opting out’ of particular sectors and programmes and good practice experiences
- (f) Develop and maintain joint government donor matrices

Other bilateral and multilateral partners, including those that may have a small stake in FICs, need to

- (a) Understand and contribute to the discussion on country ownership and alignment in the FIC context
- (b) Align technical assistance to country-level priorities
- (c) Improve the predictability of aid in the context of programme-based approaches and sectoral or thematic work
- (d) Improve the dissemination and use of analytical tools such as country and sector reviews
- (e) Participate in joint missions and joint analysis where appropriate

3.2.2. Improving the depth of engagement

In FIC countries that are tracking well against international benchmarks and regional agreed goals for ownership, alignment and harmonisation, the next step will be to

- (a) Establish country-partner specific benchmarks for alignment and harmonization
- (b) Strengthen harmonisation in areas which are directly linked to development outcomes related to FICs achieving MDGs by 2015
- (c) Improve aid information systems including the use of government data for programming baselines, monitoring and evaluation
- (d) Align technical assistance to national capacity building priorities
- (e) Improve linkages between national and regional programming, monitoring and evaluation
- (f) Promote discussion on managing for results in the FIC context
- (g) Develop country-specific road maps for mutual accountability

In other FICs, where partners and governments are operating in a complex context and only some elements of ownership, alignment and harmonisation are in place, the next step will be to: .

- (a) Use technical assistance to strengthen country systems
- (b) Continue to develop multi-donor and multi-agency frameworks
- (c) Work towards consistent and compatible management and reporting systems shared by partners and FIC governments
- (d) Develop trust funds as a means to improve aid predictability and partner alignment
- (e) Trial and communicate improved partner coordination mechanisms at a sectoral and thematic level
- (f) Enlist partner technical support in data collection, monitoring and evaluation

4. Concluding remarks

A more detailed Issues Report on the reporting process and template has been prepared. These concluding remarks cover some of the general findings in that report along with specific recommendations for improving the reporting process and reporting template. These recommendations also tie in with feedback provided by partners (SPC, New Zealand and UN) when the template was first circulated.

4.1. General findings

- (a) In the responses received, there appears to be a **commitment to and understanding of the objectives of reporting** against the Compact. Development partners that did not participate in the 2010 reporting have expressed an interest in doing so next year.
- (b) There is a need however to **synchronize development partner reporting with related reporting processes** (tracking MDGs, peer reviews and country national plan reporting) in order to ensure a comprehensive picture of aid effectiveness in the Pacific.
- (c) The **broad spilt of the template between quantitative and qualitative sections** and between ownership and alignment, harmonization, and managing for results and accountability is relevant and appropriate.

However, there is considerable **diversity in the interpretation** of questions and core concepts. Concepts such as ‘country-led mechanisms’ could have benefitted from additional prompts and categorization to ensure more comprehensive reporting

- (d) In particular, the synthesis would have benefitted from a **country-wide analysis** by all respondents as at present, some countries have not been covered at all and data is missing for other countries.
- (e) Moreover, the questions direct attention towards the **structures for coordination**, with not enough prompt for partners to comment on what the **impact of these structures in terms of development outcomes** has been.
- (f) Prompts in terms of encouraging partners to report **on sectoral and sub-national country led processes in addition to national-level ones** would be useful to ensure data on these levels of engagement.
- (g) The approach used in this study of tracking progress against international monitoring criteria while at the same time **highlighting progress indicators specific to the Pacific** is the recommended way forward. A purely statistical approach would be hard in the Pacific given the range of contexts.
- (h) It is essential to engage **countries in commenting on the synthesis of partner assessments** and identify convergences and divergences between these two sets of data.

- (i) For an overall analysis of the progress against the Cairns Compact it is essential to have **input from regional organizations**³.

