
3 ALIGNMENT OF AID WITH COUNTRY SYSTEMS

Successful development depends to a large extent on state ability to implement policies and manage public resources to achieve its economic, social and environmental goals. As a way of strengthening this capacity, donors agreed in the Paris Declaration to increasingly entrust the management of aid to developing countries. This chapter seeks to answer three important questions: Have donors increased their use of partner country systems? What determines their use by donors? And what additional efforts are donors making to strengthen capacity and transfer management of aid to developing countries?

WHY USING COUNTRY SYSTEMS MATTERS

Successful development depends on state capacity to implement policies and manage public resources to achieve its economic, social and environmental goals. In countries that rely heavily on aid, this poses a special challenge.

For many different reasons, donors often require partner countries to comply with their own rules and procedures for managing development programmes, rather than relying on partner country public administrations. Donors sometimes establish dedicated structures – so-called project implementation units (PIUs) – to directly manage their programmes. In effect, these structures run in parallel to similar country structures.

This practice diverts resources and skills away from public administrations. The result is that while donor programmes might be well managed, partner country capacity to manage public resources is undermined and development is not well served.

Conversely, there is strong case for entrusting the management of aid to developing countries, wherever circumstances allow. By using country systems, donors help strengthen country ownership and the performance of public administrations. In fact, such use creates powerful incentives for partner countries and donors to support further improvements in public administrations. It also improves the ability of partner countries to transparently account to their parliaments and citizens for the use of development resources.

For these reasons, partner countries committed in the Paris Declaration to strengthen their systems, and donors pledged to use those systems to the maximum extent possible.

There is a strong case for entrusting the management of aid to developing countries, wherever circumstances allow.

While the Paris Declaration encourages the use of all country systems, progress is monitored and targets were set for only two of these systems: public financial management (PFM) and public procurement.

This chapter looks at the extent to which donors are using these systems (Indicators 5a and 5b). It also explores the following: the factors driving the use of country systems; the additional efforts being made to strengthen partner country capacity (Indicator 4); the degree to which the management of aid is transferred to partner countries by reducing parallel PIUs (Indicator 6); and progress on untying aid (Indicator 8).

ARE DONORS USING COUNTRY SYSTEMS?

■ How is it assessed?

PFM is generally understood to include all the components of a country's budget process. As noted in Chapter 2, a robust PFM system is vital to a country's development efforts. It is at the core of good governance and critical to the achievement of public policies.

For the purpose of the monitoring survey, use of a country's PFM system is defined as using "national systems for the management of funds (...) established in the general legislation (and related regulations) of the country and implemented by the line management functions of the government" (see Appendix E for definitions).

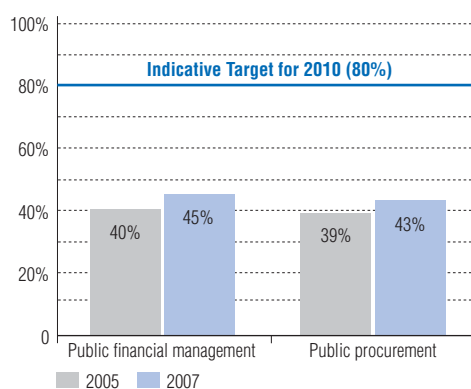
Although country procurement is part of the PFM system, the Paris Declaration monitors progress on procurement separately (Indicator 5b). The results for both PFM and procurement are presented in Chart 3.1.

The use of country systems has increased by four to five percentage points since 2005.

■ The state of play

The use of country systems has increased by four to five percentage points since 2005 (see Chart 3.1). In 2007, the use of country PFM systems was 45% – and the use of procurement systems 43% – falling well short of the indicative 2010 target of 80% for both systems.

CHART 3.1 (Indicators 5a and 5b)
Are donors using country systems?
2005 and 2007

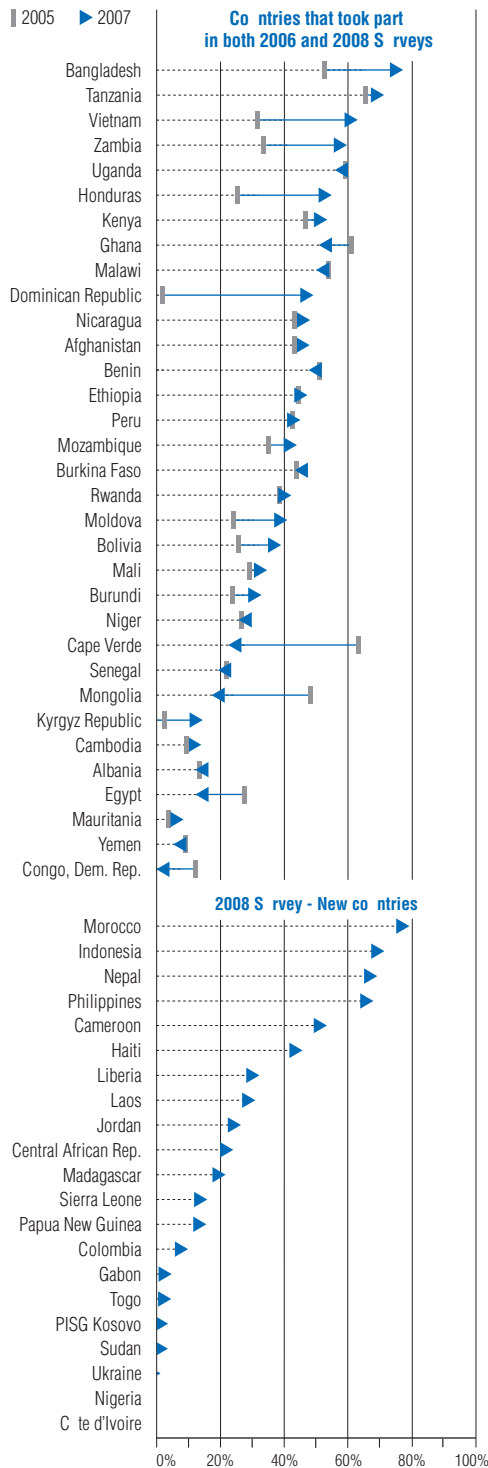


These numbers conceal considerable variation between countries, however. Chart 3.2 displays the general picture of change for use of PFM systems between 2005 and 2007.

A number of encouraging country experiences can be cited to demonstrate how concerted effort to increase the use of country systems can provide benefits.

In **Moldova**, greater use of country PFM systems has been delivered primarily by increased general budget support, with the United Nations' new harmonised approach to cash transfers providing additional impetus. Similarly, **Zambia** has benefited from the addition of three donors making use of direct budget support.

CHART 3.2 (Indicator 5a)
Use of country PFM systems, 2005-2007



For **Vietnam**, much of the progress can be attributed to increased use of budget support and other forms of support to programme-based approaches (PBAs). These trends are a response to the efforts of the Government of Vietnam, with the support of donors, to advance reform of country PFM and procurement systems.

