

Federal Ministry for Economic Cooperation
and Development, Germany (BMZ)

Evaluation of the Implementation of the Paris Declaration: Case Study of Germany

Executive Summary

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The report, which this paper summarises, has been commissioned by the evaluation division of the Federal Ministry for Economic Cooperation and Development, Germany (BMZ). The opinions presented in this study are those of independent external experts and do not necessarily reflect the views of BMZ.

Executive Summary

The evaluation is based on 54 interviews with 103 interlocutors in two groups of institutions: first, a core group comprising the German Federal Ministry for Economic Cooperation and Development (BMZ), the Foreign Office and the main implementing agencies Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ), KfW Entwicklungsbank, German Development Service and Capacity Building International (InWEnt), and, second, an additional group made up of the Federal Ministry of Finance, the Federal Parliament's Committee on Economic Cooperation and Development and several development Civil Society Organisations. In addition 40 questionnaires were sent to the representations of the core group institutions in the ten partner countries of the overall evaluation, 34 of which were answered.

I Assessing Commitment

General Acknowledgement and Interpretation of the Paris Declaration

Commitment to the Paris Declaration in the German aid system is high. The Declaration is widely acknowledged as a politically binding framework and there is a broad consensus among virtually all actors in the German aid system that the five principles laid out in the Paris Declaration are key for enhancing the effectiveness of aid. There is a general concern

about somewhat unclear definitions and different interpretations of some principles and modalities in the Paris Declaration. In particular with regard to mutual accountability and – to a lesser degree – managing for results, a number of interlocutors expressed their concerns that both principles were not as clearly defined as the other three and stressed that their relevance ultimately depended on the definition adopted. In addition, a number of potential conceptual conflicts between some of the principles were highlighted, in particular between ownership on the one hand and harmonisation, managing for results and mutual accountability on the other.

Another concern expressed by several interlocutors is that some other donors tend to interpret the Paris Declaration principles and modalities in such a way as to favour budget support as the aid instrument of choice.

Furthermore, the Paris Declaration is criticised by various actors for being too much focused on central government. In the view of many interlocutors, such a rather narrow interpretation is a matter of concern particularly with regard to the principle of ownership, which is generally assigned the highest relevance among the five Paris Declaration principles. This would neglect other important stakeholders in development processes, namely parliaments, sub-national units of government, and civil society.

As far as the modalities and indicators agreed in the Paris Declaration are concerned, overall commitment is similarly high in the German aid system. Yet, views on how the individual indicators are to be interpreted tend to differ between German aid institutions.

- The main debate is on the interpretation of indicator 4 (capacity strengthening by coordinated support), indicators 5a and 5b (use of country public financial management and procurement systems) and, in particular, indicator 9 (use of common arrangements and procedures through programme-based approaches).
- Echoing also the international debate, there has been a controversy on the interpretation of the concept of programme-based approaches, in particular on the question whether the PBA concept implies only financial contributions in support of joint programmes or whether the concept allows for direct contributions (in kind) as well. By now, a common understanding within the German aid system has been achieved that programme-based approaches represent a broad concept of support to partner programmes that can involve different aid instruments, including direct contributions through technical cooperation. This consensus entails the policy that joint financing mechanisms such as basket funding arrangements and in particular budget support can effectively contribute to implementing the Paris Declaration principles. However, serious reservations against these instruments remain in Parliament, particularly in the Budget Committee.
- While the need to reduce transaction costs through joint missions, monitoring and evaluations with other donors is widely acknowledged and German aid agencies seem committed to actively coordinate efforts with other donors, the main challenge created by the principle of harmonisation is seen in better coordination within the German aid system.
- BMZ acknowledges that delegated cooperation can be a sensible approach to achieve better division of labour. Such cooperation is, however, considered a transitional instrument and BMZ does not generally aim at medium or long-term delegated cooperation, in particular not as a silent partner.

There is numerous anecdotal evidence on positive and negative effects of the Paris Declaration. The observed negative effects, however, do not seem to seriously undermine the overall commitment to the Paris Declaration.

In principle, the Paris Declaration is considered to be relevant across all countries receiving German development aid. Nonetheless, it is generally acknowledged that the Paris Declaration is primarily relevant for least developed countries. Some principles and modalities would require country-specific interpretation and weighing in post-conflict or fragile states. The same applies to anchor countries, which, due to their economic weight and political influence, play a growing role on a regional and global scale in defining international policies and achieving the Millennium Development Goals.

