

Implementing Paris and Accra: Towards a Regional Agenda in Latin America and the Caribbean

FRIDE Development In Context

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FRIDE is an independent think-tank based in Madrid, focused on issues related to democracy and human rights; peace and security; and humanitarian action and development. FRIDE attempts to influence policy-making and inform public opinion, through its research in these areas.

Introduction

This document describes the challenges and opportunities of adapting the Paris Declaration on Aid Effectiveness (PD) in Latin American and Caribbean states. It thus intends to offer a regional perspective on aid effectiveness in an economic and political-institutional context that differs in numerous ways from the main PD targets, that is, countries with low levels of human development and a high degree of aid dependence.

The following pages analyse the utility and adaptability of implementing the 5 principles and 12 indicators of the Paris Declaration. The main input comes from the results of the 2008 OECD-DAC Survey on Monitoring the Paris Declaration¹ for the six participating countries: Bolivia, Colombia, Honduras, Nicaragua, Peru and the Dominican Republic. The analysis is further complemented by some references to the implementation of the Accra Agenda for Action (AAA) and the exchange of ideas with the Latin American delegations that participated in the III High-level Forum held in Accra at the beginning of September 2008.

¹ OECD/DAC: "2008 Survey on Monitoring the Paris Declaration - Effective Aid by 2010? What it will take", <http://www.oecd.org/dac/effectiveness/monitoring/survey/>

In addition to providing a technical assessment (on the basis of indicators), this document also includes references to the political “spirit” of the Paris agenda (partnership between developing and donor countries), which is in constant change. Both technical and political dimensions find specific challenges in Latin America and the Caribbean, as well as holding great potential for creating a regional effectiveness agenda, which could also be coupled with the international discourse on the subject. Aimed especially at the decision-makers and practitioners in Latin American and Caribbean countries, this document intends to open up perspectives to foster jointly, and from the different governments, a regional agenda towards 2011.

After a brief overview of the regional context, this document describes the advances, obstacles and potential of the five PD principles over the last three to five years. Finally, it offers a series of key recommendations with a view to establishing a regional agenda and boosting the global Paris agenda with experiences learnt from the Latin American context.

Acronyms

AAA	Accra Agenda for Action
ALBA	Bolivarian Alternative for the People of Our America
CDF	Comprehensive Development Framework
CPIA	Country Policy and Institutional Assessment
DAC	Development Assistance Committee
ECOSOC	Economic and Social Council
GNI	Gross National Income
HIPC	Heavily Indebted Poor Countries
IDA	International Development Association
JCLA	Joint Country Learning Assessment
MDG	Millennium Development Goals
M&E	Monitoring and Evaluation
ODA	Official Development Aid
OECD	Organisation for Economic Cooperation and Development
PD	Paris Declaration on Aid Effectiveness
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PIU	Project Implementation Unit
PRS	Poverty Reduction Strategy
SEGIB	Ibero-American General Secretariat
SWAp	Sector-wide approach
UNDP	United Nations Development Programme

Effectiveness in Latin America and the Caribbean: from heterogeneity to a common agenda?

The implementation of the Paris Declaration on Aid Effectiveness (PD) faces some specific conditions in Latin America and the Caribbean, especially with regard to their level of development as medium-income countries. In this regional context, the viability of the Paris principles has only recently begun to be analysed, and above all from a country- or donor perspective.² However, the debate has barely been anchored in mechanisms for regional agreements, despite the dynamics launched by a regional workshop held in Santa Marta (Colombia) in June 2008.

Regarding their level of development, Latin America and the Caribbean constitute a highly heterogeneous region. According to the World Bank, the Gross National Income (GNI) *per capita* in the Dominican Republic is three times higher than the *per capita* income in Bolivia, whilst Colombia's GNI is twice that of Honduras (see table in annex 1). Three of the countries participating in the monitoring of the PD (Bolivia, Honduras and Nicaragua) have been part of the Highly Indebted Poor Countries (HIPC) initiative and are eligible to receive funding from the International Development Association (IDA). This implies that their degree of dependence (net ODA/GNI) has been, and still is, higher than that of the second sub-group of countries, where the aid received

has a low impact on the national economy (Colombia, Peru and the Dominican Republic), but is of potentially great importance to the development of capacities in strategic areas of their development plans. This difference is vital to understanding the dynamics of the Paris Declaration in different national contexts, since in the first sub-group ("IDA countries") there are countries that have participated in pilot schemes on aid effectiveness. Thus, Bolivia was a pilot country for the World Bank's Comprehensive Development Framework (CDF), carried out in 1997. Nicaragua hosted the Joint Country Learning Assessment (JCLA) of the Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development (OECD) which, when concluded in 2004, served as one of the main inputs for the design of the PD. In a more favourable economic context, Colombia, Peru and the Dominican Republic ("non-IDA countries") have more recently consolidated the aid effectiveness agenda.³ Colombia and Peru adhered to the PD in November 2007 and July 2006, respectively, and in 2008 Colombia participated, for the first time, in the PD monitoring survey. Consequently, in the first sub-group, dialogue with donors and their preferred platform - the OECD-DAC - on effectiveness questions has been fluent and intense over the last few years. On occasions, this has led to the progressive penetration of the donor community in key areas of public management, both at the macro-economic level and with regard to core state services. The second sub-group, for their part, seems to articulate aid effectiveness from a position of greater national autonomy, advocating that international cooperation should complement other resources available for development. On this basis, the non-IDA countries have traditionally kept a more horizontal relation based on shared interests with the donor community.

² As examples, see Juan Pita, Elisabet Jané and Rocío Tábora, "Mechanisms for Improving the Effectiveness of Spanish Development Aid in El Salvador, Honduras and Nicaragua", CeALCI/Fundación Carolina, Working Paper 24, May 2008; Enrique O. Alasino, "Peru: the kingdom of the NGO?", FRIDE Working Paper 49, February 2008; and Claudia Pineda and Nils-Sjard Schulz, "The Nicaragua challenge: upholding the Paris agenda in an agitated setting", FRIDE Working Paper 48, January 2008.

³ It is worth noting that the Paris Declaration has its roots in a 1996 OECD-DAC document entitled "Shaping the 21st Century - The Contribution of Development Co-operation" and in the World Bank's Comprehensive Development Framework (CDF), an initiative promoted by James D. Wolfensohn in 1999 (officially launched in 2001).

Nonetheless, within this fundamental distinction between two sub-groups, there is also growing convergence among the determining factors of the relations between donors and recipients (for all data see the table in annex 1). Firstly, IDA countries have practically cut by half their degree of aid dependence (from an average of 15.7% in 2004 to 8.6% in 2006), owing to economic growth as well as reduced aid flows. Even though this decrease in the weight of aid in the economy is still far from the non-IDA countries average (0.6% in 2004 and 0.5% in 2006), it represents a very significant trend that changes the coordinates of aid. Secondly, in light of recent political changes, non-IDA countries are restructuring their development plans, with some, such as Bolivia and Nicaragua, preferring greater national self-determination to the model of a donor community that often tends to become deeply immersed in public policies. Thirdly, Latin America and the Caribbean are going through a phase of sustained economic growth, which translates into an average of 6.7% (2006) among the six PD follow-up participating countries. At the same time, the majority of Latin American states are promoting far-reaching public administration reforms. In both sub-groups, there is an increased commitment to the modernisation of the state, which goes clearly beyond the field of aid. Fourthly, South-South cooperation has emerged as a complementary paradigm to conventional international aid. Its wide potential to promote sustainable development processes, in particular the strengthening of national capacities, finds favourable conditions in Latin America and the Caribbean. This might benefit from their geographical, cultural, linguistic, historical and political-institutional proximity, and be channelled through already-established regional institutions (for example, the Ibero-American General Secretariat) and sub-regional bodies (for example the Andean Development Corporation, the Central American Integration System or the Caribbean Community). Fifthly, IDA countries have ever-increasing access to non-traditional funding as a result of the changing geo-strategic context, in which non-DAC donors, such as the Bolivarian Alternative for the People of Our America (ALBA), Iran and Taiwan, tend to act as a counterbalance, not exempt from contradictions, to the Paris agenda.