4.2. Recommendations

4.2.1. Reporting process

- (a) Some of the **suggestions made by Partners** around: ‘piloting’ reporting process; doing a few countries at a time; linking in with peer review mechanisms and the OECD DAC aid effectiveness reporting, should be considered by the reference group set up to review the process.
- (b) The **reference group should include representation** from bilateral and multilateral partners as well as member countries and regional organisation.
- (c) The primary purpose of the reference group will be to revise the development partner reporting process. However, the reference group can also consider mapping and identifying opportunities to ensure that **development partner reporting is synchronized with other related reporting processes**.
- (d) If the preference is to get as many partner reports as possible, a practical way forward may be to agree on the **minimum quantitative and qualitative data required** from all partners and then for more in-depth analysis on good practice or challenges to be taken up - by larger partners - through thematic studies; or independently commissioned research
- (e) In addition, the reporting process would benefit from a quick **overview of the state of national development strategies** across the Pacific and the extent to which these are linked to expenditure frameworks and national budgets. It then becomes easier to contextualize Partner reports particularly around ownership and alignment. This should also help smaller partners make relevant observations and assess their contribution vis-à-vis the Compact
- (f) Similarly it would be useful it would be useful to have a small section on **partner-specific information**, where for example, partners can share information on their agency-level planning processes. This would help ensure that the focus of the rest of the response is on the impact and outcome of these.

³ It is noted that there are some challenges in including all regional organisations and indeed all regional donor flows. Donor inputs are split between those based on county level systems and those directed at regional level systems. The UN for examples has UN regional commissions and other UN sub-regional programs and funds which are difficult to accommodate under this current country focused reporting process. Other regional and bilateral donors organisations have some similar challenges in reporting under the current system.

- (g) There are methodological issues involved in rolling out the template to regional organisations (e.g. making sure they are not double-counting certain financial flows) which need to be scoped as part of the process of revising the reporting framework. There needs to be some way to capture bilateral as well as regional flows of money so that the questionnaires generate a minimum data set to aid comparisons and compilation. Ideally **a revised reporting framework should be trialed with a few regional organizations and with other donors who use regional aid delivery models as well as bi-lateral.**
- (h) In building ownership of the reporting process and an alignment in the interpretation of country and partner relations at the country level, opportunity should be provided for FICs to contribute to a **comparative analysis on experiences and perspectives** drawn from the development partner reporting. This would contribute to **addressing the level of impact** of development partner efforts and go further to supporting mutual accountability.

4.2.2. Reporting content/template

- (a) A revision of the questionnaire is needed to clarify and focus the reporting exercise. This might include a **refinement of the quantitative indicators and more definitions/guidance notes for the qualitative section.** The approach used by the OECD DAC where ‘donor questionnaires’ include quantitative indicators, qualitative prompts and definitions and guidance with some best practice examples/case boxes would work well. In fact, examples from some of the Partner reports could be used in the re-write of the reporting template.
- (b) The questionnaire/template should be structured to allow for **country-level data as well as partner synthesis** of overall trends, positive examples and challenges. Member countries should have the opportunity to comment on this data.
- (c) Both qualitative and quantitative sections should cover relevant **criteria used international aid effectiveness monitoring as well as additional criteria relevant to the FIC context** and based on the state of aid effectiveness in member countries
- (d) With the above approach in mind, the **section on ownership and alignment needs to be revised** as several questions are best addressed under ‘harmonisation’. Additional questions on procurement systems and financial management would be relevant to the FIC context.
- (e) The **quantitative data template also needs to be revised** to allow for tracking trends in financial flows over time or at the minimum an approximation of whether FIC expended the aid that was budgeted for. Attention needs to be given to definitions of areas such as technical assistance. Including how to cover ODA from regional and in country technical assistance.

- (f) The section on **'harmonisation' needs to be expanded** including scope for partners to comment on harmonisation at a regional, national, sub-national and thematic level. Additional prompts, indicators and criteria need to be applied to assess the implications of harmonisation for development outcomes in FICs.

- (g) **The section on managing results and mutual accountability** needs to be reworked in line with the FIC context. As the results-based agenda and mutual accountability agenda is very new to these countries, an assessment of partner and FIC understanding of these concepts would be useful.

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ACRONYMS

ADB	Asian Development Bank
CAS	Country Assistance Strategy
DAC	Development Assistance Committee
EU	European Union
FIC	Forum Island Countries
FSM	Federated States of Micronesia
ISN	Interim Strategy Notes
MDG (s)	Millennium Development Goal(s)
PEFA	Public Expenditure Framework Assessment
PNG	Papua New Guinea
OECD	Organisation for Economic Cooperation and Development
UN	United Nations
UNDAF	United Nations Development Assistance Framework
US	United States
TA	Technical Assistance

Annex 1 – Reporting Template (Qualitative Section)

Questions

Support for country ownership and alignment

Please provide examples of how the development partner aligns programs with country or regional priorities and systems and how this reduces aid fragmentation, eases the burden of aid administration and improves effectiveness.