In other countries however, progress is connected only to increased use of budget support. In **Peru**, progress on the use of country PFM systems can be attributed to increased alignment between aid and the *Sistema Nacional de Inversión Pública*, a move that was recommended in the 2006 Baseline Survey report.

In some countries, progress has also been achieved in the use of country procurement systems. In **Moldova**, for instance, progress has been driven, in part, by the World Bank's move towards agreed procedures whereby small value procurement can make use of national systems.

However, despite progress at both the individual country and global levels, a substantial number of countries report aggregate levels of country system use in 2007 to be lower than in 2005. This may represent an actual decline in use in some countries. It may also reflect more accurate reporting within a more intensive survey process that provided greater scope for checking data and eliminating errors.

For Vietnam, much of the progress can be attributed to increased use of budget support and other forms of support to programme-based approaches.

■ Components of PFM

The Paris Declaration monitors the use of the three main components of country PFM systems: budget execution; national financial reporting; and national auditing requirements. A more disaggregated approach to these components can be found in the work undertaken under the auspices of Collaborative Africa Budget Reform Initiative (CABRI) (see Box 3.1).

BOX 3.1

Definitions of use of country PFM systems

ON PLAN

Programme and project aid spending integrated into spending agencies' strategic planning and supporting documentation for policy intentions behind budget submissions.

ON BUDGET

External financing, including programme and project financing, and its intended use reported in the budget documentation.

ON PARLIAMENT

External financing included in the revenue and appropriations approved by parliament.

ON TREASURY

External financing disbursed into the main revenue funds of government and managed through government systems.

ON ACCOUNTING

External financing recorded and accounted for in government's accounting system, in line with government classification systems.

ON AUDIT

External financing audited by government auditing systems.

ON REPORT

External financing included in ex-post reports by government.

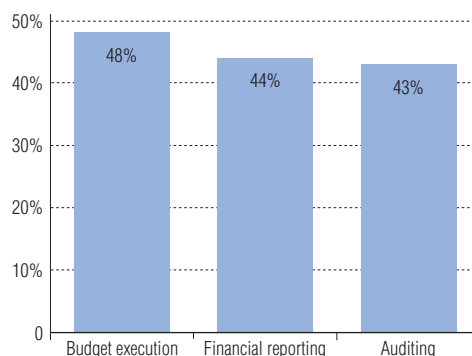
ON PROCUREMENT

Externally financed procurement follows the government procurement procedures.

Source: CABRI/SPA Aid on Budget Report

CHART 3.3

Donor use of different components of public financial management, 2007



Indicator 5a does not include all components of the PFM system (as outlined in Box 3.1). However, it draws attention to the components that make up the core of a country PFM system. Taking the Paris Declaration definition as its basis, Chart 3.3 shows that, on average, there are no significant differences of use between the three components of PFM. However, for some countries, the findings show that donors use some of the components more than others. In [Honduras](#), for example, USD 283 million out of USD 331 million flows through the country's budget execution system, but then only USD 88 million uses the country's auditing systems.

■ Use of country systems:

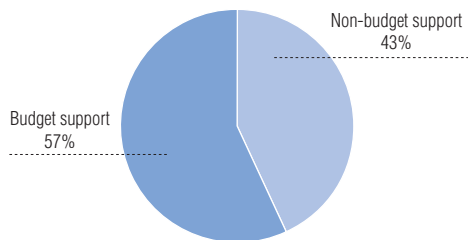
Do aid modalities make a difference?

No specific aid modality precludes the use of country systems (in part or in their entirety). Various aid instruments give recipients different levels of discretion over how they use the resources provided, and some instruments use country PFM systems more readily than others. For instance, budget support finances a country's overall budget, leaving the country discretion over the use of resources provided.

Funds are managed according to the recipient's budgetary procedures. Thus, by definition, budget support uses country PFM systems. By contrast, project aid finances specific activities and as a result typically relies much less on the country's PFM system (see Chart 3.4).

Budget support accounts for only 22% of all development assistance in the 55 countries participating in the 2008 Survey. Increasing use of country PFM systems by 2010 poses some very serious challenges.

CHART 3.4
Average use of country PFM systems by aid modality:
budget support vs. non-budget support



Neither of the two options is available without its own difficulties. The first would be to increase the volume of budget support. This, however, offers limited prospects of growth because many donors – especially bi-lateral donors – have small margins of manoeuvre for providing, or increasing, budget support. The second option provides arguably more scope for progress – it would require channeling a much larger proportion of project aid through country PFM systems. This will require, in particular, developing and implementing arrangements that enable projects to use country PFM systems. There is, in this regard, a special challenge in using country budget execution systems.

■ Quality and use of systems: Is there a connection?

An important assumption was made in the Paris Declaration: the quality of a country system would determine donor decisions about whether to use those systems. This assumption is reflected in the way the targets for using country systems are set – higher targets for using country systems are set for countries with better-performing systems. For example, in countries with high scores for PFM – *i.e.* scores over 4.0 on Indicator 2a – the target for using country systems is 80% (and is only 60% for countries with less performing systems).

However, the 2008 Survey results show little evidence to suggest that donors make more use of country systems if they are of sound quality.

Take, for example, the 12 countries with the highest scores on the quality of PFM systems (countries that scored 4.0 for Indicator 2a). In these countries, average use by donors of country PFM systems ranges from 17% in [Mongolia](#) to 71% in [Tanzania](#) (see Chart 3.5). The same pattern of behaviour is apparent for quality and use of systems for public procurement.

In [Ethiopia](#), which has a strong score for PFM (a score of 3.5 for Indicator 2a), use of country PFM systems is highly variable among the major donors and has remained around 45% on average. [Rwanda's](#) PFM systems scored 3.5 in 2005 and rated 4.0 in 2007. Yet use of those systems has increased marginally from 39% to 42%, and mainly on the basis of wider use of direct budget support. The country reports point out that donor policies are very slow to respond to successful reforms at country level.

There is little evidence to suggest that donors make more use of country systems if they are of sound quality.

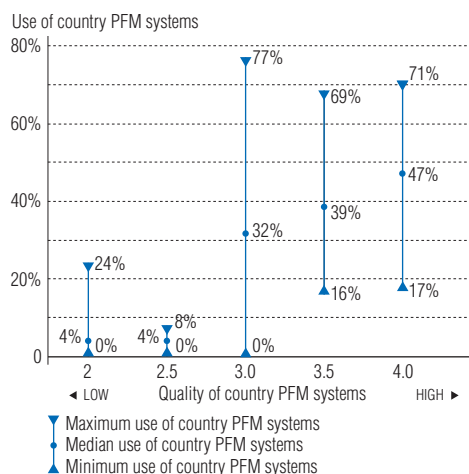
The country reports point out that donor policies are very slow to respond to successful reforms at country level.

