



Summary Report on the Peer Review Process

Cairns Compact for Strengthening Development Coordination in
the Pacific

**Pacific Islands Forum Secretariat
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Introduction

1. Forum Leaders agreed through the Cairns Compact in August 2009 that the Pacific Islands Forum Secretariat (PIFS) should, among other things, establish and report annually to the Pacific Islands Forum on a process of regular peer review of Forum Island Countries' (FICs') national development planning and budget processes to:

- a. promote international best practice in key sectors,
- b. improve effective budget allocations and implementation to achieve national development priorities; and
- c. guide support from development partners.

2. This paper describes the process of carrying out the first peer reviews in 2010, summarises the issues of development coordination arising from the peer reviews so far, and considers the lessons learned for future reviews.

Background

3. The objective of the peer review process is to guide improvements in development coordination, including by informing discussions at the Pacific Islands Forum and Post Forum Dialogue, through reviews of coordination at a country level.

4. Peer reviews are intended to be an opportunity for mutual learning between FICs on the one hand and their peers from other FICs and development partners on the other about how best to address development challenges. The peer review process is intended to contribute to reinforcing country leadership in the establishment of national priorities, and enhance the capacity of countries to guide the use of development resources. It specifically does not include a review of the policy direction of national and sector development plans, but concentrates on the process by which they are developed and by which the intentions of the plans are translated into action through annual planning, budgeting and the use of external support.

5. The process and ground rules for carrying out peer reviews were agreed at a workshop for Forum Island Countries hosted by PIFS in Nadi in November 2009. It was agreed then that the peer review should be carried out by up to four representatives of Forum Island Countries, development partners and other stakeholders.

Peer reviews in Nauru and Kiribati

6. Nauru and Kiribati volunteered to be the first countries for peer reviews. A peer review team consisting of representatives from the Cook Islands, Tonga and UNDP visited Nauru from 22 to 26 March 2010, and a second team with representatives from Papua New Guinea and New

Zealand visited Kiribati from 22 to 28 April. In each case organisational and technical support was provided by the Forum Secretariat.

7. Peer reviews are a new departure for the Pacific. Much of the challenge of the lead up to the two reviews lay in gaining consensus over the objectives and potential of a peer review.

Potential participants had four major and valid concerns:

- a. that the peer review, taken together with other provisions of the Cairns Compact, would add to the significant reporting burden that Forum Island Countries already have to bear; and
- b. that the peer review introduced a measure of accountability for the content and process of national development which did not exist before, or would lead to comparisons being made between countries;
- c. that they felt that they would be judged against norms that they did not fully understand; and
- d. that they represented a major investment by the reviewed country for uncertain returns.
- e. In order to deal with these concerns, the preparations for the two first peer reviews concentrated on
- f. emphasising country leadership in decisions on timing and terms of reference and the composition of the peer review team
- g. exploring the unique value of the perspective of other Forum Island countries
- h. establishing that the peer review was not a single approach for all countries, nor underpinned by fixed views, but on the contrary could be shaped by the country undergoing review so as to draw maximum value from the review.

8. It was intended that the means by which the country under review would set the peer review agenda would be the self-assessment to be completed before the arrival of the peer review team. In the event only Nauru completed a self assessment, with the help of the CROP Sustainable Development Working Group – NSDS Partnership.

9. This was helpful to the Government of Nauru in developing its thinking ahead of the peer review; but the experience of discussions with the National Economic Planning Office in Kiribati, who held their own internal discussions prior to the peer review but did not complete a formal self assessment, suggests that the key factor in successful preparation is the extent to which the planning office has thought through the strengths and weaknesses of planning, budget, implementation and monitoring systems rather than the existence of a written product.

10. Both peer reviews used the generic terms of reference at Annex A as a base with little change. The in country programs covered discussions with the planning office (in both cases part of the Ministry of Finance), line Ministries, national statistics offices, resident development partners, and representatives of the non-government and private sectors. For Kiribati, contacts were also made with development partner representatives resident in Suva. The draft reports were sent to the countries concerned for clearance [before eventual publication].

11. Both peer review teams recognised the limitations of a short in country visit. They confined themselves to identifying some major issues in development coordination and suggesting practical short term steps towards dealing with them. They did not attempt to deal with the wide range of financial and human resource issues which underlie weaknesses in development coordination and which are already well known to the Governments concerned.