Contextual changes in Latin America and the Caribbean: A new aid context

1. Aid dependence decreases in IDA countries
2. Growing national self-determination in IDA countries
3. Increased and sustainable economic growth
4. South-South cooperation as a new paradigm
5. Greater presence of non traditional donors

Without being all-inclusive, these five contextual changes indicate that the differences between the two sub-groups of countries are decreasing, thus presenting a growing opportunity to revise the utility and adaptability of the PD from a regional perspective. Throughout the assessment of the implementation of the PD principles in the six countries participating in the 2007 Survey on Monitoring the PD, the differences between IDA and non-IDA countries will be mentioned. However, the analysis shows that an increasingly important convergence is emerging. On this basis, the promotion of a common understanding of the PD in Latin America and the Caribbean can reinforce capacities when designing a regional agenda for aid effectiveness, which in turn influences aid-related international policies promoted mainly by the OECD-DAC and the World Bank. At the global level, there is no doubt that greater influence on the aid effectiveness paradigm would highly benefit the new aid architecture, contributing national and regional experiences to a debate that is still very centred at donors' headquarters.⁴

⁴ This dynamic (regional->global) has been debated as a possible model for the second phase of the PD assessment that will start at the end of 2008 and will review the impact of the PD in terms of development. The objective of a regional management of this second phase would be to foster regional learning beyond the conclusions solely grounded on national contexts.

Implementing the PD in Latin America and the Caribbean

Summary table: utility and adaptability of the aid effectiveness principles

Ownership	National planning is part of a political project and needs to be adjusted to electoral cycles
	Aid is perceived as a financing source which is complementary to other available resources
	In order to ensure effective use of the different resources, ownership needs a solid technical base (expenditure framework) and a sound institutional base (integration at the highest political level)
	The growing self-determination of national governments is observed in IDA countries
	National planning still faces specific challenges in the face of decentralising dynamics and still existing asymmetries
	The democratic quality of ownership can benefit from a legal framework for national planning that facilitates parliament's intermediary role
Alignment	The low weight of aid does not create strong incentives for public sector reform
	However, there is a regional agenda of state modernisation that benefits from favourable conditions beyond aid
	This modernising dynamic is aimed at ensuring greater efficiency with regard to all available resources (philosophy of the Monterrey Consensus)
	Support for national capacities is a key aspect of the regional modernisation agenda
	The alignment of aid to public policies (versus country systems) is very relevant in Latin America and the Caribbean and requires specific indicators to reflect thematic alignment
Harmonisation	Donor coordination should make use of existing capacities (country systems and coordination) and improve them <i>from within</i>
	The advantages and risks of programme-based aid in middle-income countries are not very well-known yet and require a more in-depth analysis
	Countries could benefit from a mutual learning process on programme-based aid
	The current use of harmonisation criteria creates incongruities and the role of national and local governments in the monitoring process needs to be strengthened
	Donor coordination in missions and country analytical work requires firm leadership from national agencies and could benefit from a regulatory framework
	Analytical work carried out by donors could be reduced with good management and sustainable investment in the generation of national knowledge
	International division of labour (cross-country) requires a clearer articulation of the interests of the countries in the region affected by the withdrawal of some donors
Managing for results	The adaption of the global MDG agenda must involve paying attention to the specific Latin American and Caribbean development dimensions, for example with regard to social equality
	The creation of country M&E systems must be integrated into the regional agenda of state modernisation, instead of being oriented solely towards international aid
	A greater exchange among states could help overcome the technical obstacles related to the design and implementation of these systems
	It is still not possible to measure the support and use of these systems by the donor community, which would require a revision of the corresponding indicator
Mutual accountability	The weakness of the consensus on country reports (between governments and donors) could require a joint position of the countries of the region
	The horizontal relationship between the government and donors could advance more substantially through stable and regulated assessment frameworks
	Beyond the PD, mutual accountability could include other aspects vital to development, such as security, trade, investment and migratory policies

Ownership

The first PD principle refers to the fundamental concept of a more horizontal association between donors and recipients: national leadership for development policies and the coordination of the available inputs for development promotion. This notion gained special weight in the context of the Poverty Reduction Strategies (PRS), promoted within the HIPC initiative framework and the World Bank's CDF, and was later included in the Paris Declaration. The corresponding indicator measures the quality of the national development strategy designed and implemented by the national government. It is based on a World Bank technical analysis (Report on Aid Effectiveness, a CDF follow-up instrument), which is carried out for all countries eligible to receive IDA funds. Whilst the political quality of ownership has been widely debated in recent years (for example, in relation to civil society inclusion or parliamentary oversight), the PD lacks instruments to assess the democratic level of governmental development policies.⁵

Only three Latin American countries receive scores from the World Bank for their national development strategy (Bolivia, Honduras and Nicaragua). On the other hand, in Colombia, Peru and the Dominican Republic, as they are not IDA recipients, there is no official monitoring of their ownership, although a narrative description of national processes is included in the respective country chapters. Given that ownership is a central concept of the PD, this partial coverage constitutes a clear insufficiency of the monitoring survey.

Following the conceptualisation of the PD, ownership in Latin America and the Caribbean is undergoing a complex phase in the three IDA countries, mainly due to government changes and the subsequent reorientation of development policies. Throughout

2007, the PRSs were updated rather slowly in Bolivia, Honduras and Nicaragua. It is worth noting that in these three cases, the analysis of the World Bank makes reference to previous PRSs, whose expected validity exceed the duration of the previous presidential mandate. In reality, these PRSs had already been turned down (Bolivia and Nicaragua) or had undergone revision (Honduras). On the other hand, it is very important to highlight that the Evo Morales government in Bolivia has decided to design a new National Development Plan,⁶ not in line with the CDF, which entails the dissociation of national planning with respect to the World Bank's model. Given that Bolivia was a pilot country for CDF implementation, this decision is very relevant to the future follow-up process in Latin America and the Caribbean. In general, the obsolete character of the World Bank's assessment of the PRSs questions the utility of indicator 1 for the Latin American and Caribbean context, even in IDA countries.

In the second sub-group of countries, national planning has made mixed progress. It seems to depend fundamentally on the political will and institutional organisation of the leadership in the coordination of Official Development Aid (ODA), with little weight on the economy. Thus, the Dominican government is making progress in the implementation of some general guidelines agreed upon in 2005,⁷ which still do not foresee linking established priorities with budgets and expenditure frameworks. In 2009, a National Development Plan will be presented, on which the government intends to consult the National Congress. There have been some institutional advances, given the creation in 2007 of a new planning entity,⁸ whose objectives include, amongst others, the integration of aid into a wider understanding of development. In Peru, the different planning initiatives have not yet

⁵ For a more detailed debate on the genesis and evolution of the principles of the Paris Declaration, see Stefan Meyer and Nils-Sjard Schulz, "From Paris to Accra: building the global governance of aid", FRIDE Backgrounder, August 2008.