Chart 3.5 shows that the relationship between the increase in quality of country PFM systems and increased use of those systems is mixed. For some countries, an improvement in the use of country systems suggests strong linkages: *i.e.* a rating increase from 3.0 to 3.5 in the quality of Zambia's PFM system, and an increase in usage of those systems by 25 percentage points. At the same time, some countries have experienced the opposite result: Ghana's PFM system improved from 3.5 to 4.0 and yet Ghana experienced a ten percentage point decrease in the use of country systems. The findings suggest that other factors besides quality influence donor decisions to use country systems (see *Report on the Use of Country Public Financial Management (PFM) Systems*).

These factors include:

- **credibility of country reform programmes.** A credible reform programme that offers realistic prospects for improving country systems encourages donors to use such systems.
- **Donor decisions to provide budget support.** To a large extent, the volume and share of budget support drives the use of these systems.
- **Partner country preferences.** Partner countries do not always want donors to use their systems for the provision of aid.
- **Perception of corruption.** Regardless of the quality of country systems, perceptions of corruption typically discourage donors from using country systems.
- **Partner country and donor legal impediments.** Partner countries may have local legislation which requires a differential treatment for donor funds. Donor legal frameworks may also restrict the use of country systems given differing institutional constraints.

CHART 3.5
Is use of country systems by donors linked to quality?



■ What will it take to make further progress?

The *Report on the Use of Country Public Financial Management (PFM) Systems* (2008) highlights several key areas for progress in this regard.

Alongside country efforts to strengthen country systems, donors should be better equipped to carry out their commitments related to using such systems. In particular, they should: align their aid efforts with country strategies; adopt internal incentives that enhance the ability of country level staff to use country systems; and provide better guidance to staff on the appropriate use and benefits of using country systems.

Partner countries and donors need to work more closely to operationalise this agenda at the country level. Country and donor staff could work together in partnership by forming country PFM teams, choosing aid modalities that promote sound budgeting, and by showing that they are delivering on their commitments.

Better collaboration is needed at all levels, especially with the supreme audit institutions, parliaments and civil society organisations on the benefits of using country systems. Better communication of these benefits within donor and partner organisations is also needed.

WHAT ADDITIONAL EFFORTS ARE BEING MADE TO STRENGTHEN PARTNER COUNTRY CAPACITY?

The Paris Declaration gives a prominent place to partner capacity development that is led by partner countries and elaborates a new vision in this regard. The commitments by countries and donors are meant to put an end to technical co-operation that is fragmented and donor-driven, and to usher in an approach in which donors respond to strategic country-led thinking on capacity development. To this end, the Paris Declaration simultaneously pursues three mutually reinforcing objectives:

- Donors provide more co-ordinated technical co-operation to strengthen capacity development (Indicator 4).
- Donors strengthen capacity by avoiding parallel project implementation units (Indicator 6).
- Donors increasingly untie their aid (Indicator 8).

CO-ORDINATED TECHNICAL CO-OPERATION (Indicator 4)

■ How is it assessed?

Indicator 4 on co-ordinated technical co-operation tracks progress towards this new way of working on capacity development. For technical co-ordination to qualify as co-ordinated, it needs to meet the following criteria:

- Country authorities need to communicate clear capacity development objectives, and exercise control over technical co-operation.
- Donors need to align technical co-operation with the capacity development objectives of partner countries.

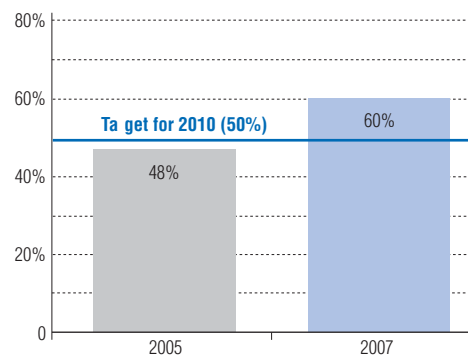
■ The state of play

As Chart 3.6 shows, the 2008 Survey results found a 12 percentage points improvement on co-ordinated technical co-operation between 2005 (48%) and 2007 (60%). This exceeds the 50% target set in 2005.

The country reports provide interesting insights into the reasons behind progress in this area, as well as the state of debate on capacity development at country level.

There has been a 12 percentage points improvement on co-ordinated technical co-operation between 2005 and 2007.

CHART 3.6 (Indicator 4)
Progress in co-ordinated technical co-operation, 2005 and 2007



In a number of countries, there is positive movement to increase the co-ordinated technical co-operation as called for by the Paris Declaration. In these countries, the survey returns show that the 2010 target – 50% of technical co-operation being co-ordinated for capacity development – is already being met.

For example, in [Lao PDR](#), the priority sectors of the national plan all have capacity development frameworks. In [Bangladesh](#), a comprehensive capacity development strategy is under development. [Vietnam](#) reports that capacity development objectives, and means of achieving them, have been written into several policy documents.

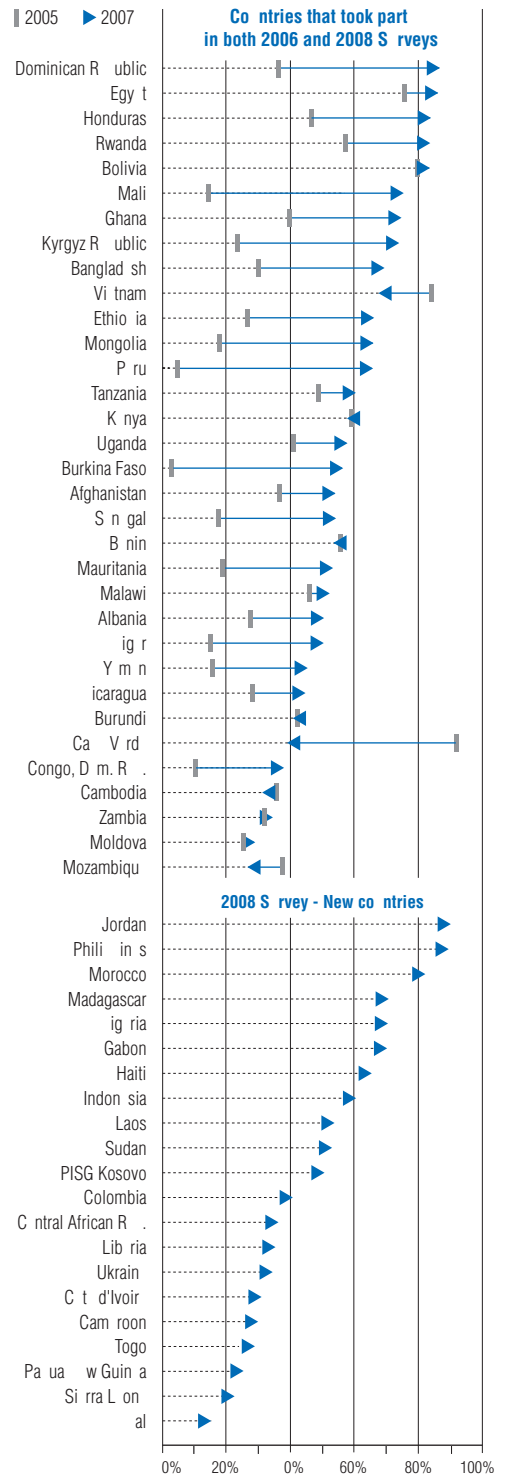
However, other evidence suggests that real movement towards the Paris Declaration vision on capacity development has been modest. Even in countries with high scores, real challenges are in evidence. In **Vietnam**, despite progress, the analysis from the country reports shows there is work to be done on prioritising and communicating these objectives. Other countries also report that their technical co-operation efforts are either limited or not institutionalised. In **Malawi**, technical co-operation takes the form of “mostly isolated intervention”, in which formal technical co-operation policies and sector capacity building strategies “are [only now] being developed”. In **Liberia**, the integrated Poverty Reduction Strategy (i-PRSP) has a chapter on capacity development, although capacity development initiatives remain “somewhat fragmented”.

