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EXPLORING ALTERNATIVE APPROACHES AND INSTRUMENTS FOR COORDINATING AID IN A FRAGMENTED ENVIRONMENT

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Those of us engaged in the implementation of the Paris Declaration have now reached the stage where we can – and indeed we must – reflect on our progress in a more methodical way; we need to take a few steps back and consider more objectively what we have achieved; and we need to understand more clearly the nature of principal driving factors. Perhaps of more importance, it is necessary to think a little more objectively about why our progress in some areas has been more modest and what kind of measures we can take to remedy this situation.

My first proposition is that, when considering alternative approaches, we must first become better at learning from our past experience and using the evidence available to us.

We have accumulated a significant body of evidence, both globally and at country level. We need to use this evidence to our advantage, we need to be better at learning from our experience, and we must be more creative and innovative in formulating responses. In all honesty, we should concede that we have perhaps not been very adept at doing this to date and, as technical people, we have chosen to downplay some of the political realities of the aid relationship.

Real learning, based on a thorough understanding of partnership dynamics, has often been an area in which we have not excelled. This conference is therefore both welcome and timely as it begins to explore new approaches beyond the 5-year period covered by the Paris Declaration. I am very aware that as we look beyond the Paris Declaration, the period 2010-2015 will be our last opportunity to plan and implement activities directed at meeting the MDG targets. The importance of our work cannot be over-stated.

My second proposition is that we must understand the environment that we are in and make policy that is relevant and suited to context.

The world today is a markedly different place from that in which we signed the Paris Declaration. On the positive side, we understand more about what works in aid management, and what kind of factors can motivate partner countries and donors to work together more effectively towards common objectives. But there are of course new economic and political challenges that we must explicitly take into account as we consider our ambition and objectives beyond the life of the Paris Declaration.

In Cambodia we have already begun to take account of our experience; we have gathered and reviewed the evidence; and we are mindful of the changing environment in which we are now working with our partners.

In Cambodia's most recent Aid Effectiveness Report, which was published in November 2008, we considered options for how we might move forward. Faced with the evidence of relatively slow implementation of the Paris Declaration commitments, we considered three options:

1. Is our requirement simply to work harder and re-double effort? We believe this would ignore opportunities for learning.
2. Do we need to adopt a "Paris-plus" scenario? This would prioritise and adapt our approach based on national evidence and Accra commitments.
3. Or do we need a more radical change in aid management policy, towards what we may call a "Post-Paris" approach?

We believe that there is sufficient merit in the existing framework so that – with some change and adaptation – we may be able to accelerate implementation and the link to development results. We choose the middle path.

My third proposition, therefore, is that we need to be more willing and able to adapt our approaches, and to be more prepared to innovate.

To illustrate this point I would like to move from the general to the specific. I will summarise some of the approaches and practices that we intend to prioritise in the next 2-3 years in Cambodia.

a) ***Relevant and prioritised actions at the sector level***

A national Harmonisation, Alignment and Results Action Plan was formulated in 2006 based on the Paris Declaration. Experience showed, however, that it was perhaps an overwhelming set of activities for each and every Government Ministry and agency to implement. We have therefore recently facilitated a process to build on the commitments in Accra but also to ground our future work in our own experience.

We have therefore taken an approach to more effectively locate aid effectiveness in sector work as this is where our efforts must be translated into development results. We have identified a much narrower set of actions that are based on the following criteria:

- Endorsed at the highest level (RGC & development partners)
- Relevant to the needs of the sector
- Realistic and achievable
- Linked to present and future capacity development efforts, and
- Targeting “good enough” actions that are not excessively ambitious

Combined with dedicated technical support from CDC, my agency that serves as the national aid coordination focal point, we believe that faster implementation and more relevant results will follow.

b) ***Capacity as the guiding principle, not an associated practice***

Based on our recent analysis we have come to understand very clearly that capacity development can no longer be viewed as a discrete or complementary activity. Capacity development perspectives must drive the way we approach aid effectiveness work. In particular, we need to use tools such as the "open systems" approach that recognises the inter-relationships and dynamics between organisations, their objectives, their accountability frameworks and the manner in which capacities are developed and sustained.

We need to use capacity development approaches so that we understand aid effectiveness work as part of a broader change management exercise. We can then use appropriate tools and approaches so that we can identify appropriate measures and activities that will produce the desired results.

In the context of our work we have therefore made effort to link aid effectiveness work with important on-going reforms, including in public financial management, and in public administration reform. We have also developed a policy guideline on the role and use of technical cooperation to guide our development partners in the use of these resources.

c) ***A programme-based approach as a holistic response***

Our perspectives on capacity development have also informed our view that programme-based approaches are our preferred way of operating at sector and thematic level. This is not simply driven by donor harmonisation objectives; we believe that all five of the Paris Declaration principles are mutually dependent and re-enforcing, and PBAs are therefore the most viable way of making progress against all of these objectives at sector level. In short, we need to take a holistic approach, starting from a perspective that is rooted in capacity development, to build effective, results-based and sustainable aid management approaches.