⁶ *Bolivia Digna, Soberana, Productiva y Democrática para Vivir Bien 2006-2011* [A Good, Sovereign, Productive and Democratic Bolivia to Live Well 2006-2011].

⁷ *Lineamientos Generales para una Estrategia de Desarrollo y el Financiamiento Internacional*, [General Guidelines for a Development Strategy and International Financing], April 2005.

⁸ In January 2007, the State Secretariat of Economy, Planning and Development (SEEPyD) was created, substituting the Technical Secretariat of the Presidency.

been placed under the umbrella of a consolidated strategy, despite the establishment in 2002 of an organ responsible for the management of aid.⁹ At the level of aid coordination, there have been some important advances since 2006, which reflect the Peruvian government's wish to ensure that international funds and national resources complement one another efficiently.¹⁰ This perspective is also shared by the government of Colombia, which is undoubtedly the non-IDA country that has given most solidity to development planning, through specific legislation on National Development Plans. Colombia's investments in development planning¹¹ and aid coordination¹² are good examples of proactive collaboration between the different efforts (national and international) towards combating poverty.

Among the most important lessons in terms of ownership in the six Latin American countries participating in the Paris Declaration monitoring survey, the following might be highlighted:

- Firstly, the need to **adapt national planning to electoral cycles**, which implies acknowledging that combating poverty is part of the political programme of each presidency, that is, a specific political vision. This political dimension is not reflected in the PD indicator 1, which partially explains the obsolete character of the World Bank's reports on IDA countries.
- Secondly, the countries share - albeit to differing extents - a commitment to the **complementarity of international aid and national resources**, which implies resuming the holistic approach of the Monterrey Consensus on development financing. Implementing this ODA vision in middle-income countries could mean that the interaction with donors should be centred especially on the coordination and alignment of policies instead of

(solely) on country systems, a situation that differs substantially from that of aid-dependent countries, where the donor community normally directly influences public policies and the organisation of the state (see section on alignment).

- Thirdly, however, in order for this coordination to be efficient, a **solid basis for national and local development planning** is necessary. At the technical level, the linking of budget and expenditure frameworks appears as a pending task to integrate all available resources in the fight against poverty. Currently this solidity is only observed in Colombia, whilst in Bolivia there are good prospects in the medium run, and in Nicaragua, there is strong political will to advance in this direction. At the institutional level, a clear commitment to granting integral leadership to the organs responsible for development planning, transcending aid coordination and including the orientation of the rest of the national resources, is required. It is likely that the transversal character of planning tasks will require the respective entity to adhere to the Presidency of the Republic, such as in Colombia¹³ and Honduras,¹⁴ or at least to be linked to the Ministry of Economy, as was recently decided in the Dominican Republic. Another option would be to create an independent ministry, such as in Bolivia,¹⁵ where the capacity to direct - at least in part - the actions of the sectoral ministries may depend on the leadership of the corresponding political post. The integration of development planning into the respective ministries of foreign affairs (such as in Nicaragua¹⁶ and Peru) tends to strengthen the recipient country's position in relation to donors (see the following bullet point), but its impact on the complementarity of development financing still remains to be explored.

⁹ Peruvian Agency of International Cooperation (APCI), of the Ministry of Foreign Affairs.

¹⁰ *Plan Anual de Cooperación Internacional No Reembolsable 2007-2008* [Annual Non-Refundable International Cooperation Plan 2007-2008].

¹¹ *Estado Comunitario: Desarrollo para Todos 2006-2010* [Communitarian State: Development for All 2006-2010].

¹² *Estrategia de Cooperación Internacional 2007-2010* [International Cooperation Strategy 2007-2010].

¹³ Presidential Agency for Social Action and International Cooperation, of the Presidency of the Republic.

¹⁴ State Secretariat of the Presidency's Office, of the Presidency of the Republic.

¹⁵ Ministry of Development Planning, created in February 2006, substituting the Ministry of Sustainable Development and Environment.

¹⁶ Vice-Ministry Secretariat of Foreign Cooperation, of the Ministry of Foreign Affairs.

Fourthly, and in relation to the previous point, there is a clear tendency towards **greater self-determination** in Latin American countries, including IDA recipients and the so-called “donor darlings”.¹⁷ Aware of the fact that aid is part of foreign policy, the bid for national autonomy, promoted especially by the ministries for foreign affairs, might restrict the capacity of donors when it comes to actively participating in the design and implementation of national policies, even in situations where the use of budget support is reasonably advanced (see section on harmonisation). However, this common trend has still not translated into a joint position at the regional level or into clear messages as to how to adapt the Paris agenda to middle-income countries.

Fifthly, the **implementation of national strategies at the sub-national level** still represents an important challenge in order to ensure shared leadership between the central government and regional and local public administrations. In IDA countries, delays in the design of new development plans are partially due to this problem. In any case, the involvement of sub-national levels is closely related to the decentralising dynamics of each country, which would require a more comprehensive analysis in order to assess this dimension of ownership, for example, with respect to existing asymmetries among regions. In this sense, it is vital to pursue the consolidation of national systems that articulate national efforts and foreign aid in different geographical development levels.

Lastly, and taking into account that middle-income governments maintain an ample political space in relation to donors, it is necessary to explore the **democratic and institutional quality of the ownership of public development policies**. A legal framework for development strategies, in place in Colombia and Honduras, allows for the inclusion of public policies in the political-institutional context of each country, especially in relation to the role of parliament as an intermediary for the interests of citizens and the creation of national consensuses. This aspect is

¹⁷ In the regional context, Nicaragua stands out, and to a lesser extent, Honduras.

extremely relevant to the debate on democratic ownership and could generate important inputs for the implementation (and monitoring) of the changes introduced in the Accra Agenda for Action.

Alignment

Alignment constitutes a bridge between ownership, led by governments, and harmonisation, carried out by donors. Although it is a relatively recent principle in the evolution of aid effectiveness thinking, it is supported by seven of the twelve PD indicators, and is based on more solid technical criteria than the other principles. The conceptual genesis of alignment is closely related to a commitment to the development of public management capacities and the growing use of new modalities (budget support, SWAPs, basket funds, etc.). Nonetheless, compared to the integral vision of the Monterrey Consensus, the Paris Declaration centres its attention solely on ODA channelling through national systems (of public financial management and procurement), even though the improvement of these systems is at the heart of better financial management in general.

The advantages of alignment create incentives for reform that are very intense in aid dependent countries, but have less power when the ODA has very limited weight on the economy. This situation is clearly reflected in Latin America and the Caribbean, where two sub-groups can again be identified: on the one hand, the countries that have traditionally received a significant amount of aid for their public budgets (Bolivia, Honduras and Nicaragua) and, on the other hand, the countries where international cooperation amounts to very low percentages of GNI (Colombia, Peru and the Dominican Republic). Still, it is essential to take into account that over the past years, the first sub-group has been getting increasingly closer to the second, owing to the fact that its degree of dependence is notably decreasing (see also section 1).

The measure of alignment used in the DAC monitoring deals with the quality of national systems and their use by donors, the integration of ODA flows in national

budgets (ex ante and ex post), the coordination of technical assistance and increasingly untied aid.

The global results show that, in general, alignment is still weak in Latin America and the Caribbean, with the exception of Bolivia. In Honduras and the Dominican Republic there has been fragmented progress; meanwhile, alignment progresses very slowly in Peru; in Colombia, the process is incipient; and in Nicaragua, it has stagnated at a medium level.