The analysis also suggests that positive improvements on this score require careful interpretation. As shown in Chart 3.7, the variance between countries is significant, and there have been major corrections in both directions. Moreover, the relatively high scores reported, compared with the target level, reflect decisions by some donors to include as “co-ordinated” any technical co-operation agreed with government, or any assistance within a large programme led by a multi-lateral donor. Apparently, in those countries, improvements in levels of co-ordinated technical co-operation are due entirely to changes in reporting rather than real improvements in the way technical co-operation is provided.

For example, one country in Asia reports that 89% of technical co-operation is co-ordinated despite information in the country report indicating that the country does not have a coherent capacity development strategy, and donor-supported activities remain fragmented.

The analysis suggests that positive improvements on co-ordinated technical co-operation require careful interpretation.

CHART 3.7 (Indicator 4)
Co-ordinated technical co-operation, 2005-2007



BOX 3.2: The challenge:**Ownership over capacity development**

The lack of positive examples in co-ordinated technical co-operation is partly the result of country authorities' failing to formulate and communicate clear objectives. Thus, the obstacles to be overcome are bound up with issues of country ownership over development efforts. For example, in one African country, the promotion of civil service reform, regarded as the key to capacity development in the government sector, is the subject of stalled negotiations between donors and government. As in many other countries, civil service reform is highly problematic from a political point of view. The expectation that donors can, and should, wait for the government to communicate clear objectives on these issues is probably unrealistic.

The report on the *Evaluation of the Paris Declaration* similarly notes that country strategies are not always clearly linked, internally consistent, or politically durable to channel aid flows to priority areas. As a result, alignment is proving to be easier to implement at the high level of policies and strategies but less so at the operations and implementation level. With respect to co-ordinating support to strengthen capacity, the Evaluation report notes that: "The lack of visibility and clarity around capacity building efforts suggests a possible need for more systematic ways of collecting and processing information on the integrated capacity building component of projects and programmes, including information on how pilot projects may assist in building capacity."

■ What will it take to make further progress?

Anyone who is well-informed about the nature of capacity challenges in partner countries will agree that it will not be easy to implement the Paris Declaration's vision on capacity development. However, the lack of clear examples of forward movement on the issue is a cause for concern. The results of the survey highlight the lack of shared understanding between donors and partner countries regarding these issues (see Box 3.2). Progress will therefore depend on the ability of partners to prioritise and communicate capacity development objectives. Capacity development should be institutionalised within a partner-led strategy rather than remaining an *ad hoc* exercise.

There is a lack of shared understanding between donors and partner countries regarding capacity development.

PARALLEL PROJECT MANAGEMENT (Indicator 6)**■ How is it assessed?**

When providing development assistance in a country, donors have, if required, established project implementation units (PIUs), also commonly referred to as project management units. These are dedicated management units designed to support the implementation and administration of projects or programmes.

PIUs that are established outside, and therefore in parallel to, country institutions and structures tend to undermine national capacity development, distort public-sector salaries and diffuse accountability for development results. In light of these negative impacts, a key objective in the Paris Declaration relates to minimising the number of parallel PIUs. The target is to reduce the total stock of parallel PIUs by two-thirds by 2010.

Since 2005, the total number of parallel PIUs has decreased by 216. This represents slow but significant progress towards the 2010 target.

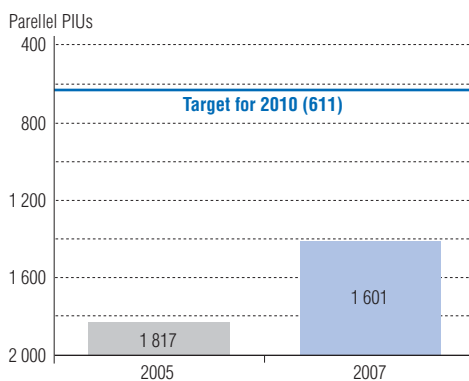
■ The state of play

The survey shows that since 2005, the total number of parallel PIUs has decreased by 216 (see Chart 3.8). This represents slow but significant progress towards the 2010 target of reducing the total number by two-thirds, or 611 parallel PIUs. Chart 3.9 shows, however, that the total is the result of major corrections in both directions. This result is the combined effect of three factors.

First, real efforts have been made to phase out parallel PIUs in a number of countries. In some countries, such as Vietnam, and for some donors – the World Bank in Albania and Mauritania, for instance – the reported progress on reducing parallel PIUs reflects major joint efforts to mainstream donor-funded activities, increase the involvement of government officials and close down existing PIUs.

Second, in the last two years, a number of PIUs have reached the end of their normal life cycle and have been completed.

CHART 3.8 (Indicator 6)
Number of parallel PIUs in 33 countries,
2005 and 2007 (scale in reverse order)



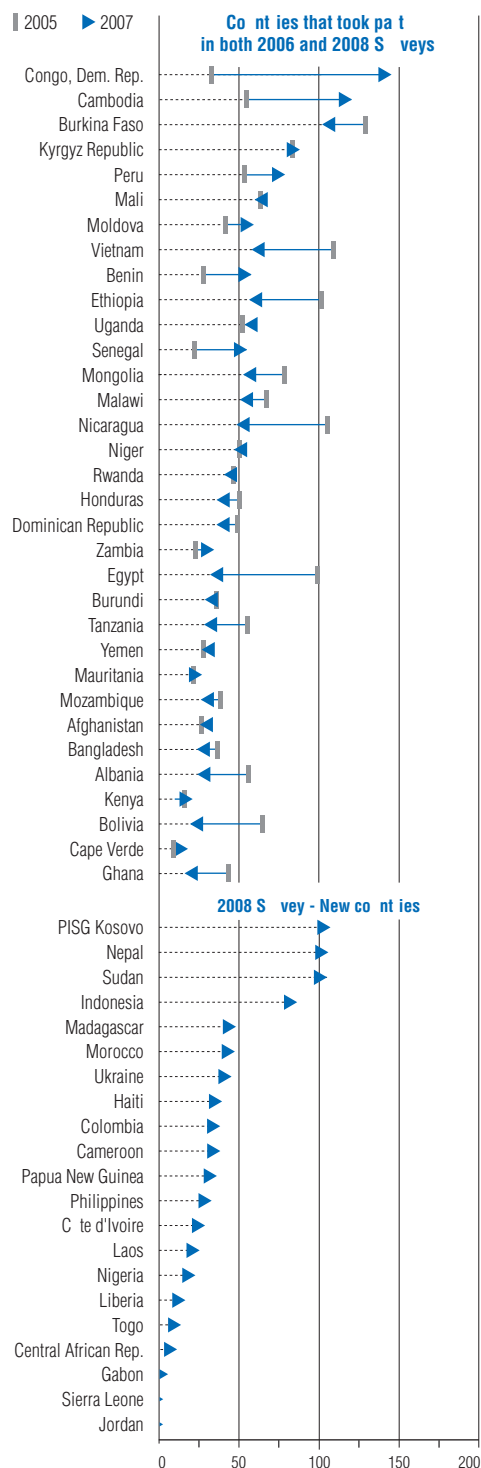
Third, in a number of cases, the reported changes in the stock of parallel PIUs are the result of major reclassifications by particular donors of their PIUs. In some cases, existing units were taken out of the 2005 listings of parallel PIUs on the basis of the more specific survey definition provided in 2008. Elsewhere, the list was enlarged as respondents paid closer attention to the overall thrust of the survey guidance on PIUs (see Appendix E for definition).