Issues emerging

12. It is difficult to generalise from only two peer reviews, and there are important differences between the circumstances of the two countries reviewed. Nevertheless there are common issues arising from the reviews which to a greater or lesser extent are relevant to other Forum Island Countries, and illustrate the potential for the peer review process to draw on individual country experience to highlight common problems and propose at least short term steps towards resolving them.

The importance of sector plans

13. National plans at their best explain to the nation and the outside world the vision of Government for development. They can be important in guiding overall policy, and especially budgetary, choices. They highlight the commitment of Governments to effective monitoring. They can, as Nauru's National Sustainable Development Strategy does, set out a system for coordinating domestic and external resources to support policy aims. However, in the two countries reviewed it is the existence of a sector strategy with strong departmental leadership that is really effective in concentrating minds on medium term priorities, highlighting whole of system issues such as human resource and financial management together with budgetary implications and leading different development partner behaviour. There are good examples in the education sector in both countries.

14. Without a sector strategy, requests for aid may appear to be shopping lists; and without a sector strategy, development partners are free to continue to provide aid in ways which suit them while being able to demonstrate links to the national plan. Sector strategies are providing a context for focussed discussions on how the country is going to improve its systems to obtain better outcomes and on how development partners will support such efforts.

15. The experience of the two reviews suggests that Pacific countries wishing to improve outcomes and improve coordination of development resources might do better to invest less in further iterations of their national plan and more in planning at the sector level.

Unified budgets

16. Of the two countries reviewed, Nauru operates a budget in which recurrent and development expenditure and domestic and aid funds are shown together in the budget document and appropriated by Parliament, while Kiribati shows development expenditure (most of which is aid funded) for information separately in the budget papers. But in both cases it is difficult to relate recurrent and development expenditure or to see clearly what the money for any given sector is going on.

17. Part of the reason, particularly for Kiribati, is that information on aid flows, which make up the bulk of development expenditure, is incomplete. But the fact that the two are treated differently underlines the different accountabilities that operate as between recurrent and development expenditure, with the recurrent expenditure being carefully tracked, controlled and accounted for within national systems, and accountability for development expenditure being largely exercised towards the development partners who provide it.

18. Different treatment sets up a rigid distinction between recurrent and development expenditure which draws attention away from the fundamental role of both in achieving objectives and works against a flexible deployment of both according to need. It may also obscure the fact that so called development expenditure contains an element of recurrent costs or of deferred maintenance. Both Governments and development partners have a role in helping to ensure that recurrent and development budgets are viewed as a single resource with a single set of accountability for outcomes. Here again, this process is being supported by regular sector based discussions.

Development partner coordination

19. Both Kiribati and Nauru depend very heavily on aid to support their development plans, and both have limited management capacity in the public service. This means not only that they depend on development partners for volumes of aid but also that the way in which aid is provided is crucially important to their ability to use it effectively. There is evidence of some development partners showing greater understanding of national circumstances and adapting their approaches, particularly in respect of medium term sector based commitments. Nevertheless, development coordination in both countries is lagging behind better practice elsewhere in the Pacific in several important respects:

- a. both Nauru and Kiribati struggle to maintain a clear picture of aid commitments and disbursements and the departments responsible for aid coordination lack comprehensive information on activities at the planning stage;
- b. the overwhelming modality for aid delivery in both countries is the project, with a greater or lesser use of national implementation systems according to the development partner's perception of risk. Some development partners see a move towards greater use of program based approaches as desirable and in line with aid effectiveness commitments (and need to do more to describe the pathways to those approaches), while for others the project is the normal form of aid delivery;
- c. while both countries have had formal collective development partner consultations in the last six months and aim to do so roughly every two years, regular informal sector based consultation is less well developed. The difficulty is compounded for both countries by the limited resident development partner representation. This has been an obstacle to development partners evolving their own understanding and common policy positions with the Government on key systemic issues that affect the outcomes from development assistance, including public financial management, human resources, maintenance, collaboration with the non-government sector and inter-Ministerial coordination;
- d. one consequence of lack of coordination is that both countries have large numbers of visitors from development agencies competing for the time of senior officials, with no means at present of determining the balance of costs and benefits to the administration of managing these missions.

20. It is a fundamental principle of development coordination that national governments should be in the lead. Both Nauru and Kiribati recognise their own responsibility and are considering means to carry it out more effectively. But they need more active and self-critical cooperation from development partners which is more closely aligned to international aid effectiveness commitments.

21. Getting development partners to change the way they do business will need political leadership from individual Pacific countries, but may also be helped by a greater sharing of experiences from countries which have made greater progress, and moral and practical support from regional institutions.