Indicator 7: Are disbursements on schedule and recorded by government?

	2005	2007
Bolivia	63%	30%
Colombia	-	0%
Honduras	72%	66%
Nicaragua	70%	72%
Peru	48%	61%
Dominican Republic	11%	25%
Average	53%	42%

One of the most critical aspects in nearly all countries (with the exception of Peru) is predictability, which has deteriorated significantly in Bolivia and Honduras, and stagnated in Nicaragua. In addition to insufficient communication by donors, the causes behind this scarce integration of aid into budgets seem to be the rare and/or decreasing use of budget support (see harmonisation).¹⁸ In cases where aid has less weight, the low level of predictability can be attributed to the lack of specific mechanisms that capture the ODA information in detail and pass it on to global financial records.

¹⁸ At a country level, the measurement of the corresponding indicator (indicator 9) creates difficulties when comparing the data based on criteria that have been heterogeneously applied. Thus, Colombia and the Dominican Republic, two of the countries that least receive aid and where programmatic approaches are very recent, reach percentages of programme-based aid (66% and 64%, respectively) that greatly exceed the results in countries with a higher dependence and more experience in this kind of development cooperation, such as Bolivia (40%), Honduras (17%) and Nicaragua (45%).

Indicator 5a: How much aid for the government sector uses national systems? (PFM)

	2005	2007
Bolivia	26%	39%
Colombia	-	9%
Honduras	26%	55%
Nicaragua	44%	49%
Peru	43%	45%
Dominican Republic	2%	49%
Average	28%	41%

Secondly, the use of national systems is progressive in all countries, except for Colombia. However, it does not reach levels of great impact: only approximately half of the aid given to the governmental sector (average of 41%) is channelled through public financial management and procurement systems. In contrast to this general tendency, in Colombia the numbers are very low, reflecting scarce donor interest in using national procedures.

Indicator 6: How many PIUs are parallel to country structures?

	2005	2007
Bolivia	66	19
Colombia	-	38
Honduras	52	36
Nicaragua	107	47
Peru	55	79
Dominican Republic	50	36
Average	66	43

Third, the presence of parallel structures, indicative of donor confidence in national capacities, is still very high, albeit with considerable differences among countries.¹⁹ Thus, when the total amount of aid is divided by the number of PIUs, countries like Bolivia (30.6 million USD/PIUs) and Colombia (26.0 million

¹⁹ It is important to highlight that in nearly all countries (except for Peru and Bolivia), the national government insisted that the number of PIUs indicated by donors is an underestimate, and it is therefore necessary to analyse the results carefully.

USD/PIUs) are better positioned than Peru (5.9 million USD/PIUs), or the extreme case of the Dominican Republic (1.5 million USD/PIUs).

Indicator 4: How much technical cooperation is coordinated with country programmes?

	2005	2007
Bolivia	80%	83%
Colombia	-	41%
Honduras	47%	84%
Nicaragua	29%	45%
Peru	5%	66%
Dominican Republic	37%	87%
Average	40%	68%

Finally, the coordination of technical cooperation with national programmes is evolving favourably, owing to a strong commitment on the part of governments to directing these cooperation inputs towards their capacity building plans in an efficient manner.²⁰ Given the lack of comprehensive data, it is still not possible to assess the impact of South-South cooperation, even though it can be assumed that such cooperation influences this trend favourably.

One of the most distinguished characteristics of Latin America and the Caribbean lies in the lack of connection between the reform of national systems, on the one hand, and progress in alignment, on the other. All countries are promoting financial management²¹ and procurement reform programmes, even though these advances are only partially reflected in the Country Policy and Institutional Assessments (CPIA), carried out by the World Bank in IDA countries.²² Donors tend to accompany this process principally by means of greater alignment in their technical assistance. However, the practice of channelling funds

²⁰ Except for the Dominican Republic, where measurement was apparently carried out on the basis of a lax interpretation of the criteria.

²¹ In Bolivia and the Dominican Republic, linked to Public Expenditure and Financial Accountability (PEFA) assessments.

²² Between 2005 and 2007, only Nicaragua improved its score from 3.5 to 4.0 in the CPIA scale, whereas Bolivia and Honduras maintained their scores at 3.5 and 4.0, respectively.

via national systems is still limited and the integration of foreign resources into national budgets (both before and after execution) seems to face significant barriers. This situation clearly indicates that reform initiatives do not respond mainly to an impulse from the donor community, but rather stem from a firm political will to improve procedures, especially with regard to transparency and auditing. The fact that the modernisation agenda is shared at the regional level, coupled with the current favourable macro-economic panorama in the region and the impulse of economic integration processes, presents a historic opportunity to build increasingly efficient and effective states, where aid only plays a secondary role.

The **most relevant lessons** in terms of alignment in Latin America and the Caribbean may be summarised as follows:

- In Latin American countries, the **Paris agenda lacks the necessary force to constitute a key incentive for state reform**, which questions the logic of alignment in this region. One of the central aspects of the PD consists in improving national systems and capacities, an objective embedded in the heart of the state reform agenda promoted by the World Bank over the past fifteen years. Aid alignment is a powerful vehicle to foster public management reforms in low-income countries that have a high level of dependence on international cooperation. However, incentives to modernise the state administration based on (or in addition to) aid are less relevant in Latin America and the Caribbean, a region that receives ever less aid, which is channelled only on very concrete occasions through programme-based approaches, even in IDA countries.
- Secondly, all Latin American countries participating in the PD monitoring survey are promoting public administration reforms, which seems to indicate the presence of a **regional modernisation agenda** in the sphere of public management. While aid seems to have little influence over this dynamic, the main motives include political will, a favourable economic cycle, the desire to improve the climate for direct

foreign investment and the processes of regional economic integration. With a view to the future, South-South cooperation offers a unique opportunity for the promotion of a regional vision ahead of national systems, based on mutual learning and the identification of comparative advantages of individual countries. Without this needing to be separated from the international community's possible contributions (for example, through a growing triangular cooperation), the adaptation of the PEFA methodology to the Latin American context could be a common denominator for this regional agenda.

- Thirdly, and in relation to the previous items, a very relevant regional contribution to the global aid effectiveness agenda could stem from the **decisive promotion of the holistic philosophy of the Monterrey Consensus**. While the PD focuses exclusively on ODA, it seems obvious that the improvement of national capacities and systems should aim at development promotion and efficient management in relation not only to aid flows, but also to all available financial resources (including public investment, direct foreign investment, domestic savings, sustainable debt, etc.). A common stance among Latin American countries with respect to the necessary connection between aid effectiveness and this wider environment of development efficiency – systematised by the Monterrey Consensus – could end up being fundamental to improving the potential real impact of the PD on national economies and the living conditions of citizens.
- Fourthly, even though it is possible that the use of national systems is not a priority of the effectiveness agenda in Latin America and the Caribbean, **alignment gains special relevance in light of its support for capacity strengthening**. In this sense, the coordination of technical assistance has considerable potential to support the regional agenda of state modernisation effectively. In order for the latter to align itself to national programmes, clear thinking at both the political and technical levels on possible donor contributions to the reform process is

required. Ideally, donor coordination in this area would be included into national planning (see ownership) that foresees specific steps for public administration reform.

