

Improving Aid Effectiveness: Implementing Paris Declaration

PAKISTAN DEVELOPMENT FORUM

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ISLAMABAD

Introduction: Structure remarks on six points

- There is now a very broad international consensus on the urgent need to unleash the full potential of aid to improve development impact**
- This consensus captured in the Paris Declaration**
- Broad international experience suggests harmonization and alignment issues addressed seriously in about 20 countries**
- Pakistan can benefit substantially if the government and donors work together on this agenda**
- Challenge to work on an aid effectiveness agenda that fits the specific needs in Pakistan**
- The World Bank is prepared to fully support the aid effectiveness agenda in Pakistan under the government leadership**

- **Consensus built up over several years with Monterrey Consensus in 2002,**
- **The Rome Declaration in 2003,**
- **Managing for Results at the Marrakech Roundtable in 2004,**
- **Paris Declaration in 2005**

Paris Declaration

- **The Paris Declaration widely accepted as a major commitment to improve aid delivery and management**
- **A distinct feature of the agreement is monitoring process anchored at the country level and oversight at the global level.**
- **12 indicators & targets set for 2010 to track & encourage progress**

International Experience

- **20 countries where harmonization and alignment implementation is taking place across a broad front**
- **In another 40 or so other countries ad-hoc measures being taken**
- **Issues being tackled covered include:**
 - joint country assistance strategies;**

International Experience

- aligning budget support operations with the national budget cycle;**
- agreeing on a common performance assessment framework under an MOU;**
- using a sector wide approach;**
- using country procurement and financial reporting and auditing systems.**
- multidonor public sector capacity building program with pooled financing ;**
- joint country analytical work;**
- delegated cooperation.**

- **Despite progress, agenda is not an easy one**
- **Needs changing the status quo ways of doing business.**
- **But paraphrasing what the Prime Minister said yesterday, nobody likes change, but change we must to grow and develop.**
- **Countries making most progress are Tanzania, Uganda, Mozambique, Ghana, Vietnam, Cambodia, Nicaragua, Bangladesh.**

- **Pakistan has relatively low dependence on aid but large performance and financial gaps in meeting MDGs**
- **Progress in implementing Paris Framework can contribute to improved development outcomes in Pakistan.**
- **Moreover, it can help attract additional aid flows needed to finance achieving MDGs,**
- **Globally, the aid environment is very positive and encouraging.**
- **The OECD DAC projects total net disbursements of ODA will be 128 billion in 2010, compared to nearly 80 billion in 2004,**

- **This is an unprecedented increase in commitments. If delivered can support progress towards MDGs including in Pakistan**
- **The Paris framework therefore critical element in Pakistan meeting its MDG goals**
- **As the World Bank Vice President Mr Patel and ADB's Mr Miranda said in their opening remarks yesterday, achieving these goals will also help broaden the benefits of private sector led growth and help sustain it.**

IMPLEMENTATION

- **In Pakistan's case, specific factors that deserve special consideration are:**
- **Aid constitutes approximately 2% of GDP and 5-6% of government expenditures.**
- **80-90 % of aid received is provided by 5 largest donors operating under different mandates and pursuing different national and institutional interests.**
- **Two MDBs by themselves provide 60-70%.**

- **First, while aid may constitute only 5-6% of government expenditures unless this aid is well aligned and harmonized, distortion of government priorities and fragmentation of government capacity can have serious development impacts.**
- **Given the state of the aid effectiveness agenda in Pakistan which is at an early stage, and well described in the Killick/Shah background paper, it is hard to imagine that the key donors in Pakistan are ready to share the same alignment and harmonization agenda.**

- **This would seem to me too idealistic. It will be easier to argue that WB, ADB, JBIC, and possibly ISDB can work on improving alignment with government priorities, and harmonization of procedures**
- **Like minded donors, both bilateral and multilateral can work on sector approaches and project level issues**
- **This approach has a good precedence in Vietnam**

- **A key first step will be for the government to take ownership of its agenda**
- **Vietnam, Cambodia, Ghana have defined their agendas in a road map that draws from the Paris Declaration commitments, but tailored to their own needs. Bangladesh is working on a similar road map.**
- **As a country that endorsed the Paris Declaration Pakistan has also committed to undertake an in-country monitoring process.**

- **This process is being launched by the OECD-DAC this week, and requires the government nominating a national coordinator.**
- **The implementation process also requires a well defined and structured government donor mechanisms, with adequate capacity to lead**
- **Strong and effective donor support once the government's priorities are made clear will be critical**

WORLD BANK SUPPORT

- **The World Bank senior management is strongly committed to the implementation of the Paris Declaration commitments at the country level.**
- **Mr Wolfowitz as did Mr Wolfensohn has underlined the importance he attaches to the Bank playing a substantive role and contribute towards country level implementation.**

WORLD BANK SUPPORT

- **In Pakistan's case, the Bank's CAS FY06-09 is being aligned closely with the government's priorities set in the PRSP.**
- **We would encourage the government to use the opportunity of the momentum from the PDF and the DAC survey monitoring process to articulate an implementation road map.**
- **The Bank is fully prepared to provide support as necessary to its development .**

WORLD BANK SUPPORT

- **We would like also to underline that we are fully prepared to work closely with our donor partners under government leadership to meet our mutual commitments under the Paris Declaration.**
- **Moreover, in areas where we have expertise we will provide assistance as needed to move this agenda forward.**