Monitoring and evaluation in national planning

22. Both reviews have underlined the importance of seeing monitoring of national and sector plans as an aspect of accountability. While accountability for compliance with rules and

regulations is well established, and to some extent the pressure to complete projects is recognised, accountability for outcomes is less obviously felt by senior managers.

23. Efforts to establish monitoring of national plans in each country have involved some combination of setting of key performance indicators and milestones and setting requirements for annual or other regular reporting which is to be synthesised into progress reports. There have been difficulties with both.

24. Key performance indicators have not always been set with regard to the availability of information, and where the information is available there has not been clarity on responsibility for collating it. There is also a danger that the setting of indicators can come to be seen as a complex technical exercise rather than as a stepping stone to management information. Where reporting has been required from Ministries, there have been problems of capacity or compliance. In line with common experience, Ministries find it easier to report on activities and on issues that are within their control than to make judgements about progress towards national objectives.

25. This experience suggests that, while indicators and reporting systems are important, they will not produce results of use to policy makers unless;

- a. they are linked to a point of legitimate authority with the right to call chief executives to account for outcomes;
- b. line Ministries see the collection and dissemination of data on progress against objectives as part of their core business and can see the demand for it;
- c. there is capacity within a central department to advise on the collection and presentation of data (but not to do it all centrally); and
- d. reporting systems take account of cultural preferences and existing capacity to produce extensive written material. It may be more effective in establishing accountability to ask for less written reporting and give a greater emphasis to oral reporting and peer discussion.

Lessons for the peer review process

26. Because they are new in the region, peer reviews have been a matter of learning by doing. The Forum Secretariat has made reflection and lesson learning an integral part of each review and is documenting the lessons.

Country ownership

27. The emphasis on country ownership through approval of the terms of reference and the composition of the team has been helpful in underlining the sense that the peer review is intended to be helpful to the country being reviewed. The appointment of a country focal point has been essential not only to smooth the path of the peer review but to act as an advocate and informant for the peer review process within his/her administration.

28. Future peer reviews will continue to include as part of the preparation process an encouragement to the country concerned to reflect on what they can get out of the review, and to structure the review so that the country's objectives are achieved. One experience from the two peer reviews which could be built on is helping the planning department or its equivalent to think through its current challenges and identify possible solutions from experience elsewhere. The experience of constant contact with the Development Planning and Policy Division /Aid Management Unit during the Nauru review was especially helpful in this respect.

Country preparations

29. Both Nauru and Kiribati made substantial efforts to prepare for the review. As noted above, each took a different approach to the self assessment prior to the review. The Secretariat recommends the following approach to self assessment in future peer reviews:

- a. the self assessment process should be voluntary for countries being peer reviewed; where countries choose not to do it, an extended briefing with the peer review team will allow self-reflection to happen; and
- b. if countries being peer reviewed choose to do a self assessment, they should consider carefully whether they need external support; if external support is sought, the self assessment should still be unequivocally the Government's own statement.

30. Preparations included dissemination of information on the Cairns Compact, particularly to individuals due to meet the peer review team. However, understanding of the purpose of the peer review was varied. The Forum Secretariat will consider a standard written brief which can be widely circulated before a peer review visit and used as a reference during the visit.

Peer review composition

31. Identifying and appointing representatives from other Forum Island Countries was the most difficult aspect of facilitating the reviews. In particular, there was a lack of clarity over the qualities needed in a peer reviewer, and there were practical difficulties in obtaining nominations from Governments. The principles that countries should choose which countries and development agencies they wish to be reviewed by, and that peer reviewers should be representatives of their Governments, should be retained; but for future reviews the Forum

Secretariat may need to develop some guidance on the selection of peer reviewers and play a more facilitatory role in helping to identify suitable candidates to ensure that they are appointed in good time. Criteria might include that they be (or have been) senior officials and demonstrate practical understanding of national development planning and aid coordination processes. This could be further supported by identifying host countries for peer review much sooner rather than later allowing more time for the Secretariat to facilitate all requirements of the peer review process.

Monitoring peer review recommendations

32. The recommendations of peer reviews are for countries to do with as they think fit. But it would give structure to future country reporting on their national plans under the Cairns Compact if they included an update on what recommendations were found useful and which have been followed up and how. The lessons drawn from this follow up reporting would be helpful to PIFS in drawing conclusions for its annual report to Leaders on what works in improving development coordination at national level.