- Finally, some Latin American and Caribbean countries have indicated that the central focus on national systems **does not accurately reflect the thematic alignment of aid to the respective public policies**. Currently, as it is based on a very technical approach, the Paris Declaration does not deal with this aspect, despite the fact that it would be possible to measure the coherence of donor actions, individually or harmonised, with national development strategies. In the case of programme-based approaches, this assessment could have sufficient bases if the criteria for common arrangements (indicator 9) were to include an assessment of the connection between programmes and national development plans. At the project level, greater leadership and autonomy of national bodies in planning would be necessary to assess systematically the political alignment of development cooperation (which would, in turn, further consolidate the ownership concept). With a view to the international agenda, there is no doubt that Latin America and the Caribbean could play a central role in the promotion of a conceptual enrichment of alignment, which has great potential to deepen the political dialogue between national governments and the donor community.

Harmonisation

Given the fragmented character of aid and its high transaction costs and burden on the national public administration, harmonisation advocates a greater aid coordination, which primarily constitutes a responsibility for donors within a more horizontal relationship between developing countries and donors. Initially closely linked to the need for promoting deep changes in the attitude and performance of donors,²³

²³ See Comprehensive Development Framework, launched in 1999 by the World Bank. Its pillar "country-led aid coordination" refers to a coordination that should more specifically support ownership, on the basis of changes in terms of norms, attitudes and institutional practises.

the definition of harmonisation is based on the Declaration of Rome (2003), which was more concerned with technical standards and procedures. An important factor contributing to the momentum of harmonisation is the increasing use of programme-based approaches, which encompass a series of aid modalities that still lack criteria commonly agreed among all actors. Furthermore, synergies and contradictions between harmonisation and ownership are still not conceptually clear, considering that greater donor coordination can weaken or strengthen the national government's leadership. This also applies to the division of labour at the national and international levels, reinforced by the AAA, which, nonetheless, can be contradictory to the premises of the PD with regard to ownership and mutual accountability.

The PD only establishes two indicators to measure the advances in harmonisation. The first reflects the use of programmatic approaches (common arrangements), and the second, a greater coordination of field visits and country analytical work. Therefore, it does not provide clearer orientation on changes at the level of donors. The lax application of the criteria of the first indicator (programme-based approaches) tends to create tensions between recipients and donors during the monitoring process. In virtually all Latin American countries, there has been disagreement between governments and donor communities over the extent of compliance with the DAC criteria for programmes. The results for the second indicator tend to be adjusted by applying a discount factor, given that in several cases, the coordination of missions and studies is carried out by one or two donors, thus showing the huge flaws in measuring this indicator.

The comparative assessment of the advances in harmonisation in Latin America and the Caribbean clearly reflects the interrelation between harmonisation and alignment (see previous section). Again, only in Bolivia have there been global advances. In Colombia, Peru and the Dominican Republic, progress has only been registered in the coordination of missions and studies, whereas programme-based approaches have not yet been implemented or are incipient. The

harmonisation process is at a standstill in Nicaragua and has deteriorated in Honduras, despite the fact that these two countries have travelled a long way in this direction since their participation in the HIPC initiative.

Indicator 9: How much aid is programme-based?

	2005	2007
Bolivia	32%	40%
Colombia	-	16%
Honduras	43%	17%
Nicaragua	48%	49%
Peru	16%	12%
Dominican Republic	5%	64%
Average	29%	33%

With regard to programme-based approaches, it is appropriate to consider the difference between IDA countries that have traditionally received more important aid flows and have championed the design and implementation of sector-wide approaches (especially in health and education) and general budget support on the one hand; and the countries where these experiences are very recent on the other. Thus, Colombia and Peru still receive very fragmented aid, with only 16% and 12%, respectively, being coordinated. As for the Dominican Republic, the result of the 2007 survey (64%) is based on a clear overestimation, given that, according to the national government, there is no programme in the country. Even though Colombia and Peru, in particular, have expressed a desire to promote basket funds and sectoral approaches, anchored in national policies, it is necessary to further advance learning about the specific characteristics and utility of these middle-income contexts. For their part, IDA countries reach substantially higher numbers, between 40% (Bolivia) and 49% (Nicaragua), with the notable exception of Honduras, where programmatic aid has decreased from 43% in 2005 to 17% in 2007. In the case of the two Central American countries, it is worth highlighting a downward trend in this area, which is closely related to the slowness in designing new

development plans (see ownership)²⁴ and the weakening of the sector roundtables between governments and donors. A common lesson for all countries in the region lies in the fact that the government's leadership at the level of sectoral planning and coordination is a decisive factor in order to advance with programme-based approaches, which tend to evolve more easily in basic services-related sectors (for example, health, education and water).

Indicator 10a: How many donor missions were coordinated?

	2005	2007
Bolivia	17%	45%
Colombia	-	48%
Honduras	22%	32%
Nicaragua	9%	32%
Peru	11%	32%
Dominican Republic	20%	36%
Average	16%	38%

The coordination of donor missions finds more fertile ground in the region, though with different degrees of progress. Approximately half of the missions are coordinated in Colombia (48%) and Bolivia (45%), a proportion that descends to a third in Honduras, Nicaragua, Peru (all 32%) and the Dominican Republic (36%). In this respect, the protagonism of the bodies responsible for coordination is fundamental to diminish excess visits and has been reflected in annual timelines (Bolivia), the regulation of missions in harmonisation and alignment plans (Nicaragua) and coordination at the sub-national level (Colombia). The national governments with greater advances in this dimension of the PD tend to make use of sector dialogue spaces to organise these activities. However, it is clear that this should be accompanied by a growing decentralisation of responsibilities and tasks from donor headquarters towards their offices in recipient countries, in order to facilitate a closer interaction with national institutions.

²⁴ For the donor community, the central government's solid strategies, in particular with regard to budget linking, are a pre-condition to the repayment of funds through sectoral approaches.

Indicator 10b: How much country-analysis was coordinated?

	2005	2007
Bolivia	30%	64%
Colombia	-	59%
Honduras	45%	58%
Nicaragua	53%	71%
Peru	15%	15%
Dominican Republic	48%	62%
Average	38%	55%

Progress towards greater efficiency in analytical work is favourable throughout the entire region, given that between 58% and 71% of studies carried out by donors (except for Peru, where it reaches only 15%) are coordinated. Once again, the capacities of national agencies play a decisive role in the promotion of a rationalisation of studies, especially at the sectoral level. In Colombia, Honduras and Nicaragua, the PD implementation plans are linked to this task, which could allow for further future progress in this area. In order to reduce the number of studies carried out by the donor community, a central aspect also lies in the use and promotion of national analytical and research capacities in the different sectors, at a governmental level as well as at universities, research centres and the civil society. When these reach a high quality level and are included, for example, in virtual libraries, the number of studies could be reduced. This might, at the same time, positively influence ownership.

Harmonisation experiences in Latin America and the Caribbean can be concluded as follows:

- Particularly in contexts with a higher development level, donor harmonisation depends principally on **making good use of the existing capacities**. Given the implicit thesis of the PD, i.e. that harmonisation can stimulate *from the outside* the necessary political will to create improved national systems (see section on alignment), donor coordination in the region should correspond to the desire of governments to integrate aid into the already existing public service structures and improve capacities *from*

within. This would imply that harmonisation be subjected more globally to national leadership and respond to a clearly articulated demand by national governments.