■ What will it take to make further progress?

Further progress in phasing out parallel PIUs poses substantial challenges. There are important interdependencies between the Paris Declaration commitments on the use of country systems, on country-led approaches to capacity development, and on reducing numbers of parallel PIUs. In reality, parallel PIUs are (at least in part) a response to perceived weak capacity in mainstream government ministries, departments and agencies. Their continued importance is also linked to donor reluctance to phase out use of their own management and reporting systems. Even from the point of view of partner countries, closing down parallel PIUs can be a mixed blessing, particularly if it is not accompanied by donor commitments to make better use of country systems.

Evidence shows that progress is possible where donors and country authorities have come together to introduce new practices. Project management units can be mainstreamed only at certain moments in the project cycle, usually when a new agreement is being negotiated. Thus, it is not reasonable to expect significant change in the total stock of parallel PIUs in less than five years.

CHART 3.9 (Indicator 6)
Number of parallel PIUs, 2005-2007

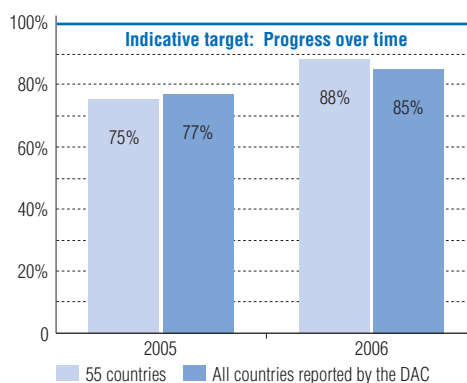


AID UNTYING (Indicator 8)

■ How is it assessed?

Tied aid is aid provided on the condition that the recipient will use it to purchase goods and services from suppliers based in the donor country. Experience has shown that aid with these conditions attached increases the costs of goods and services provided to partner countries and increases administrative burdens on both donors and partners. Reversing this trend, therefore, is key to improving the value-added proportion of aid. In particular, when aid is untied, it helps to build a country's capacity to provide goods and services in a sustainable manner.

CHART 3.10 (Indicator 8)
Untied aid, in 55 surveyed countries and all reported countries, 2005 and 2006



The untying of aid is the subject of routine reporting to the OECD's Development Assistance Committee (DAC), which is the source of the data used in the survey. Although based on voluntary self-reporting by donors, the reports are subject to scrutiny within the OECD-DAC's peer review process. At the time of writing, the latest data available relate to 2006 donor commitments. Therefore the progress recorded is over one year, rather than the usual two applied to the other indicators in the report.

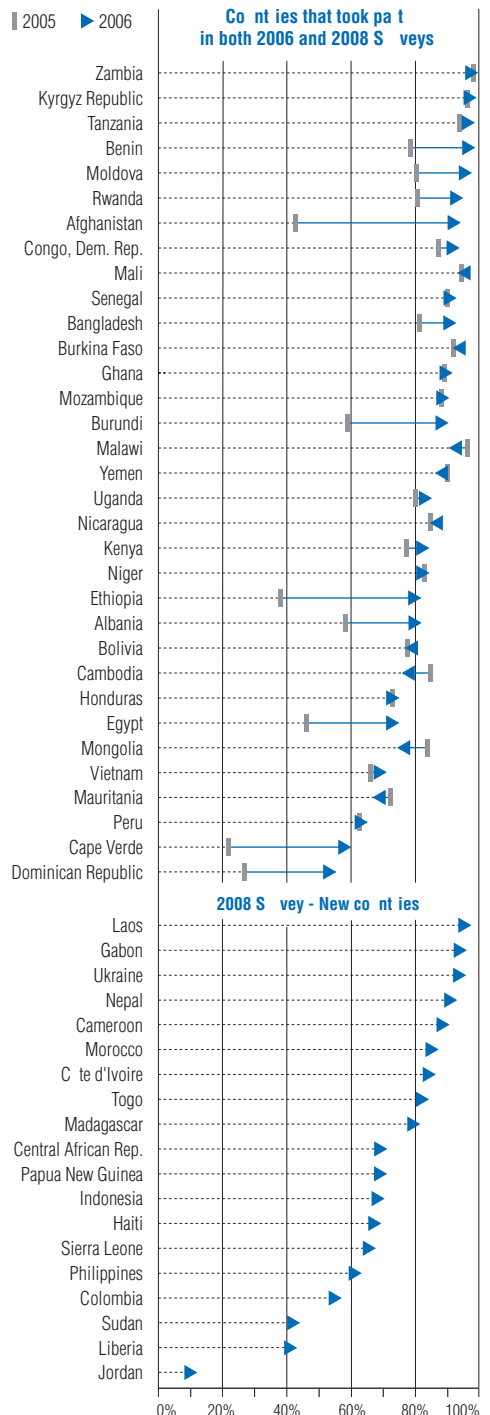
■ The state of play

The findings shows that nearly all countries are making progress in untying aid (Chart 3.11). The fact that the OECD-DAC has been encouraging untying, especially in Least Developed Countries, for much longer than the last two years may help explain why this is an area of success.

Nearly all countries are making progress in untying aid.

On the available data, country participation for the first time in 2008 shows a weighted average of untying that is lower than for countries that took part in the 2006 Baseline Survey. There are some “outliers” – both partner countries and donors – with quite low rates of untying as shown in the Appendix Table A.8. Another concern is that for several countries in Asia, countries that are not members of the OECD-DAC are major donors, and the efforts by the OECD-DAC to promote untying does not extend to them. Since this may soon be the case for a number of African countries, it is an important area for greater international attention. Nevertheless, the findings on untying provide an important measure of reassurance that it is possible to make real progress towards aligning aid through concerted efforts on the part of partner countries and donors. ■

CHART 3.11 (Indicator 8)
Untying aid, 2005-2007



REFERENCES AND BIBLIOGRAPHY

OECD (2008), *Report on the Use of Country Public Financial Management (PFM) Systems*, OECD, Paris.

