

Department of Foreign Aid and Budget Monitoring  
Ministry of Plan Implementation

# Evaluation of the Implementation of the Paris Declaration: Case Study of Sri Lanka

## Executive Summary

Asoka S. Gunawardena  
Ministry of Plan Implementation

### Evaluation of the Implementation of the Paris Declaration Case Study Country Level Evaluations/Sri Lanka

#### Executive Summary

The Paris Declaration sets out a monitorable framework of commitments and actions for improving aid effectiveness. The evaluation assesses what works, what does not work and why. This evaluation study was undertaken for the Ministry of Plan Implementation in pursuance of its mandate as the national focal point for monitoring and evaluation.

The evaluation used many sources as a basis including the Monitoring Survey of the Paris Declaration (Donor Aid Coordination Unit; 2006) and gathered information using structured interviews based on an "Assessment Questionnaire". A representative sample covering sectors, Development Partners, government institutions and civil society stakeholders enabled capturing a comprehensive profile. Findings were validated through stakeholder workshops.

Sri Lanka's elevation as a middle income country is likely to limit eligibility for "concessional" aid. However, several significant steps have been taken to reform the management and delivery of aid. This evaluation focuses on the Paris Declaration principles, commitments and programme theory (refer TOR).

#### The Paris Declaration as a tool for Aid Effectiveness

The fundamental focus of the Paris Declaration is on improving transparency, accountability and results orientation in the management and delivery of aid. Sri Lanka as a signatory to the Paris Declaration is committed to taking forward the

aid effectiveness agenda. However, it is necessary to localise the Paris Declaration for it to become an effective tool for aid management and delivery.

#### Alignment and Harmonisation of Development Partner Behaviour

The Paris Declaration monitoring indicator status suggests differences in the donor positions across the indicators, with greater conformity in respect of commitments on some themes and indicators than others. There are also differences in the positions of bilateral and multilateral donors, greater compliance being demonstrated by the latter.

The monitoring indicators suggest that Development Partners have responded positively to the country systems in place.

- With regard to Official Development Assistance, there is a high level of aid disbursement for the government sector (approximately 89%), with 77.6% channelled through the government budget, approximately 65% of disbursements using country public financial management systems and 50% of procurements following national procurement procedures.
- However, findings suggest inadequate commonality in orientation on the part of donors at the different levels of aid engagement.
- Significant is joint country analytic work as well as initiatives in sector-based arrangements extending from master plans (health and roads) to programme-based approaches (environment) and SWAPs (education) as well as joint assessments of post-conflict rehabilitation and reconstruction and post tsunami recovery and reconstruction.
- However, in general, donors continue to rely on own assessments, formats, procedures and strategies.

Key issues and concerns regarding donor capacity:

- Absence of a joint Development Partner country assistance strategy.
- Limited discretion at the field level of donors for flexibility in operating systems and procedures to respond to local conditions.
- Field staff sometimes lacking in sensitivity to local contexts and issues.
- The tendency of the donors to demonstrate a concern for procedure rather than result.

As far as incentives are concerned, the study findings suggest that:

- At the country level, donor behaviour is driven by disbursement imperatives rather than results and sustainability considerations.
- Donor field office performance assessment is also driven by disbursement imperatives rather than results.
- Development assistance tends to be driven by the transfer of international development technologies, products, and systems rather than local solutions.

### Partner Country Ownership

Several significant steps have been taken to strengthen national ownership. The ownership commitment is marked by the following:

- The adoption of the “Ten Year Horizon – Development Framework” with the participation of all stakeholders is a significant milestone.
- Sector plans and strategies strengthening sector ownership.
- Progressive shift to sector-wide approaches as the basis for more effective aid coordination.
- In areas where agency capacity is weak, the aid nexus works more in its informal dimension where the donor leads the interaction. Such donor-driven project formulation tends to undermine national ownership.
- Perception of centralised government ownership of the development agenda and the need for “broadening” (civil society) and “deepening” (sub-national) stakeholder involvement to ensure national ownership.