- There are still very few analyses that provide solid ground for the **utility of programme-based aid for middle-income countries**, where ODA represents a limited percentage of the national economy and the provision of basic services does not depend on international financing.²⁵ Among the potential *benefits* of programme-based aid for middle-income countries, it is worth highlighting greater national control over aid resources, the creation of new finance margins, the simplification of procedures and the opportunity to link aid more directly to the development of ministry capacities. Among other aspects, the *risks* tend to be related to a more direct influence of the donor community on the design and implementation of public policies, an increase in the workload of ministry personnel and, on occasions, an uncertain predictability of available funds. Hence, the consecutive realisation of this kind of aid still requires a careful study of real opportunities and disadvantages in each country.

Given that the region includes a group of countries with greater experience in the use of programmatic approaches, there is broad potential for the **promotion of more systematised mutual learning at a regional level**. The fact that IDA countries are experiencing a substantial decrease in aid dependency and opting for growing national autonomy constitutes an important opportunity for an exchange between this sub-group and the countries with less experience in terms of programme-based aid. Both technical dimensions and political implications merit specific attention. On the other hand, an agreement among Colombia, Peru and the Dominican Republic could identify, from a comparative analysis, the main entry points for the promotion of these new instruments in middle-income economies (for example, at the level of basket funds).

²⁵ Except for Honduras and Nicaragua – and to a lesser extent Bolivia –, where ministerial budgets in sectors such as health and education have a high level of aid participation (up to 40%).

- A fundamental lesson for the PD monitoring survey stems from **incongruities in the application of criteria established by the DAC** in order to measure the progress of harmonisation. To different extents, all Latin American countries have indicated that the data provided by donors do not coincide with their assessment of the state of harmonisation in the country. At the time of writing, there is no joint mechanism to verify the solidity of the results reflected in the country chapters. Harmonisation is a specific responsibility of donors, which implies that the role of national governments in PD monitoring should be reinforced in order to ensure a more rigorous interpretation of the criteria.
- The coordination of missions and studies depends fundamentally on the **will and capacities of national governments** when organising these donor activities. The leadership of the agency in charge of coordinating aid is a crucial ingredient and should be accompanied by a close relationship between the different sectoral ministries (see also ownership). Beyond planning and coordination (for example, at the sectoral roundtables or PD implementation plans), there is also the possibility of regulating missions and studies at the legislative level, for example with regard to calendars and study “quotas”, which could generate more solid incentives for the donor community to improve its performance in these areas (for example, through greater decentralisation and coordination inter-donors).
- The **bid for national knowledge** is another important channel, especially with regard to the total number of analyses. Some Latin American countries, such as Peru, have begun the creation of registries and databases on existing national and international studies, which, in addition to reducing the number of studies carried out by donors, tends to improve the quality and utility of the publications. Even greater benefits might arise from strengthening national analytical capacities, with regard to international cooperation as well as at the level of the different sectors. Another possible way, suggested by the government of Honduras, is to promote the link

between donor studies and compulsory collaboration with research centres and national universities. It is expected that the AAA bid for the support of donors towards these national capacities can create very important opportunities in this area. The higher the quality of these national studies, the more favourable the position of Latin American countries to continue reducing the number of analyses carried out by the donor community.

- Finally, **international (cross-country) division of labour** will affect middle-income countries to the extent that the distribution of resources will increasingly concentrate on less developed countries. The geographic concentration of some more progressive donors, in line with the provisions of the Code of Conduct adopted by the European Council in 2007, implies in the medium term a withdrawal of parts of European aid, which some observers consider as a “donor drain”. It is expected that Latin America and the Caribbean will be more affected by the effects of the division of labour among donors, not only due to a decrease in aid flows, but also in terms of the characteristics of the donors that remain in the region. It seems evident that this dynamic requires a more straightforward articulation of the interests of Latin American countries, in particular with a view to an international dialogue that, according to the AAA, is to begin in mid-2009.

Managing for results

This PD principle emerges from the reorientation of public management towards results, instead of being solely input-based. It is important to highlight that in the context of aid, managing for results has been linked since the beginning to the need to overcome “aid fatigue”, improve donor incentives (that is, overcoming the “flag-planting” mentality), and increasing national governments’ accountability. The Millennium Development Goals (MDGs) promoted by the UN established a standardised international cooperation results agenda. This has subsequently been integrated into the PRSs initiated on the premises of the HIPC

initiative, in detriment, to a certain extent, to the commitment to growth and other macro-economic indicators. Systematised in the Marrakesh Memorandum (2004), managing for results also depends on the coordinated support of donors towards national statistical capacities and M&E systems, to which the donor community’s M&E should be aligned progressively. In other words, this principle is aimed fundamentally at countries with weak or non-existent national systems, where governmental accountability suffers from fundamental technical weaknesses.

The measurement of managing for results refers to the quality of country-led cost-effective report systems centred on results and the evaluation of development outcomes. The World Bank is the organ responsible for this assessment, which is again (see ownership) carried out only in IDA countries, thus excluding Colombia, Peru and the Dominican Republic.

All countries in the region show an elevated level of awareness with regard to the need for managing for results. This shared awareness is closely linked to the regional state modernisation agenda (see alignment). However, there are substantial differences in the evolution of M&E systems, since in 2007 only Colombia had an integrated system,²⁶ while the other countries are still at the stage of design (Peru and the Dominican Republic), implementation (Honduras)²⁷ or restructuring (Bolivia²⁸ and Nicaragua²⁹). On the A-E scale, IDA countries are still scoring grade C, according to the World Bank, which corresponds to a medium-level quality of national systems (improvements that create an appropriate basis for future progress), and hence are still far from the PD goal (to move up one grade on the scale).

The **lessons learnt** in Latin American countries on managing for results can be summarised as follows:

²⁶ National Public Management Results Assessment System (SINERGIA) and Government Goals Follow-up System (SIGOB).

²⁷ Managing for Results System (SGPR).

²⁸ National Development Planning System (SNPD).

²⁹ Integrated Administrative Financial Management and Auditing System (SIGFA) and National Development Indicators Follow-up System (SINASID).

It is necessary to reflect on the **specific content of development results** that, throughout the last decade, have connected more to the MDGs than to other human development indicators (for example, UNDP's Human Development Index) or economic indicators (for example, economic growth). However, the high volatility of development paradigms throughout the last 50 years indicates that advocating a single model may be detrimental. In any case, given that social inequality constitutes a key obstacle to socio-economic progress in Latin America and the Caribbean, it seems evident that it is necessary to expand the notion of development beyond the international consensus around the MDGs. Within the broad existing debate on the utility of the MDGs, Latin American countries could provide very relevant inputs to influence thinking on the conceptualisation of development and the role of international financing, for example in terms of support for social cohesion, gender equality, the youth and indigenous populations.

Secondly, the creation of **national statistics and M&E systems is linked to the regional agenda for state modernisation**, and thus should not be considered as an aspect merely related to aid. As national governments in Latin America and the Caribbean assume an integral vision on development financing (see ownership and alignment), very relevant synergies emerge between public sector reform and development, which is far from a fundamental approach to aid effectiveness. These synergies relate especially to transparency, accountability and the orientation of public policies. Over the past years, these have substantially improved and can be reinforced further by improvements in the core principles outlined by the Marrakesh Memorandum and the criteria applied by the World Bank for managing for results.

Thirdly, the political will to create and maintain solid systems still faces **considerable technical obstacles**. Once directed towards the public sector as a whole, these systems require institutional changes at all levels and the explicit leadership of the presidency of the Republic. Some countries, such as Nicaragua and Peru, have developed pilot models that could be very useful

for the group of governments committed to managing for development results. Another relevant factor is the necessary decentralisation of national information systems, which still faces practical difficulties. On the basis of the advances in Colombia, there is some potential to support and strengthen statistical and M&E capacities through South-South cooperation.