With regard to fragmentation, let me say a few words here about our approach. Cambodia is undoubtedly one of the most fragmented aid environments in the world and we have shown this using statistical methods in our 2007 and 2008 Aid Effectiveness Reports. In addition to having a large number of official development partners – about 50 - not to mention 2,000 NGOs, we find that partners are often inclined to support a large number of sectors with a large number of projects.

So how do we resolve this problem?

A division of labour is an approach that has attracted attention at global and national level. From a technical perspective it does appear to offer an approach to rationalisation. But we need to also understand aid relationships at a political level. With such high levels of development cooperation – 50% of our budget – over two decades we also need to be sensitive to the aid relationships that have evolved over an extended period at central and sectoral level.

From a government perspective, there is a preference to manage diversity, as opposed to reducing the number of development partners. In the context of the current economic crisis, a rational response for any partner country is to maximise the number of funding sources, while at sector level there is an appreciation of the different modalities and competencies that each donor can bring. During our

recent exercise to negotiate prioritised and relevant aid effectiveness actions, it is very important to observe that not a single Government ministry identified division of labour as a preferred approach to managing fragmentation.

From a development partner perspective, we must also consider the viability of a division of labour exercise.

- The development banks appear to play something of a 'lender of the last resort' role and their presence across many sectors is a result of their corporate positioning as well as Government appreciation of the resources and expertise that they offer.
- The UN agencies – all 23 of them – together with the vertical funds such as GAVI and the Global Fund, have a specialised mandate that usually emphasises technical support as well as resource transfer. This places natural limitations on efforts to divide their labour.
- Many of the larger bilateral donors have a strategic approach that guides their interest in working with multiple sectors. Their interest in division of labour is not thought to be emphatic.
- Many of the smaller bilateral donors are already delegating much of their cooperation through multilateral agencies.

When all of this is taken into account, we are mainly left with EU bilateral agencies. The EU is actively addressing its own division of labour and the Government is supportive of this initiative, taking a leadership role where appropriate.

Whatever the technical challenges to implementing a division of labour exercise – and they are formidable – we are of the view that the practical and political realities make such an approach unrealistic and unlikely to reap any significant dividend in the Cambodia context.

In the context of a holistic Programme-based Approach we have therefore identified the following approaches to managing the diversity of funding sources:

- *Strengthening public financial management at central and sector levels* – the reform programme here will consolidate all resources into a sector Budget Strategic Plan. Integrating domestic and external resources will support coherent planning and implementation, as well as promoting coordination and alignment of aid. As the reform progresses we also hope that increased flows of Budget Support will provide a further means to reduce fragmentation.
- *Delegated cooperation* – we are encouraged by the increased capacity of line ministries to negotiate and manage co-financed arrangements as well as the willingness of our development partners to enter into such arrangements. In the short-term this is perhaps the most viable approach to addressing fragmentation at the sector level.
- *Efficient Government management of projects using national systems* – we often overlook the need to simply become better at executing and managing projects. The capacity development focus of our PBAs should promote the use of Government systems, which we see as vitally important for our development partners to support in channeling their funds.

d) ***Partnership dynamics cannot be taken for granted***

The fourth and final concrete example concerns the quality of our partnerships. All qualitative assessments of our progress – strongly supported by anecdotal and empirical experience – highlights that our ability to work together as partners is absolutely key to our aid effectiveness work and, more important, to ensuring the developmental impact and sustainability of our combined efforts.

Yet we often fail to comprehend fully the inherent challenges and complexity of partnerships. In any multi-stakeholder environment we need to understand and explicitly address issues of power, culture, motivation and leadership. Our current development paradigm – based on partnership around the MDGs – has often not taken full account of these realities.

In Cambodia we are just beginning an exercise that will be implemented over two years to enable us to more fully understand these dynamics and to help us work through some of the challenges we face in these multi-stakeholder partnerships. I believe that this innovative approach will be an important catalyst and complement to our technical work.

Summary

I have tried to demonstrate how in Cambodia we have explored and adapted our approaches to aid management. I have made three general propositions that I believe have been helpful to Cambodia and may also be of relevance elsewhere as we look beyond the lifetime of the Paris Declaration. These are:

1. That we become better at learning and using evidence.
2. That we must understand the environment and be sensitive to context.
3. That we be more willing to adapt and innovate.

I have also demonstrated how we have applied these approaches in Cambodia so that we may more quickly see the kind of results that we all seek. You have seen that leadership, relevance, capacity and partnership have been the focus of our approach to adapting policy and practice in aid management.

In our experience, adaptation is an imperative rather than an option. Global leadership of the aid effectiveness agenda must, in its next iteration, be less formulaic and more disposed to innovation.

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