Wood, B., Kabell, D., Muwanga, N., and Sagasti, F. (2008), *Evaluation of the Paris Declaration (Phase I)*, Kabell Konsulting, Denmark

E ACRONYMS AND GLOSSARY OF KEY TERMS

ACROYNMS

AER	Aid Effectiveness Review
CDF	Comprehensive Development Framework
CFAA	Country Financial Accountability Assessment
CPIA	Country Policy and Institutional Assessment
DAC	Development Assistance Committee
DBS	direct budget support
HAP	Harmonisation Action Plan
IDA	International Development Association
LICUS	Low-Income Countries Under Stress
MIC	Middle-Income Countries
MTEF	medium-term expenditure framework
NDS	National Development Strategy
ODA	official development assistance
PAF	performance assessment framework
PBA	programme-based approach
PEFA	Public Expenditure and Financial Accountability
PFM	public financial management
PIU	project implementation unit
PRSP	Poverty Reduction Strategy Paper
PRS	Poverty Reduction Strategy
SWAp	sector-wide approach
TC	technical co-operation

GLOSSARY OF KEY TERMS

The following glossary provides the definitions for the key terms used in the donor and government questionnaires (see Appendix D).

KEY TERM	DEFINITIONS & GUIDANCE
Annual budget	Is the annual budget as it was originally approved by the legislature. In order to support discipline and credibility of the budget preparation process, subsequent revisions to the original annual budget – even when approved by the legislature – should NOT be recorded under question Q#1. This is because it is the credibility of the original, approved budget that is important to measure and because revisions to the annual budget in many cases are retroactive.
Capacity development	Different organisations use different definitions for capacity development. According to the OECD-DAC Network on Governance, capacity development is the process whereby people, organisations and society as a whole unleash, strengthen, create, adapt and maintain capacity over time. Recent research shows that capacity development is more likely to be effective when: <ul style="list-style-type: none"> – Capacity development is treated as a goal in its own right and that increased efforts are made to identify the objectives it seeks to achieve (“Capacity development for what?”). – Support for capacity development addresses three dimensions: human capacity, organisational capacity and broader institutional capacity. – Capacity development is country owned rather than donor driven.
Co-ordinated country analytic work	Co-ordinated country analytic work is: <ul style="list-style-type: none"> – CAW undertaken by one or more donors jointly; – CAW undertaken by one donor on behalf of another donor (including work undertaken by one and/or used by another when it is co-financed and formally acknowledged in official documentation); – CAW undertaken with substantive involvement from government.
Co-ordinated missions	Co-ordinated missions are: <ul style="list-style-type: none"> – missions undertaken by one or more donors jointly, or – missions undertaken by one donor on behalf of another donor (delegated co-operation).

KEY TERM	DEFINITIONS & GUIDANCE
Co-ordinated technical co-operation	<p>Co-ordinated technical co-operation means free standing and embedded technical co-operation that respects the following principles:</p> <ul style="list-style-type: none"> ■ Ownership <p>Partner countries exercise effective leadership over their capacity development programmes.</p> ■ Alignment <p>Technical co-operation in support of capacity development is aligned with countries' development objectives and strategies.</p> ■ Harmonisation <p>Where more than one donor is involved in supporting partner-led capacity development, donors co-ordinate their activities and contributions.</p> <p>Donors are invited to review all their development activities with a view to determining how much technical co-operation was disbursed through co-ordinated programmes that meet BOTH criteria below:</p> <ul style="list-style-type: none"> – Have relevant country authorities (government or non-government) communicated clear capacity development objectives as part of broader national or sector strategies? (Y/N) – Is the technical co-operation aligned with the countries' capacity development objectives? (Y/N) <p>AND at least ONE of the criteria below:</p> <ul style="list-style-type: none"> – Do relevant country authorities (government or non-government) have control over the technical co-operation? (Y/N) – If more than one donor is involved in supporting country programmes, are there arrangements involving the country authorities in place for co-ordinating the technical co-operation provided by different donors? (Y/N)
Country analytic work (CAW)	<p>Country analytic work (CAW) encompasses the analysis and advice necessary to strengthen policy dialogue, develop and implement country strategies in support of sound development assistance. Good analytic work is essential for well-focused development policy and programmes. It should include major pieces of analytical work such as:</p> <ul style="list-style-type: none"> – Diagnostic reviews (<i>e.g.</i> Country Procurement Assessment Report, Country Financial Accountability Assessments etc.). – Country or sector studies and strategies. – Country or sector evaluations. – Cross-cutting analytical work such as gender assessments.

KEY TERM	DEFINITIONS & GUIDANCE
Direct budget support	Direct budget support is defined as a method of financing a partner country's budget through a transfer of resources from a donor to the partner government's national treasury. The funds thus transferred are managed in accordance with the recipient's budgetary procedures. Funds transferred to the national treasury for financing programmes or projects managed according to different budgetary procedures from those of the partner country, with the intention or earmarking the resources for specific uses, are therefore excluded from this definition of budget support (OECD 2006 ¹). This definition also includes sector budget support provided and general budget support (see definitions below).
Direct budget support provided in support of PBAs (Q ^d 14)	This includes all direct budget support provided in support of PBA under the definition of PBA provided in this glossary. Direct budget support – including general and sector budget support – is defined as a method of financing a partner country's budget through a transfer of resources from a donor to the partner government's national treasury.
Disbursements	A disbursement is the placement of resources at the disposal of a recipient country or agency (OECD-DAC Statistical Directives para. 15-18). Resources provided in-kind should only be included when the value of the resources have been monetised in an agreement or in a document communicated to government. In order to avoid double counting in cases where one donor disburses ODA funds on behalf of another, it is the donor who makes the final disbursement to the government who should report on these funds.
Disbursements for the government sector	ODA disbursed in the context of an agreement with administrations (ministries, departments, agencies or municipalities) authorised to receive revenue or undertake expenditures on behalf of central government. This includes works, goods or services delegated or subcontracted by these administrations to other entities such as: <ul style="list-style-type: none"> – Non-Governmental Organisations (NGOs); – semi-autonomous government agencies (e.g. parastatals), or; – private companies.
Donor	A donor is an official agency – including state and local governments – that provides Official Development Assistance (OECD-DAC Statistical Directives para. 35). Under this definition, Non-Governmental Organisations (NGOs) and private companies do NOT qualify as donors.

¹ OECD 2006, *Harmonising Donor Practices for Effective Aid Delivery*, Vol. 2, Chap. 2: Budget Support.