One of the weaknesses of the current PD follow-up is its **incapacity to measure the support towards national capacities and their use** by donors, despite the fact that this aspect fundamentally affects the series of PD principles and is embedded in the Marrakesh Memorandum. It is essential to articulate a more specific demand with respect to the donor community's inputs to managing for results. The systematisation of regional experiences in this type of technical assistance could help identify the comparative advantages of the different donors in this area. Furthermore, the international agenda could benefit hugely from a revision of the indicators of this principle, with a view to increasing sensitivity towards the support and behaviour of donors.

Mutual accountability

Together with managing for results, mutual accountability encompasses shared commitments between recipient and donor countries. As it is undoubtedly the most political component of a more horizontal association between North and South, this principle complements the conventional accountability chain (recipient->donors), with accountability from donors towards recipients. Its genesis is based on a critical perspective on donor contributions to development partnerships, particularly in terms of institutional and interpersonal attitudes, incentives, norms and institutional practices. A central issue discussed in the multi-partner evaluation of the World Bank's CDF (2001)³⁰ was overcoming the

³⁰ See World Bank: "Toward Country-led Development - A Multi-Partner Evaluation of the Comprehensive Development Framework: Synthesis Report"; and World Bank: "A Multi-Partner Evaluation of the Comprehensive Development Framework: Implementation of Country-led Partnership in the context of the Comprehensive Development Framework".

asymmetries inherent in the international aid system, expressed by the lack of criteria governing independent assessments of the performance of donors and the extremely weak mechanisms to enforce the commitments assumed by donors. In the years before the PD, there were different proposals to regulate aid relations and create donor rankings. However, these ideas did not prosper, which shows the difficulties involved in creating an equity-based North-South relationship. In the PD, the current conceptualisation of mutual accountability continues to be diffuse and based on an accountability framework that lacks a clear basis for including the multiple links among national governments, donors and the respective citizens in a consistent manner.

The indicator for mutual accountability used by the PD only makes reference to the establishment of national mechanisms to assess the implementation of the Paris agenda. The four corresponding criteria are rather flexible³¹ and reflect the lack of clear models to regulate the relationships resulting from international cooperation. Technically, they refer to an established mechanism to review compliance with commitments (especially those of the PD). Actually, the criteria imply deep changes at the political level. In practice, however, the adequate application of these criteria when assessing the quality of implementation and the consistency of mutual assessments is not always ensured.

In fact, the very PD monitoring survey clearly expresses the difficulties in advancing towards mutual accountability. As has already been mentioned throughout this document, the interpretation of indicators tends to create deep discrepancies between government and donors, which indicates that the advances towards mutual accountability are still based on rather weak incentives to achieve greater symmetry between recipient and donor countries. On the basis of these incongruities, some governments have not achieved the necessary consensus to issue the country

chapter that, as envisaged by the DAC, should be issued jointly with donors. This reflects the great difficulties involved in making progress with the assessment of the level of compliance with individual and common commitments, given that it has not even been possible to reach an agreement on the description of the current state of the implementation of the PD at the country level.

It is important to consider these serious restrictions when assessing the advances in terms of mutual accountability in Latin America and the Caribbean. Only three countries (Colombia, Honduras and Nicaragua) have a national mutual assessment mechanism, based on PD implementation plans. In Colombia, this system is related to a broader political process (the London-Cartagena-Bogotá process), but needs to be more clearly articulated in frameworks that ensure compliance with specific commitments related to aid effectiveness, adapted to the country's realities. In Honduras and Nicaragua, for their part, mutual accountability is merely centred on aid effectiveness (harmonisation and alignment plans), and its bases are being revised in the light of political changes (see ownership). The government of Honduras is currently drafting a Code of Conduct for donors which, on the basis of more autonomic regulation, could represent a very important way to reinforce national positioning within mutual accountability.

Bolivia, Peru and the Dominican Republic lack a national accountability mechanism. Bolivia represents a very delicate case: it is the only country in the entire 2007 survey that, contrary to 2005, no longer uses the mutual assessment mechanism and therefore has gone backwards in terms of this indicator.³² The abandonment of the previously existing mechanisms deeply contrasts with the fact that Bolivia welcomed the only country study of the first phase of the PD evaluation in 2007. In Peru and the Dominican Republic, the debate on mutual accountability is still incipient, even though there are some interesting

³¹ General dialogue, national progress control mechanisms, country goals and high level support.

³² National Alignment and Harmonisation Plan, promoted in 2005 by the previous government.

prospects for mutual assessment on the basis of the National International Technical Cooperation Policy and the National Development Strategy, respectively. In any case, both countries could benefit from more in-depth consideration not only of national development cooperation inputs, but also of the political implications of a more horizontal relationship with donors.

In the Latin American context, the following **conclusions** for the implementation of mutual accountability arise:

- Mutual accountability is at the heart of the political dimensions of a more horizontal association between North and South. In Latin America and the Caribbean, there are some specific conditions needed to advance gradually towards the **creation of more stable and independent assessment frameworks** that, in the form of national plans, assess levels of compliance with the commitments related to the PD's twelve indicators. The fact that national mechanisms of mutual accountability are weak or non-existent indicates the need, within the search for consensus, for a more decisive commitment to the sovereignty of recipient states in order to regulate donor responsibilities. Given the lack of international contracts that regulate aid relationships with institutions and sanctions,³³ the creation of more formal schemes for mutual assessment at the country level could benefit from independent mechanisms that provide viable evidence. Finally, regional frameworks could be more concretely linked to the International Aid Transparency Initiative (IATI), launched during the III High Level Forum in Accra.
- The lack of consensus in the drafting of country chapters and the discrepancies over the correct interpretation of the different PD criteria could require a **concerted response from Latin American**

governments with regard to the apparent limits to the rigorousness of the results of the PD follow-up. National governments have complained about this process which, to a certain extent, reflects the persistent asymmetries in aid relations. An exchange of experiences among the six countries participating in the 2007 survey could generate opportunities to identify potential steps to promote a monitoring process that is better adjusted to the realities of each country, for example, on the basis of a more open debate in the DAC Working Party on Aid Effectiveness.

- Given that aid represents a limited or decreasing input to the economies of the region, mutual accountability could benefit from an **approach that goes beyond the implementation of the PD commitments**. Within the PD's flexibility on this principle, a mutual assessment could be carried out not only of the PD-related commitments, but also of the actions of donor countries in other dimensions related to national development, such as trade, direct foreign investments and migrations. The coherence of donor country policies is of especial relevance to this subject, given that it reflects the real commitment of Northern countries towards human development in the South. A more in-depth consideration by Latin American governments could renew the most ambitious spirit of the first phases of thought on mutual accountability and, at the same time, create more comprehensive political frameworks, in consonance with a commitment to the philosophy of the Monterrey Consensus.

³³ This contractual character is found in other areas of international relations, such as the case of the World Trade Organisation (WTO) or the EU-ACP Economic Partnership Agreements (previously ACP Agreements).

Recommendations

As the analysis in this document has revealed, the Paris agenda needs to be adapted coherently to Latin American and Caribbean conditions and opportunities. The following recommendations intend to offer some key options to promote a regional aid effectiveness agenda through concertation mechanisms among the different national governments.