The capacity to manage the use of aid is marked by strengths and weaknesses.

- Adoption of a “Medium-term Macro Expenditure Framework 2006-2009” as the basis for prioritising public expenditures and improving the link between the national development framework and resource allocation.
- Planning units in Ministries are burdened with routine administration, hence requiring reorientation and capacity building.
- Forward-looking MfDR initiative and results-focused approach to “Foreign Aid Budget Monitoring” of major aid projects. However, capacity constraints need to be addressed on an urgent basis.
- Duplication of efforts through parallel monitoring of aid projects by donors is a concern that needs to be addressed.

Key concerns of the incentive regime are the following:

- Delivery of foreign funded projects, while reflected in budgets, is perceived as an “additional” activity, external to service provision responsibilities and undermining the mainstreaming of aid programmes.
- Foreign aid projects perceived as the domain of “project staff” continue to keep the project entity outside the mainstream.
- While ministries with strong institutional and staff capacity have demonstrated a keenness to phase out Project Implementation Units, those with capacity constraints place reliance on dedicated structures for project implementation.
- Separation of project entities in some instances has caused threats to the sustainability of the aid intervention and undermined national ownership.

### Effectiveness Outputs and Results

Significant progress is recorded on several aid reform commitments. However, there are problems of capacity on the part of partner country agencies to engage with multiple donors, systems and procedures. It limits achievements in ownership, alignment and harmonisation and increases transaction costs.

Despite constraints and limitations, the following achievements are noteworthy:

- Strengthening of ownership through improved coordination of national and sector development strategies.
- Enhanced aid alignment through the use of national public financial management and procurement systems.
- A movement towards donor harmonisation through increasing use of sector-based approaches.
- Initial steps taken to institutionalise MfDR initiatives and the commitment of donors to support capacity building in these areas.

### Issues and Challenges in Managing Change in Reorienting the Aid Nexus

Overall there is good performance on the basis of the monitoring indicators. However, the evaluation reveals gaps in aid reform management to achieve aid effectiveness. Significant challenges remain:

- Enhancing ownership. Ministries, sub-national governments and civil society partners must become actively involved as stakeholders.
- Ensuring continuity of national development strategy through changes of government policy make alignment in practice a challenging task.
- Imposed conditionalities and tying of aid especially by bilaterals is tending to undermine national ownership and restrict aid effectiveness. It also affects predictability of aid.
- Possible absence of donor identity being perceived as a threat. Donor concern for attribution of contributions perceiving programme based approaches involving general budget support as a threat.

- Increasing transaction costs to country partner in having to continue to work with multiple donor systems within sector-based approaches in the absence of donor harmonisation.
- The issue of partner country capacity at the national and agency levels and further enhancing of the quality of country systems.
- While the Paris Declaration as a whole is an opportunity for the partner country, the possibility of a coordinated collective stand by donors is being perceived as a threat.

Effectiveness reform will necessarily be a selective process. Strategic change thrusts in moving towards aid effectiveness will involve addressing the following:

- Complementing high-level political commitment in the aid agenda, extending and expanding the ownership of national development strategy.
- Expand the area of alignment and harmonisation by building capacity for coordinated action on the part of donors and partner country to further enhance the quality of country systems.
- Bring about greater awareness of the Paris Declaration themes and commitments, and the implications of application at different levels of government. Absence of knowledge is a constraint to taking full advantage of the Paris Declaration principles and tools by the partner country.
- Establish sector-based modalities for building horizontal (trust and confidence) and vertical (reporting) accountability linkages.
- Enhanced donor support for institutionalising managing for development results.
- Shifting to joint evaluations as opposed to donor-driven evaluation to improve capacity, ownership and mutual accountability.
- Moving from supply-driven to needs-based and demand-driven capacity development support.