KEY TERM	DEFINITIONS & GUIDANCE
Donor missions to the field	<p>Donor missions to the field are defined as missions that meet all of the following criteria:</p> <ul style="list-style-type: none"> – The mission is undertaken by, or on behalf of, a donor, including programme developers, appraisers and evaluators, sector assessment teams commissioned by a donor. – The mission involved international travel typically, but not exclusively, from donor headquarters. – The mission made a request to meet with government officials including local government. <p>This definition should exclude missions:</p> <ul style="list-style-type: none"> – Undertaken by donors to attend events (workshops, conferences, etc.) that do not involve request to meet with government officials. – Undertaken by parliamentary or other political delegations. – Special event missions undertaken as part of a defined program, <i>e.g.</i> electoral observers. – External consultants that are executing work as part of scheduled programme implementation plans. – Disaster assessment teams.
Exchange rates	<p>ODA should be reported in US dollars.</p> <p>A table of exchange rates is provided on the 2008 Survey website (www.oecd.org/dac/hlfsurvey/faq/exchangerate).</p>
Fiscal year 2006/07	<p>The fiscal year is the fiscal year of the country receiving ODA. In the last survey in 2006, both the donor and the partner governments were asked to report data against the partner country's fiscal year. This is not the case in the 2008 Survey. In order to have data available in time for the Accra High-Level Forum both donors and partner countries are required to report against the calendar year 2007 except in the case of Indicator 3 (Aid Flows aligned on national priorities) that is measured against partner country's fiscal year 2006/07.</p>
General budget support	<p>General budget support is a sub-category of direct budget support. In the case of general budget support, the dialogue between donors and partner governments focuses on overall policy and budget priorities (OECD 2006).</p>

KEY TERM	DEFINITIONS & GUIDANCE
Mutual assessments of progress	<p>Mutual assessments of progress are exercises that engage at a national level both partner authorities and donors in a review of mutual performance. In determining whether mutual assessments of progress have been undertaken, partner authorities and donors may be guided by the following criteria:</p> <ul style="list-style-type: none"> ■ Broad-based dialogue Mutual assessments should engage in dialogue a broad range of government ministries (including line ministries and relevant departments) and donors (bilateral, multilateral and global initiatives). Government and donors should also consider engaging with civil society organisations. ■ Country mechanisms for monitoring progress A formal process for measuring progress and following-up the assessment on a regular basis (<i>e.g.</i> one to two years) might be supplemented, wherever possible, through independent/impartial reviews. The results of such assessments should be made publicly available through appropriate means to ensure transparency. ■ Country targets Partner countries have established country targets for improved aid effectiveness including within the framework of the agreed Partnerships Commitments and Indicators of Progress included in the Paris Declaration (PD-§9). They may, however, go beyond the Paris Declaration wherever government and donors agree to do so. ■ High-level support The assessments should be transparent and country led with significant support at the highest levels and with an appropriate level of resources.
ODA	<p>Official Development Assistance (ODA) includes all transactions as defined in OECD-DAC Statistical Directives para. 35 (see www.oecd.org/dac/hlfsurvey/glossary), including official transactions that:</p> <ul style="list-style-type: none"> – are administered with the promotion of the economic development and welfare of developing countries as its main objective; and – are concessional in character and convey a grant element of at least 25%.
ODA actually received	<p>ODA actually received in the context of agreements between donors and the government sector (see definition provided under disbursements). Government should report data as it was recorded in the government accounting/reporting systems including, where the information is available, payments made directly by donors to third parties.</p>

KEY TERM	DEFINITIONS & GUIDANCE
ODA recorded in annual budget	This should include all ODA recorded in the annual budget as grants, revenue or ODA loans.
ODA scheduled for disbursement	This includes ODA scheduled by donors for disbursement in calendar year 2007 and notified to government within calendar year 2006; it includes ODA scheduled for disbursement in aid agreements entered into in 2007.
Other forms of assistance provided in support of PBAs(Q ^{d15})	<p>This includes ODA provided in support of PBAs as defined above but excluding direct budget support (see above). This might include:</p> <p>Projects integrated into Sector-Wide Approaches (SWAs).</p> <ul style="list-style-type: none"> – Pooled arrangements in support of programme-based approaches (e.g. basket funding or pooling of technical assistance). – Other forms of assistance provided in support of PBAs. <p>In each of the countries where the survey is undertaken, donors should be prepared to share with National Co-ordinators the list of their activities that qualify as programme-based approaches and how each meets the PBA criteria.</p>
Parallel PIU	<p>A PIU is parallel when it is created and operates outside existing country institutional and administrative structures at the behest of a donor. In practice, there is a continuum between parallel and integrated PIUs. The criteria below have been designed to help donors and partner authorities draw a line within this continuum and identify with greater certainty parallel PIUs.</p> <p>Donors are invited to review all their development activities with a view to determining how many PIUs are parallel. For the purpose of this survey, PIUs are said to be parallel when there are three or more “Yes” to the four questions below (anything less counts as integrated):</p> <ul style="list-style-type: none"> – Are the PIUs accountable to the external funding agencies/donors rather than to the country implementing agencies (ministries, departments, agencies etc)? (Y/N) – Are the terms of reference for externally appointed staff determined by the donor (rather than by the country implementing agencies)? (Y/N) – Is most of the professional staff appointed by the donor (rather than the country implementing agencies)? (Y/N) – Is the salary structure of national staff (including benefits) higher than those of civil service personnel? (Y/N)

KEY TERM	DEFINITIONS & GUIDANCE
Programme-based approach (PBA)	<p>Programme-based approaches (PBAs) are a way of engaging in development co-operation based on the principles of co-ordinated support for a locally owned programme of development, such as a national development strategy, a sector programme, a thematic programme or a programme of a specific organisation. Programme-based approaches share the following features:</p> <ul style="list-style-type: none"> – Leadership by the host country or organisation; – A single comprehensive programme and budget framework; – A formalised process for donor co-ordination and harmonisation of donor procedures for reporting, budgeting, financial management and procurement; – Efforts to increase the use of local systems for programme design and implementation, financial management, monitoring and evaluation. <p>Donors can support and implement programme-based approaches in different ways and across a range of aid modalities including budget support, sector budget support, project support, pooled arrangements and trust funds.</p> <p>Donors are invited to review all their development activities with a view to determining how much ODA was disbursed in support of programme-based approaches that meet ALL four of the following criteria (anything less does not qualify as a PBA):</p> <ul style="list-style-type: none"> – Is the host country or organisation exercising leadership over the programme supported by donors? (Y/N) – Is a single comprehensive programme and budget framework used? (Y/N) – Is there a formal process for donor co-ordination and harmonisation of donor procedures for at least two of the following systems: (i) reporting, (ii) budgeting, (iii) financial management and (iv) procurement? (Y/N) – Does your support to the programme use at least two of the following local systems: (i) programme design, (ii) programme implementation, (iii) financial management and (iv) monitoring and evaluation? (Y/N) <p>A list of illustrative examples is provided below to help respondents determine how the criteria apply to specific assistance activities. For the purpose of this survey, direct budget support provided in support of PBAs is tracked separately from other PBA modality:</p> <ul style="list-style-type: none"> – Direct budget support provided in support of PBAs. – Other assistance in support of programme-based approaches.