Reflection in Policies

The high commitment to the Paris Declaration is reflected in various policy documents and planning processes. In September 2005, BMZ presented a detailed implementation plan, complemented in December 2006 by a manual for the German aid system (i.e. BMZ and implementing agencies). Implementing agencies have incorporated Paris Declaration requirements into their programming (via corporate annual goals) and are making explicit references to the Paris Declaration.

Planning and programming have particularly evolved with regard to programme-based approaches. Procedures in German development cooperation have been adapted to some extent: The "Guidelines for Bilateral Financial and Technical Cooperation" were updated in March 2007 and allow for enhanced flexibility in joint funding mechanisms as well as for delegated cooperation and silent partnerships. Under the German EU Presidency in 2007, a significant contribution was made to establish a "Code of Conduct on Complementarity and Division of Labour in Development Policy". Concerning managing for results, BMZ has established a system to improve direct aid management towards objectives. An important step in this regard has been the introduction of joint programme proposals being elaborated by the implementing agencies on the basis of the priority area strategy papers and indicating the results to be achieved. Implementing agencies have monitoring and evaluation systems in place. Changes in procedure have at times pre-dated the Paris Declaration and are also motivated by improvements towards a joined-up German development cooperation.

Dissemination

The Paris Declaration and documents on related topics have been disseminated widely and intensively in the German aid system: widely due to the involvement of the main actors of government, parliament and Civil Society Organisations, and intensively, since the dissemination frequently extended beyond the provision of information by taking the form of discussions of specific subjects of the Paris Declaration. The continuous dissemination and discussion have certainly contributed to increasing the knowledge and understanding needed to implement the Paris Declaration agenda.

II Assessing Capacities

Institutional Capacity

The institutional embedding of the Paris Declaration in the German aid system appears to be adequate since there are focal points (except in one case) and units of different configurations (divisions, working groups, competence centres) dealing with relevant Paris Declaration-related topics. Knowledge of the Paris Declaration and understanding of its relevance are high, which is due to several factors: the dissemination referred to before, the intensive Paris Declaration-related training organised by the main aid institutions particularly in areas that constitute a challenge, the need to participate in Paris Declaration-induced alignment and harmonisation efforts

and, finally, the continuous exchange of information among all actors involved.

As for human resources and capacity of action (especially at country level), the Paris Declaration agenda is a challenge for the German aid system which has spurred a number of positive responses. These efforts are useful but appear to be not yet satisfactory regarding BMZ and German Development Service headquarters and particularly German embassies. The latter, despite the support received from country staff of the implementing agencies, appear to be insufficiently staffed and authorised for effective dialogue and negotiations with partners and other donors. Since the implementation of the Paris Declaration is notably a matter at country level, the reduced capacity of action of development cooperation officers at embassies is a bottleneck that has to be addressed.

Systemic Capacity

There are factors inherent in the German aid system and extending beyond the sphere of individual organisations that both support and complicate the implementation of the Paris Declaration. The evaluation highlighted four supporting aspects: (i) cabinet rank of development cooperation (making it easier to defend the Paris Declaration agenda from the perspective of aid effectiveness, if conflicts of interest with other government departments arise), (ii) considerable implementation capacity (German aid organisations being strong providers in capacity building, for instance, and attractive partners for delegated cooperation and silent partnerships), (iii) multi-level approach adopted by German aid organisations (which therefore claim to be well rooted in partner countries and in a good position to take part in policy and sector dialogue), (iv) wide-spread country representation.

By contrast, interviews and answers to the questionnaires pointed to the following complicating factors: (i) co-responsibility of BMZ and Foreign Office (particularly at country level), (ii) multi-organisational aid system (affecting the efficiency and effectiveness of German aid), (iii) institutional separation of financial and technical cooperation, (iv) specific delivery modalities in the area of bilateral technical cooperation, (v) various problems of representation at the country level. These problems are not new and have prompted a number of reforms over the last decade, which have been recognised as helpful throughout the evaluation. Still, a number of interlocutors (mainly in BMZ) stated these reforms were insufficient for the German aid system to be fully able to cope with the Paris Declaration agenda.