1. Does the development partner participate in **country-led coordination mechanisms and forums** at a national, sectoral or sub-national level, and if so, how has this improved coordination with governments and between development partners?
2. How, and on what basis, does the development partner **determine priority sectors** at a country and a regional level?
3. What processes, if any, does the development partner follow to ensure that the aid it provides is **recorded in national budgets**?
4. Has the development partner implemented actions to **improve the predictability of aid flows**, including through multi-year funding commitments and/or efforts to improve in-year predictability for both bilateral and regional aid?
5. How does the development partner **use FIC systems** (national planning systems, public financial management systems, procurement and monitoring and evaluation)? If the development partner does not use FIC systems, what are the reasons for not using these systems at present?
6. How does the development partner use FIC systems, or involve FIC governments and other stakeholders, in **program design**?
7. How does the development partner **support locally-owned program-based approaches**, including through the harmonisation of processes for reporting, budgeting, financial management and procurement.
8. How does the development partner **align technical assistance** to the capacity-development objectives of FICs?

Harmonisation

Please provide examples of how the development partner harmonises programs with other development partners and how this reduces aid fragmentation, eases the burden of aid administration and improves effectiveness?

9. How does the development partner **involve other development partners** in program design, monitoring and evaluation?
10. How does the development partner use mechanisms such as pooled funding and delegated cooperation to **coordinate technical and financial resources**?⁴

⁴ The DAC defines delegated cooperation as when one donor (a “lead donor”) acts with authority on behalf of one or more other donors (the “delegating” donors or “silent partners”). The level and form of delegation vary,

Managing for results and mutual accountability

Please provide examples of how the development partner supports managing for results and mutual accountability and how this reduces aid fragmentation, eases the burden of aid administration and improves effectiveness?

11. How does the development partner use FIC systems (or regional organisations' systems) **to measure results** or involve FIC governments and other stakeholders in program monitoring and evaluation?
12. How does the development partner **participate in mechanisms for mutual accountability** with FICs (or regional organisations), including the review of partnership agreements, high-level dialogues and public expenditure reviews?

Overall issues (optional)

13. Identify any **other issues**, describe **lessons learned**, or **elaborate on areas** that the development partner may want to improve or reform in its approach to development coordination and aid effectiveness in the Pacific.

ranging from responsibility for one element of the project cycle for a specific project (e.g. a particular review) to a complete sector program or even a country program.

Annex 2 – Consolidated Quantitative Data

PARTNER/COUNTRY ⁵	Cook Islands	Fiji	FSM	Kiribati	Marshall Islands	Nauru	Niue	Palau	PNG	Samoa	Solomon Islands	Tonga	Tuvalu	Vanuatu	ALL
1 Total ODA (US\$ million)															
TOTAL ODA	13.18	42.76	96.54	30.20	52.45	35.26	23.63	42.02	669.32	71.822	300.26	52.47	20.56	90.99	1541.45
Alignment – use of national systems															
2 Value of ODA disbursed for the government sector (US\$ million)															
TOTAL ODA	11.28	21.39	12.15	21.37	2.54	24.99	23.44	12.62	355.99	35.46	246.81	26.03	19.59	57.08	867.751
3 Value of ODA disbursed for the government sector that used national financial reporting systems (US\$ million)															
TOTAL ODA	5.08	1.05	0.10	2.93	0.10	6.95	15.63	0.04	48.83	6.76	24.43	1.99	6.02	13.13	133.03
4 Value of ODA disbursed for the government sector that that used national procurement systems (US\$ million)															
TOTAL ODA	2.31	0.22	0.07	1.41	0.08	9.56	0.00	0.00	0.83	3.26	8.27	6.01	0.43	0.21	32.66
Harmonisation – coordinated missions and analysis															
5 Number of missions that were undertaken to country															
TOTAL MISSIONS	56	96	44	87	29	12	11	27	141	104	179	92	45	91	1014
6 Number of missions that were coordinated															
TOTAL COORDINATED MISSIONS	8	19	7	23	7	2	0	2	43	68	43	30	8	21	281
7 Number of items of analytical work that were prepared for country															
TOTAL ANALYTICAL WORK	50	48	46	72	44	46	25	45	57	67	77	56	44	52	729
8 Number of items of analytical work that were coordinated															

⁵ Note: quantitative data from France was received but has not included because of some differences in their reporting which require further clarification in order to be compatible with data included above.

TOTAL COORDINATED ANALYSIS	42	32	36	57	34	30	23	33	40	51	59	39	35	39	550
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