KEY TERM	DEFINITIONS & GUIDANCE
Project Implementation Unit (PIU)	<p>When providing development assistance in a country, some donors establish Project Implementation Units (They are also commonly referred to as project management units, project management consultants, project management offices, project co-ordination offices etc.). These are dedicated management units designed to support the implementation and administration of projects or programmes. PIUs typically share the following key features:</p> <ul style="list-style-type: none"> – PIUs are TYPICALLY required to perform subsidiary (rather than principal) tasks with regard to the implementation of a project or programme: monitoring and reporting on technical and/or financial progress, accounting, procurement of works, goods and services, drawing-up of terms of reference, contract supervision, detailed design or equipment specification. – PIUs are often established at the request of a donor following the inception of a project or programme. – The staff of PIUs vary considerably in size and composition. Staff size can vary from one to as many as 200 but most count less than 10 professional staff. Although a significant number of PIUs make use of government staff, most PIUs rely on staff recruited outside the civil service (<i>e.g.</i> long-term local consultants). – A distinction is made here between a PIU and technical advice provided directly to national administrations.
Sector budget support	<p>For the purposes of this Survey, sector budget support is a sub-category of direct budget support. Sector budget support means that dialogue between donors and partner governments focuses on sector-specific concerns rather than on overall policy and budget priorities (OECD 2006).</p>
Technical co-operation	<p>Technical co-operation (also referred to as technical assistance) is the provision of know-how in the form of personnel, training, research and associated costs. (OECD DAC Statistical Reporting Directives 40-44). It comprises donor-financed:</p> <ul style="list-style-type: none"> – Activities that augment the level of knowledge, skills, technical know-how or productive aptitudes of people in developing countries; and – Services such as consultancies, technical support or the provision of know-how that contribute to the execution of a capital project. <p>Technical co-operation includes both free standing technical co-operation and technical co-operation that is embedded in investment programmes (or included in programme-based approaches). In order to report against this indicator, donors are invited to review their portfolio of projects and programmes and estimate the share of technical co-operation.</p>

KEY TERM	DEFINITIONS & GUIDANCE
Transactions not to be recorded in this survey	<p>The following transactions are excluded from the scope of this survey and should not be recorded:</p> <ul style="list-style-type: none"> – Transactions made to beneficiaries that are not based in the country receiving ODA or to regional organisations. – Debt reorganisation/restructuring. – Emergency and relief assistance. <p>Information on these components of ODA, and how they are managed, can be described within the scope of the Country Report.</p>
Use of all three national procedures (Q ¹⁰)	<p>Disbursements of ODA for the government sector that use all three components of a country's national public financial management procedures, <i>i.e.</i>:</p> <ul style="list-style-type: none"> (i) national budget execution procedures; (ii) national financial reporting procedures and (iii) national auditing procedures.
Use of national auditing procedures (Q ⁹)	<p>Donors rely on the audit opinions, issued by the country's supreme audit institution, on the government's normal financial reports/statements. The use of national auditing procedures means that donors do not make additional requirements on governments for auditing.</p> <p>Donors are invited to review all their development activities with a view to determining how much ODA for the government sector meet BOTH criteria below: :</p> <ul style="list-style-type: none"> – Are your funds subject to audit carried out under the responsibility of the Supreme Audit Institution? (Y/N) – You do NOT under normal circumstances request additional audit arrangements²? (Y/N)³ <p>AND at least one of the two criteria below:</p> <ol style="list-style-type: none"> 3. You do NOT require audit standards different from those adopted by the Supreme Audit Institution? (Y/N)⁴ 4. You do NOT require the Supreme Audit Institution to change its audit cycle to audit your funds? (Y/N)⁵

² Reserving the right to make an exceptional audit (e.g. when fraud or corruption is discovered) does not count against this criteria.

³ YES: donors do not require additional audits. NO: donors do require additional audits.

⁴ YES: donors do not require different audit standards. NO: donors do require different audit standards.

⁵ YES: donors do not require to change the audit cycle. NO: donors do require to change the audit cycle.

KEY TERM	DEFINITIONS & GUIDANCE
Use of national budget execution procedures (Q ^d 7)	<p>Donors use national budget execution procedures when the funds they provide are managed according to the national budgeting procedures established in the general legislation and implemented by government. This means that programmes supported by donors are subject to normal country budgetary execution procedures, namely procedures for authorisation, approval and payment.</p> <p>Donors are invited to review all their development activities with a view to determining how much ODA for the government sector meet three out of the four criteria below (anything less does not qualify):</p> <ul style="list-style-type: none"> – Are your funds included in the annual budget approved by country legislature? (Y/N) – Are your funds subject to established country budget execution procedures? (Y/N) – Are your funds processed (<i>e.g.</i> deposited and disbursed) through the established country treasury system? (Y/N) – You do NOT require the opening of separate bank accounts for your funds? (Y/N)⁶
Use of national financial reporting procedures (Q ^d 8)	<p>Legislative frameworks normally provide for specific types of financial reports to be produced as well as periodicity of such reporting. The use of national financial reporting means that donors do not impose additional requirements on governments for financial reporting. In particular donors do NOT require: (i) maintenance of a separate accounting system to satisfy donor reporting requirements, and (ii) creation of a separate chart of accounts to record the use of donor funds.</p> <p>Donors are invited to review all their development activities with a view to determining how much ODA for the government sector meet BOTH criteria below (anything less does not qualify):</p> <ul style="list-style-type: none"> – You do NOT require maintenance of a separate accounting system to satisfy your own reporting requirements?⁷ – You ONLY require financial reports prepared using country's established financial reporting arrangements? (Y/N)
Use of all three national procedures (Q ^d 10)	<p>Disbursements of ODA for the government sector that use all three components of a country's national public financial management procedures, <i>i.e.</i>:</p> <ul style="list-style-type: none"> (i) national budget execution procedures; (ii) national financial reporting procedures and (iii) national auditing procedures.

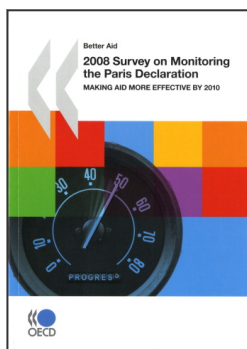
⁶ *Budget execution* – YES: you do not require opening separate accounts. NO: you do require opening separate accounts

⁷ *Financial reporting* – YES: you do not require a separate accounting system. NO: you do require a separate accounting system.

KEY TERM	DEFINITIONS & GUIDANCE
Use of national procurement procedures	Donors use national procurement procedures when the funds they provide for the implementation of projects and programmes are managed according to the national procurement procedures as they were established in the general legislation and implemented by government. The use of national procurement procedures means that donors do not make additional, or special, requirements on governments for the procurement of works, goods and services. (Where weaknesses in national procurement systems have been identified, donors may work with partner countries in order to improve the efficiency, economy, and transparency of their implementation).

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