III Assessing Incentives/Disincentives

The study identified six incentives: intrinsic motivation (appearing to be the strongest one), BMZ commitment to the Paris Declaration, organisational target agreements, individual performance targets, confirmation of institutional profile and synergies/learning. Organisational target agreements and individual performance targets refer to the Paris Declaration agenda to varying degrees, but in some cases need to be

operationalised more clearly with regard to relevant Paris Declaration-specific issues in order to perform a strong incentive function.

The following disincentives were reported: Shortage of staff, aggravated by an additional workload as a result of increasing transaction costs due to the Paris Declaration, BMZ's fast staff rotation, complexity of the German aid system (requiring considerable coordination efforts), interfering political priorities, call for visibility of German aid contributions, and institutional self-interests. Some of the disincentives can be overcome exactly by a consistent implementation of the Paris Declaration (e.g. by harmonising approaches and modalities, thus reducing transaction costs, or by demonstrating that joining efforts of partners and donors can enhance aid effectiveness much more than insisting on the visibility and tracing of individual aid contributions).

IV Conclusions

Commitment

In order to sustain the high commitment to the Paris Declaration in the German aid system, it will be important to achieve a better common understanding of the principles, modalities and indicators of the Paris Declaration. Conceptual conflicts between some of the Paris Declaration's principles as well as potential conflicts between internal and external accountability on the recipient and on the donor side need to be addressed. The discussion on a broader concept of ownership in the sense of "democratic ownership" needs to be taken further at national and international level in order to establish a common understanding of the concept and to address concerns that some actors on the donor and the recipient side might have too narrow an understanding of ownership as central government ownership only.

For the German Paris Declaration implementation plan to retain its function as a key document, it needs to be updated and continuously monitored. Given the urgent need to reduce transaction costs of development cooperation, BMZ should consider to mandate German implementing agencies to act as silent partners on more occasions. Clear criteria need to be established at the international level as to the circumstances under which in kind contributions to programme-based approaches should be considered appropriate. This decision should be strictly guided by the objective to support partner countries' development strategies in the most effective way that is appropriate and feasible.

Dissemination and Paris Declaration-related training should be regarded as continuous tasks for three reasons: (i) within the "lifespan" of the Paris Declaration implementation (2005-2010 and possibly beyond) sizeable changes of staff are taking place in many organisations with which dissemination and training have to keep pace. (ii) Since achieving some of the Paris Declaration targets still requires a considerable way to go, the momentum regarding implementation and hence dissemination and training needs to be maintained (particu-

larly as far as challenging areas are concerned). (iii) Experience from implementation should be fed back into dissemination and training with a view to deepening the common learning process of all actors involved.

Capacity

As for the problem of human resources and capacity of action at country level identified as a bottleneck of institutional capacity, four aspects deserve attention: (i) the problem of high workload reported mainly by BMZ and German Development Service (ii) the need to better staff German embassies, (iii) delegation of more decision-making power to development cooperation officers at the embassies, (iv) maintaining the momentum of Paris Declaration implementation since only then transaction costs can be expected to decrease.

The systemic factors complicating the implementation of the Paris Declaration need to be addressed since the Paris Declaration agenda is ambitious in itself and poses a challenge for Germany as the 2006 Baseline Survey has shown. It is beyond the scope of this evaluation to indicate precise ways of how to deal with the problems reported since in some cases very complicated issues are involved. While it is probably overly optimistic to expect them to be solved within the time horizon of the Paris Declaration (i.e. until 2010), the message resulting from this evaluation expressed by many interlocutors is clear: Putting the Paris Declaration agenda into practice requires further reforms whose implementation offers the German aid system the chance not only to increase its own efficiency and effectiveness but also to contribute to enhanced aid effectiveness overall.

Incentives/Disincentives

Intrinsic motivation was said to be the strongest incentive and, hence, constitutes an asset which needs to be maintained (by sustained commitment to the Paris Declaration and support to staff engaged in implementation). In addition, Paris Declaration targets should be integrated into organisational target agreements and, as far as possible, into individual performance targets (where this has not yet happened). It has to be kept in mind, however, that achieving Paris Declaration targets also depends on partner countries' conditions and behaviour. As for the reported disincentives, BMZ should follow a more strategic staff planning ensuring more continuity in staff. Overcoming several other disincentives reported depends on both vigorous implementation of the Paris Declaration (which for instance should reduce transaction costs) and further reforms of the German aid system (which, among other things, would make coordination easier).