At a regional level:

Initiating **fluent communication among the national agencies** responsible for international cooperation, especially regarding the 2007 monitoring survey, the implementation of the AAA, the second phase of the PD evaluation and the possibility of creating a more stable exchange (working groups, for example at the SEGIB) and communications structure towards the international level (DAC/OECD, World Bank, and ECOSOC's Development Cooperation Forum), linked to the effectiveness agenda.

Creating a sub-working group of non-IDA countries to draw up good practices for **ownership in middle-income countries** (planning and coordination at the technical and institutional levels) and explore the **advantages and implications of programmatic aid** on the basis of an in-depth analysis of sector-wide approaches and other programme experiences in middle-income contexts.

Carrying out a **study on experiences with technical assistance** aimed at strengthening national capacities in the region, identifying multi- and bilateral donor comparative advantages and the actual demand in the different countries.

Exploring more systematically the **potential of South-South cooperation** in the region on the basis of a study of existing supply and demand, in addition to the experiences accumulated. A good starting point could be the Reports on Ibero-American Cooperation issued by the SEGIB, although it is necessary to examine the

data in a more in-depth manner and carry out a more detailed analysis.

Seeking a **political dialogue among Latin American countries** in order to assess jointly the development dimensions (MDGs, social equality, economic growth, etc.) and their relationship with the regional agenda of state modernisation, on the one hand, and holistic development financing, inspired by the Monterrey Consensus, on the other hand.

Widening the **coverage of the PD monitoring in Latin America and the Caribbean**, especially in South America, promoting the involvement of countries that currently do not participate in the DAC exercise and their integration into the exchange mechanisms created at a regional level, with the aim of increasing the specific weight of the region in the debates on aid effectiveness.

At a global level:

Agreeing on a **joint response from the Latin American countries participating in the PD monitoring**, which indicates their perception of the solidity of the data presented by the country reports, the reforms needed in the management of the monitoring process and prospects for the management of the second phase of the PD evaluation. This should be articulated in conjunction with the progress of mutual accountability at the international level, fostered by the AAA.

Promoting debate on **alignment in middle-income countries**, placing emphasis on a comprehensive development financing model and the coherence of donor countries' policies as a broader mechanism for the alignment of public policies in middle-income countries.

Articulating a joint position of the countries in the region on the **international division of labour** (among countries) that will commence in June 2009, ideally on the basis of an *ad hoc* assessment of the experiences of the phasing-out of some bilateral donors at the level of each affected country.

With a view to greater concertation at a global level (for example, at the ECOSOC's Development Cooperation Forum, UNDP and the World Bank), continuing to consolidate the debate and the systematisation of experiences in **South-South cooperation in Latin America and the Caribbean**, especially with regard to its contribution to strengthening national capacities and how it is articulated in relation to triangular cooperation and existing supply/capacities versus demand/necessities, in order to foster its consecutive inclusion in the aid effectiveness agenda.

Annex 1: Table of basic indicators on official development aid in the Latin American countries participating in the Paris Declaration follow-up

	Bolivia	Colombia	Honduras	Nicaragua	Peru	Dominican Republic	Average LA countries	Average countries participating in DAC monitoring
Gross National Income (GNI) per capita								
GNI in Purchasing Power Parity (USD)	2,890	7,620	3,540	4,010	6,080	8,290	5,405	2,840
GNI annual growth in 2006	4.6%	6.8%	6.1%	3.7%	8.0%	10.7%	6.7%	n/a
Official Development Aid (ODA) Flows								
Net ODA (USD millions) in 2006	581	988	587	733	468	53	568	950
Net ODA (USD millions) in 2004	770	519	650	1,235	473	85	622	668
% variation in net ODA 2004-2006	-25%	+90%	-10%	-41%	-1%	-38%	-4%	+42%
Aid dependence								
% Aid dependence (net ODA/GNI) in 2006	5.4%	0.8%	6.6%	13.9%	0.5%	0.2%	4.6%	11.0%
% Aid dependence (net ODA/GNI) in 2004	9.2%	0.6%	9.2%	28.7%	0.7%	0.5%	8.2%	12.8%
Variation in aid dependence 2004-2006	-3.8%	+0.2%	-2.6%	-14.8%	-0.2%	-0.3%	-3.6%	-1.8%
% variation in aid dependence 2004-2006	-41.3%	+33.3%	-28.3%	-51.6%	-28.6%	-60.0%	-29.4%	-14.1%

All data from "Aid at a Glance" (OECD/DAC), except for GNI (data from the World Bank's 2007 and 2008 World Development Reports)

Annex 2: Results of the 2008 Survey on Monitoring the Paris Declaration

ALIGNMENT INDICATORS IN LATIN AMERICA AND THE CARIBBEAN

Indicator 3: Are government budget estimates comprehensive and realistic?

	2005	2007
Bolivia	71%	83%
Colombia	-	22%
Honduras	50%	99%
Nicaragua	73%	85%
Peru	46%	63%
Dominican Republic	62%	51%
Average	60%	67%

Indicator 4: How much technical co-operation is coordinated with country programmes?

	2005	2007
Bolivia	80%	83%
Colombia	-	41%
Honduras	47%	84%
Nicaragua	29%	45%
Perú	5%	66%
Dominican Republic	37%	87%
Average	40%	68%

Indicator 5a: How much aid for the government sector uses country systems? (Public Financial Management)

	2005	2007
Bolivia	26%	39%
Colombia	-	9%
Honduras	26%	55%
Nicaragua	44%	49%
Peru	43%	45%
Dominican Republic	2%	49%
Average	28%	41%

Indicator 5b: How much aid for the government sector uses country systems? (Procurement)

	2005	2007
Bolivia	15%	36%
Colombia	-	4%
Honduras	5%	63%
Nicaragua	28%	47%
Peru	44%	51%
Dominican Republic	5%	40%
Average	19%	40%

Indicator 6: How many PIUs are parallel to country structures?

	2005	2007
Bolivia	66	19
Colombia	-	38
Honduras	52	36
Nicaragua	107	47
Peru	55	79
Dominican Republic	50	36
Average	66	43

Indicator 7: Are disbursements on schedule and recorded by government?

	2005	2007
Bolivia	63%	30%
Colombia	-	0%
Honduras	72%	66%
Nicaragua	70%	72%
Peru	48%	61%
Dominican Republic	11%	25%
Average	53%	42%

Indicator 8: How much bilateral aid is untied?

	2005	2007
Bolivia	78%	77%
Colombia	-	49%
Honduras	74%	75%
Nicaragua	85%	85%
Peru	63%	74%
Dominican Republic	28%	43%
Average	66%	67%

HARMONISATION INDICATORS IN LATIN AMERICA AND THE CARIBBEAN

Indicator 9: How much aid is programme-based?

	2005	2007
Bolivia	32%	40%
Colombia	-	16%
Honduras	43%	17%
Nicaragua	48%	49%
Peru	16%	12%
Dominican Republic	5%	64%
Average	29%	33%

Indicator 10b: How much country-analysis is co-ordinated?

	2005	2007
Bolivia	30%	64%
Colombia	-	59%
Honduras	45%	58%
Nicaragua	53%	71%
Peru	15%	15%
Dominican Republic	48%	62%
Average	38%	55%

Indicator 10a: How many donor missions are coordinated?

	2005	2007
Bolivia	17%	45%
Colombia	-	48%
Honduras	22%	32%
Nicaragua	9%	32%
Peru	11%	32%
Dominican Republic	20%	36%
Average	16%	38%

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